

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Financial Statements

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)

Independent Auditors' Report

The Board of Directors

Standard Chartered Bank (Taiwan) Limited:

We have audited the accompanying balance sheets of Standard Chartered Bank (Taiwan) Limited as of June 30, 2013 and December 31, June 30, and January 1, 2012, and the related statements of profit or loss and other comprehensive income, statements of changes in stockholders' equity, and statements of cash flows for the six months period ended June 30, 2013 and 2012. 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 the Regulations Governing Auditing and Certification of Financial Statements of Financial Institutions by Certified Public Accountants and Republic of China generally accepted auditing standards. Those standards and regulations require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Standard Chartered Bank (Taiwan) Limited as of June 30, 2013, December 31, June 30, and January 1, 2012, and the results of its performances and its cash flows for the six months period ended June 30, 2013 and 2012, in conformity with the Regulations Governing the Preparation of Financial Statements by Public Banks.

KPMG
August 29, 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
June 30, 2013 and December 31, June 30, and January 1, 2012
(Expressed in thousands of New Taiwan dollars)

	June 30, 2013		December 31, 2013		June 30, 2012		January 1, 2012			June 30, 2013		December 31, 2012		June 30, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%	Amount	%
Assets									Liabilities and Stockholders' Equity								
11000 Cash and cash equivalent (note 6(1))	\$ 10,237,314	2	6,697,772	1	8,227,443	1	11,469,535	2	21000 Deposits from the central bank and banks (notes 6(13) and 7)	\$ 59,241,520	8	9,283,983	1	43,310,360	6	18,390,389	3
11500 Due from the Central Bank and call loans to banks (notes 6(2) and 7)	57,645,568	8	68,073,194	10	69,246,194	10	74,398,541	10	22000 Financial liabilities at fair value through profit or loss (note 6(3))	8,881,239	1	8,357,471	1	10,742,881	1	14,863,355	2
12000 Financial assets at fair value through profit or loss (note 6(3))	32,771,871	5	29,544,710	4	37,748,715	5	40,867,691	6	22300 Derivative financial liabilities for hedging—net (notes 6(4) and 7)	26,757	-	13,523	-	16,116	-	92,441	-
12300 Derivative financial assets for hedging—net (notes 6(4) and 7)	265,178	-	428,983	-	575,452	-	728,959	-	23000 Payables (note 6(14))	4,799,951	1	6,016,092	1	5,199,339	1	4,871,999	1
12500 Securities purchased under resell agreements (note 6(5))	-	-	3,402,039	-	10,746,723	2	8,456,414	1	23100 Related parties payable (note 9)	6,688,176	1	6,012,064	1	5,211,151	1	4,284,892	1
13000 Receivable—net (notes 6(6), (7)and7)	29,478,462	4	37,741,825	5	39,098,114	5	34,206,432	5	23200 Current tax liabilities (note 6(21))	-	-	65,780	-	132,905	-	21,191	-
13200 Current tax assets (note 6(21))	176,312	-	115,818	-	115,818	-	224,890	-	23500 Deposits and remittances (notes 6(4), (15) and 7)	505,507,941	71	563,071,977	77	532,216,041	74	596,151,692	80
13500 Discounts and loans—net (notes 6(4), (7)and 7)	345,056,675	48	350,387,046	48	352,199,753	49	346,151,003	47	24000 Bank notes payable—net (notes 6(4), (16) and 7)	55,663,052	8	62,014,537	9	62,354,804	9	47,512,170	6
14000 Available-for-sale financial assets—net (notes 6(4), (8) and 7)	223,850,975	31	226,363,332	31	188,142,601	27	211,874,021	28	25500 Other financial liabilities (note 6(17))	25,530,568	4	34,690,236	5	15,309,860	3	10,095,732	1
15000 Investments measured by equity method—net (note 6(9))	487,325	-	369,417	-	394,908	-	279,579	-	25600 Provisions (note 6(18) and (20))	1,978,419	-	1,981,028	-	1,814,622	-	1,822,557	-
15500 Other financial assets (note 6 (9))	151,455	-	151,409	-	158,002	-	158,072	-	29300 Deferred tax liabilities (note 6(21))	602,787	-	665,364	-	632,917	-	586,808	-
18500 Property, plant and equipment (note 6(10))	5,756,855	1	6,049,665	1	6,276,399	1	6,811,873	1	29500 Other liabilities(notes 6(19) and 9(3))	2,618,558	-	1,313,731	-	1,255,771	-	1,279,592	-
19000 Intangible assets—net (note 6(11))	3,158,902	1	3,193,435	-	3,204,191	-	3,217,941	-	Total liabilities	671,538,968	94	693,485,786	95	678,196,767	95	699,972,818	94
19300 Deferred tax assets (note 6(21))	2,436,577	-	2,639,983	-	2,543,477	-	2,800,902	-	31101 Common stock (note 6(23))	29,105,720	4	29,105,720	4	29,105,720	4	29,105,720	4
19500 Other assets—net (notes 6(12) and 8)	1,352,164	-	1,311,201	-	1,690,996	-	2,704,093	-	31500 Capital surplus(note 6(23))	5,786,031	1	5,786,031	1	5,786,031	1	5,786,031	1
									Retained earnings :								
									32001 Legal reserve (note 6(23))	4,289,836	1	3,388,832	-	3,388,832	-	876,897	-
									32003 Special reserve (note 6(23))	367,504	-	136,034	-	136,034	-	136,034	-
									32005 Unappropriated earnings (note 6(23))	1,096,587	-	3,582,706	-	2,846,495	-	7,509,737	1
										5,753,927	1	7,107,572	-	6,371,361	-	8,522,668	1
									32500 Other equity interest (note 6(23))	640,987	-	984,720	-	908,907	-	962,709	-
									Total stockholders' equity	41,286,665	6	42,984,043	5	42,172,019	5	44,377,128	6
Total assets	\$ 712,825,633	100	736,469,829	100	720,368,786	100	744,349,946	100	Total Liabilities and Stockholders' Equity	\$ 712,852,633	100	736,469,829	100	720,368,786	100	744,349,946	100

Standard Chartered Bank (Taiwan) Limited
Statement of Profit or Loss and Other Comprehensive Income
For the six months period ended June 30, 2013 and 2012
(expressed in thousands of New Taiwan dollars)

	January to June, 2013		January to June, 2012	
	Amount	%	Amount	%
41000 Interest income (notes 6(26) and 7)	\$ 7,124,813	94	7,601,347	93
51000 Less : Interest expense (note 6(26) and 7)	<u>2,513,759</u>	33	<u>2,687,271</u>	33
Net income of interest	4,611,054	61	4,914,076	60
Net non-interest income :				
49100 Net service fee income (notes 6(27)and 9(3))	1,573,723	21	1,332,903	16
49200 Gain (loss) on financial assets or liabilities measured at fair value through profit or loss (note 6(28))	1,005,102	13	771,971	9
49300 Realizes gain (loss) on available-for-sale financial assets (note 6(29))	233	-	(9,976)	-
47000 Share of profit of associates and joint ventures accounted for using equity method (note 6(9))	117,908	2	115,329	1
49600 Foreign exchange gain	231,907	3	425,666	5
49800 Net other non-interest income (notes 6(9), (30), 7 and 9(2))	27,865	-	647,023	8
55000 Impairment losses on assets (note 6(31))	-	-	<u>(61,041)</u>	<u>(1)</u>
Net income	<u>7,567,792</u>	100	<u>8,135,951</u>	98
58200 Bad debts expense and guarantee liability provision (note 6(32))	<u>930,752</u>	12	<u>404,947</u>	5
Operating expense :				
58500 Employee benefits expense (notes 6(20), (24), (33) and 7)	2,726,369	36	2,751,678	34
59000 Depreciation and amortization expense (note 6(34))	199,467	3	216,855	3
59500 Other general and administrative expense (notes 6(35) and 7)	<u>2,136,615</u>	28	<u>2,022,420</u>	25
Total operating expense	<u>5,062,451</u>	67	<u>4,990,953</u>	62
Income from continuing operations before tax				
	1,574,589	21	2,740,051	31
61003 Less : Income tax expense (note 6(21))	<u>238,234</u>	3	<u>525,500</u>	6
Profit	<u>1,336,355</u>	24	<u>2,214,551</u>	37
65000 Other comprehensive income—net of tax :				
65011 Changes in fair value of available-for-sale financial assets recognized	(26,423)	(3)	2,901	-
65021 Change in fair value of cash flow hedges recognizes	(144,820)	(2)	(65,749)	(1)
65091 Less : Tax on other comprehensive income(note 6 (21))	<u>(65,510)</u>	(1)	<u>(9,046)</u>	-
65000 Other comprehensive income—net of tax	<u>(343,733)</u>	(4)	<u>(53,802)</u>	(1)
Total comprehensive income	<u>\$ 992,622</u>	20	<u>2,160,749</u>	36
67500 Basic earnings per share (NTD) (note 6 (25))	<u>0.46</u>		<u>0.76</u>	

Standard Chartered Bank (Taiwan)Limited
Statements of Change in Stockholders' Equity
For the six month period ended June 30, 2013 and 2012
(expressed in thousands of New Taiwan dollars)

	<u>Share Capital</u>		<u>Retained earnings</u>			<u>Unrealized gains(losses) on available-for-sale financial assets</u>	<u>Gains(losses) on effective portion of cash flow hedges</u>	<u>Total equity</u>
	<u>Ordinary share</u>	<u>Capital surplus</u>	<u>Legal reserve</u>	<u>Special reserve</u>	<u>Unappropriated retained earnings</u>			
Balance of January 1,2012	<u>\$ 29,105,720</u>	<u>5,786,031</u>	<u>876,897</u>	<u>136,034</u>	<u>7,509,737</u>	<u>772,342</u>	<u>190,367</u>	<u>44,377,128</u>
Appropriation and distribution of retained earnings:								
Legal reserve appropriated (note 6(23))	-	-	2,511,935	-	(2,511,935)	-	-	-
Cash dividends of ordinary share (note 6(23))	-	-	-	-	(4,365,858)	-	-	(4,365,858)
Net income	-	-	-	-	2,214,551	-	-	2,214,551
Other comprehensive income	-	-	-	-	-	770	(54,572)	(53,802)
Total comprehensive income	-	-	-	-	2,214,551	770	(54,572)	2,160,749
Balance of June 30, 2012	<u>\$ 29,105,720</u>	<u>5,786,031</u>	<u>3,388,832</u>	<u>136,034</u>	<u>2,846,495</u>	<u>773,112</u>	<u>135,795</u>	<u>42,172,019</u>
Balance of January 1, 2013	<u>\$ 29,105,720</u>	<u>5,786,031</u>	<u>3,388,832</u>	<u>136,034</u>	<u>3,694,739</u>	<u>851,045</u>	<u>133,675</u>	<u>43,096,076</u>
Appropriation and distribution of retained earnings:								
Legal reserve appropriated(note 6(23))	-	-	901,004	-	(901,004)	-	-	-
Special reserve appropriated(note 6(23))	-	-	-	231,470	(231,470)	-	-	-
Cash dividends of ordinary share(note 6(23))	-	-	-	-	(2,690,000)	-	-	(2,690,000)
Net income	-	-	-	-	1,336,355	-	-	1,336,355
Other comprehensive income	-	-	-	-	-	(220,886)	(122,847)	(343,733)
Unrealized actuarial gain (loss) on defined benefit plan	-	-	-	-	(112,033)	-	-	(112,033)
Total comprehensive income	-	-	-	-	1,336,355	(220,886)	(122,847)	992,622
Balance of June 30, 2013	<u>\$ 29,105,720</u>	<u>5,786,031</u>	<u>4,289,836</u>	<u>367,504</u>	<u>1,096,587</u>	<u>630,159</u>	<u>10,828</u>	<u>41,286,665</u>

Standard Chartered Bank (Taiwan)Limited
Statement of Cash Flows

For the six months period ended June 30, 2013 and 2012

(expressed in thousands of New Taiwan dollars)

	January to June, 2013	January to June, 2012
Cash flows from (used in) operating activities :		
Profit before tax	\$ 1,574,589	2,740,051
Adjustments :		
Adjustments to reconcile profit (loss)		
Depreciation expense	164,934	202,122
Amortization expense	34,533	14,733
Bad debt expense and guarantee liability provision	930,752	404,947
Interest expense	2,513,759	2,687,271
Interest income	(7,124,813)	(7,601,347)
Net change in other provisions	3,701	24,436
Loss (gain) on disposal of overdue loans	-	(357,150)
Impairment loss on financial assets	-	61,041
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	(117,908)	(115,329)
Gain on disposal of property and equipment	(49,667)	(231,322)
Total adjustments to reconcile profit (loss)	<u>(3,644,709)</u>	<u>(4,910,598)</u>
Changes in operating assets and liabilities :		
Changes in operating assets :		
Due from the central bank and call loans to banks	7,918,711	(6,657,372)
Financial assets at fair value through profit or loss	(3,227,161)	3,118,976
Receivables	8,425,959	(4,735,798)
Discounts and loans	4,393,309	(6,534,340)
Available-for-sale financial assets	2,244,361	23,718,009
Other financial assets	(46)	70
Total Changes in operating assets	<u>19,755,133</u>	<u>8,909,545</u>
Changes in operating liabilities :		
Deposits from the central bank and banks	49,957,537	24,919,971
Financial liabilities at fair value through profit or loss	523,768	(4,120,474)
Payable	(365,469)	1,115,331
Deposits and remittances	(57,631,521)	(63,902,183)
Other financial liabilities	(9,159,668)	5,214,128
Other liabilities	1,304,827	(23,821)
Total changes in operating liabilities	<u>(15,370,526)</u>	<u>(36,797,048)</u>
Total changes in operating assets and liabilities	<u>4,384,607</u>	<u>(27,887,503)</u>
Total adjustments	739,898	(32,798,101)
Cash inflow(outflow) generated from operations	2,314,487	(30,058,050)
Interest received	6,962,217	7,445,462
Interest paid	(2,688,319)	(2,549,003)
Income taxes (paid) refund	(151,409)	7,866
Net cash flows from (used in) operating activities	<u>6,436,976</u>	<u>(25,153,725)</u>
Cash flows from (used in) investing activities:		
Proceeds from disposal of property, plant and equipment	265,149	521,300
Acquisition of property, plant and equipment	(87,606)	(18,651)
Increase in securities purchased under resell agreements	3,402,039	(2,290,309)
Disposal of overdue loans	-	405,423
(Increase) decrease in other assets	(40,963)	1,013,098
Net cash flows from (used in) investing activities	<u>3,538,619</u>	<u>(368,970)</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in derivative financial liabilities for hedging	7,802	(43,207)
(Decrease) increase in bank notes payable	(6,262,770)	14,880,118
Cash dividends paid	(2,690,000)	(4,365,858)
Net cash flows from (used in) financing activities	<u>(8,944,968)</u>	<u>10,471,053</u>
Net increase (decrease) in cash and cash equivalents	1,030,627	(15,051,811)
Cash and cash equivalents at beginning of period	50,490,471	680,010,092
Cash and cash equivalents at end of period	<u>51,521,098</u>	<u>52,958,281</u>
Components of cash and cash equivalents:		
Cash and cash equivalents reported in the statement of financial position	10,237,314	8,227,443
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	41,283,784	44,730,838
Cash and cash equivalents at end of period	<u>51,521,098</u>	<u>52,958,281</u>

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to Financial Statements

June 30, 2013 and 2012

(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.

(2) Approval date and Procedures of the Consolidated Financial Statements

The financial statements were authorized for issue by the Board of Directors on August 29, 2013.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

(3) New Standards and Interpretations Not yet Adopted

- 1) New standards and interpretations endorsed by the Financial Supervisory Commissions R.O.C. ("FSC") but not yet in effect

The International Accounting Standards Board ("IASB") issued International Financial Reporting Standard 9 *Financial Instruments* ("IFRS 9"), and the IASB issued revision to International Financial Reporting Standard 9 Financial Instruments ("IFRS 9") on May 28, 2010, which is effective on January 1, 2015. This standard has been approved by the FSC; however, the effective date has not been announced. In accordance with FSC rules, early adoption is not permitted, and companies shall follow the guidance in the 2009 version of International Accounting Standard 39 *Financial Instruments* ("IAS 39") and effective date has not been announced until the report date. Upon the adoption of this new standard, it is expected there will be impacts on the classification and measurement of financial instruments in the consolidated financial statements.

- 2) New standards and interpretations not yet endorsed by the FSC

A summary of the new standards and amendments issued by the IASB that may have an impact on the consolidated financial statements not yet endorsed by the FSC. Besides, currently, the bank has begun to assess and evaluate the possible impact on the financial statements.

<i>Issue date</i>	<i>New standards and amendments</i>	<i>Description</i>	<i>Effective date per IASB</i>
May 12, 2011	· IFRS 13 " <i>Fair Value Measurement</i> "	Replaces fair value measurement guidance in other standards, and consolidates as one single guidance.	January 1, 2013
June 16, 2011	· Revision to IAS 1 " <i>Presentation of Financial Statements</i> "	Items presented in other comprehensive income shall be based on whether they are potentially reclassifiable to profit or loss subsequently.	July 1, 2012
June 16, 2011	· Revision to IAS 19 " <i>Employee Benefits</i> "	Eliminates the corridor method and eliminates the option to recognize changes in the net defined benefit liability (asset) in profit or loss; in addition, requires the immediate recognition of past service cost.	January 1, 2013
May 28, 2010	· Revision to IFRS 9 " <i>Financial Instruments</i> "	New standard includes the amendment on the reclassification and measurement of designated financial liabilities at fair value through profit or loss and includes IAS 39 financial Instruments.	January 1, 2015

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

(4) Summary of Significant Accounting Policies

Significant accounting policies adopted in the individual quarterly financial statements are summarized as below. They apply consistently to all presentation periods in the individual quarterly financial statements and opening IFRS balance sheets as of January 1, 2012, prepared for the purpose of conversion to IFRSs approved by the FSC.

1) Statement of compliance

Financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks (hereinafter referred to as the Regulations) and other related regulations applicable.

2) Basis of preparation

The financial statements have been prepared on a historical cost basis except for the following material items in the balance sheets

- i. Financial instruments at fair value through profit or loss are measured at fair value;
- ii. Available-for-sale financial assets are measured at fair value;
- iii. Liabilities for cash-settled share-based payment arrangements are measured at fair value; and
- iv. The defined benefit asset is recognized as plan assets, plus unrecognized past service costs and unrecognized actuarial loss, less the unrecognized actuarial gain and the present value of the defined benefit obligation.

3) 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. The Bank's individual quarterly financial statements are presented in New Taiwan Dollar, the functional currency of the Bank. All financial information presented in New Taiwan Dollars are expressed in thousands of New Taiwan Dollars, unless otherwise specified. Foreign currency differences arising on the translation of a foreign currency transaction are recognized in current profit or loss.

4) Cash and cash equivalents

Cash on hand, checks for clearing, and due from banks are considered as cash and cash equivalents by the Bank.

5) 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

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

—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.

6) Financial instruments

(a) Financial assets

Financial assets held by the Bank are recorded on the trading date. Except for financial instruments classified as held for trading, other financial instruments are initially recognized at acquiring or issuing cost plus transaction costs.

i. Financial assets at fair value through profit or loss

Financial assets are classified as held for trading if they have been acquired principally for the purpose of selling or repurchasing in the near term. The derivative financial instruments held by the Bank, except for those designated and effective hedging instruments, are classified under these accounts. At each balance sheet date, the fair value is remeasured, and the resulting gain or loss from such remeasurement is recognized in current profit or loss.

ii. Available-for-sale financial assets—net

At each balance sheet date, the fair value is remeasured, and the resulting gain or loss from such remeasurement is recognized directly in other comprehensive income. Interest on a debt instrument classified as available-for-sale is accrued; the relevant premium/discount is amortized by using the effective-interest-rate method. If there is objective evidence that an available-for-sale financial asset is impaired, the carrying amount of the asset is reduced, and impairment loss is recognized. If, in a subsequent period, the amount of the impairment loss of the available-for-sale equity securities decreases, the impairment loss recognized in profit or loss shall not be reversed through profit or loss. If, in a subsequent period, the amount of the impairment loss of the available-for-sale debt securities decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. The carrying amount after the reversal shall not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized. A gain or loss on available-for-sale financial assets is recognized directly in other comprehensive income, except for impairment losses and foreign exchange gains or losses arising from monetary financial assets, until the financial assets are derecognized, at which time the cumulative gain or loss previously recognized in other comprehensive income is charged to profit or loss.

iii. Securities under repurchase/resell agreements

Securities sold/purchased with a commitment to repurchase/resell at predetermined price are treated as financing transactions. The difference between the cost and the repurchase/resell price is treated as interest expenses/revenue and recognized over the term of the agreement. On the selling/purchasing date, these agreements are recognized as securities sold under

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

repurchase agreements or securities purchased under resell agreements.

iv. Loans, receivable and allowance for bad debts

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 Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans approved by FSC, 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:

- i) 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.
- ii) 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.
- iii) 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.
- iv) 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.
- v) Other non-performing loans or non-accrual loans for which it has been ascertained that the efforts of collection have failed.

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

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

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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 be collectively assessed because impairment is or continued to be recognized.

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

v. Financial assets carried at cost

Equity instruments with no quoted market price are initially recognized at whose fair value plus transaction costs. At each balance sheet date, fair value can be reliably measured if either of the below conditions are met. 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.

- i) The variability in the range of reasonable fair value estimates is not significant for that instrument; or
- ii) The probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value. If the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, it is not permissible to measure the instrument at fair value; instead, the instrument shall be carried at cost.

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 only treated as increases in the number of shares held.

- vi. Financial assets initially classified as measured at fair value through profit or loss (other than derivative financial assets and those designated as assets measured at fair value through profit or loss) may be reclassified into other categories if those financial assets are no longer held for the purpose of selling and meet the criteria listed below; financial assets initially classified as available-for-sale that would have met the definition of loans and receivables may be reclassified out of the available-for-sale category to the loans and receivables. The

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

accounting treatments on the date of reclassification are summarized as follows:

- i) When financial assets initially classified as measured at fair value through profit or loss have met the definition of loans and receivables and the entity has the intention and ability to hold the financial assets for the foreseeable future or until maturity, they shall be reclassified at their 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.
 - ii) Financial assets initially classified as measured at fair value through profit or loss 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.
 - iii) When financial assets initially classified as available-for-sale have met the definition of loans and receivables and the entity has the intention and ability to hold the financial assets for the foreseeable future or until maturity, they shall be reclassified at their value on the date of reclassification, which will become their new cost or amortized cost, as applicable.
 - iv) For any previous gain or loss on a financial asset that has been recognized directly under owners' equity, if the financial asset has a fixed maturity, the gain or loss shall be amortized to current profit or loss over the remaining life of the financial asset; if not, the gain or loss remains under owners' equity.
- vii. Financial asset impairment

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 shall be recognized in profit or loss in the current period. The estimation of future cash flows includes the recoverable amount of collateral and related insurance when determining the amount of the loss.

The aforesaid objective evidence includes:

- i) Significant financial difficulty of the issuer or obligor;
- ii) A breach of contract, such as a default or delinquency in interest or principal payments;
- iii) The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- iv) It becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- v) The disappearance of an active market for that financial asset because of the issuer's financial difficulties;

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Notes to the Financial Statement

- vi) Adverse changes in the payment status of the borrower; and
- vii) Changes in national or local economic conditions that correlate with defaults on the assets.

viii. Derecognition of financial assets

The Bank shall derecognize a financial asset when the contractual rights to the cash flows from the financial asset expire or transfers substantially all the risks and rewards of ownership of the financial assets.

(b) Financial liabilities

The financial liability held by the Bank includes a financial liability measured at fair value through profit or loss (including the instruments at fair value through profit or loss), amortized cost of a financial liability and hedge derivatives.

i. Financial liabilities measured at fair value through profit or loss

A financial liability is held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. A derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument, is classified as instrument held for trading as well. Financial liabilities held for trading include obligations to deliver financial assets borrowed by a short seller.

ii. Financial liabilities at amortized cost

Financial liabilities are classified at amortized cost of a financial liability, except for financial liabilities measured at fair value through profit or loss, hedged derivatives financial liability, financial guarantee contracts, commitments to provide a loan at a below-market interest rate and financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

iii. 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.

iv. Derecognition of a financial liability

The Bank shall remove a financial liability from its balance sheets when, and only when, it is extinguished.

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Notes to the Financial Statement

(c) Derivatives and hedging accounting

Derivatives instruments is initially recognized at fair value on contract date and subsequently measured at fair value. Fair value includes quoted price in an active market, occurring market transaction prices or model valuation technique. All derivatives instruments are recognized as assets with positive fair value and as liability with negative fair value.

The Bank should accounts for an embedded derivative separately from the host contract when the host contract is not itself carried at fair value through profit or loss, the terms of the embedded derivative would meet the definition that the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, and the entire hybrid contract is not designated as at fair value through profit or loss. In addition, the embedded derivative is recognized as financial asset or liability as measured at fair value through profit or loss.

When a fair value hedge, cash flow hedge, and hedge of a net investment in a foreign operation are in conformity with all the conditions for applying hedge accounting, the affected profit or loss is recognized by offsetting the changes in the fair value of hedging instruments and hedged items. The related accounting treatments are as follows:

- i. Fair value hedge: Changes in the fair value of derivatives that are designated and qualified as fair value hedging instruments against the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment are recognized through profit or loss in the current period.
- ii. Cash flow hedge: Where a derivative financial instrument is designated as a hedge of the volatility in cash flow of a recognized asset or liability or a highly foreseeable forecast transaction, the effective hedged portion of any gain or loss on remeasurement of the derivative financial instrument to fair value is recognized directly under other comprehensive income. When the hedged transaction actually affects the profit or loss, the gain or loss previously recognized under other comprehensive income shall be recognized through current profit or loss. Any gain or loss from the change in fair value relating to an ineffective hedged portion of the hedge transaction is recognized immediately through profit or loss in the current period.

7) Investment in affiliated companies

Entities that the company has significant influence and control over are accounted for according to the equity method. Investment is initially measured at cost. The carrying amount of the investment in associates includes goodwill initially recognized less any accumulated impairment. When significant influence is lost, the equity method is no longer applicable and the carrying amount is deemed to be the cost of the investment.

When the company holds directly or indirectly 20% of the voting rights in the investee, the company has significant influence over the investee. When the company holds 50% or more of the voting rights in the investee, the company has control over the investee. Unless the company can demonstrate that it does not have either significant influence or control over the investee.

Share of profit of the associate is recognized as profit or loss in the period. Dividends received from investments in associates, accounted for according to the equity method, are accounted for as a

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

reduction of the carrying amount of the investment. Carrying amount of the investment shall be adjusted with changes in other comprehensive income that may impact the right of the company to receive benefits. When the Company's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

Changes in the interests in subsidiaries that did not result in a loss of control should be treated as an equity transaction. And the Company should adjust the interest attributable to equity holders and the carrying amount of non-controlling interests to reflect the changes in their relative interests in the subsidiary.

8) Non-financial asset impairment

In terms of International Accounting Standard No. 36, the Bank, at each balance sheet date, the recoverable amount of an asset is estimated and compared with the carrying amount whenever there is an indication that the non-financial asset may be impaired. An impairment loss is recognized when the recoverable amount is less than the carrying amount. For assets other than goodwill, reversal of impairment loss is recognized when the recoverable amount of the asset has increased from its prior-period estimation. The carrying amount after the reversal shall not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

9) Lease classification

Lease contracts in accordance with the International Accounting Standards No. 17 and the FSC interpretation note No. 4 are divided into financial leases and operating leases.

The Bank's lease fees, which categorized under operating leases, are calculated using the straight-line method over the lease period where fees paid or received are recognized under income as "Other operating and administrative expenses" and "Other non-interest income".

10) Property, plant and equipment

Property, plant and equipment are measured at cost on acquisition. Subsequently, property, plant and equipment are 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 recognized as other non-interest income or losses.

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Notes to the Financial Statement

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
Leasehold improvement	not exceed the shorter of 10 years or lease term
Other equipment	3 to 10 years

11) Intangible assets

(a) Computer software

Computer software system expenses, which are recorded on the basis of the actual cost of acquisition, are amortized using a straight-line method. Its amortization method, useful life and residual value are referred to the regulation of properties and equipment. The Bank use cost model to proceed subsequently measurement.

(b) Goodwill

The acquirer shall measure the identifiable assets acquired from business combination and the liabilities or contingent liabilities assumed at their acquisition-date fair values without considering non-controlling interest. The acquirer shall recognize goodwill as of the acquisition date measured as the excess of the consideration transferred over the fair value of net identifiable assets held according to holding proportion. Adversely, the difference may result in directly recognizing a gain on a purchase. Goodwill is carried out cost less accumulated impairment.

Goodwill relating to cash-generating units is tested for impairment periodically each year. An impairment loss is recognized when the recoverable amount is less than the carrying amount. Impairment losses cannot be reversed once an impairment loss has been recognized.

12) Provisions

The Bank recognizes provisions only if all of the following conditions are met:

- (a) An entity has a present obligation, legal or constructive, as a result of a past event;
- (b) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (c) A reliable estimate can be made of the amount of the obligation.

The Bank shall not recognize provisions for future operating losses.

Where there are a number of similar obligations the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Although the likelihood of outflow for any one item may be small, it may well be probable that some outflow of resources will be needed to settle the class of obligations as a whole. If that is the case, a provision is recognized.

The amount of a provision is measured subsequently as the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

assessments of the time value of money and the risks specific to the liability. The deficiency is recognized as profit or loss of the current period.

13) Revenue and expense recognition

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

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

Service fees are generally recognized on an accrual basis when the service has been provided or significant act performed.

14) Employee benefit

(a) Short-term employee benefit (including employee bonus, remuneration of directors and supervisors): The Bank charges the short-term and non-discounted benefit to be paid in the near future to current expenses in the periods during which services are rendered by employees.

(b) Post-employment benefit: The Bank pension plan comprises defined contribution plan and defined benefit plan.

i. A defined contribution plan is a post-employment benefit plan under which the Bank pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that is due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

ii. A defined benefit plan is a post-employment benefit plan under which benefit is paid to an employee on the basis of their ages, service periods and compensated salaries at the date of retirement. The Bank recognizes actuarial gains and losses which are incurred by the change of actual experience and actuarial assumption in other comprehensive income, and recognize pension asset or liability in balance sheets in which asset or liability is the amount of actuarial present value of defined benefit obligation deducting fair value of plan assets. The calculation of defined benefit obligation is performed annually by an actuary using the projected unit credit method. The actuarial present value of defined benefit obligation is calculated by discounting future cash flow at the yield rate on AA credit rated bonds that have maturity dates approximating the terms of the obligation and that are denominated in the same currency in which the benefits are expected to be paid.

15) Share based payment transactions

Equity-settled share-based payments are measured at fair value at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, and the corresponding increase in owners' equity is recognized.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

The recognized compensation cost is expected to meet with the service conditions and the non-market vesting conditions of the reward adjustments. The final amounts recognized after meeting the service conditions and non-market vesting conditions are based on the reward measured.

Regarding the non-vesting conditions of share-based payments, the difference between the expected and actual results without adjustments are measured by the fair value determined at the grant date of the payment.

Employees are paid stock appreciation rights, which are based on the fair value measurement taken after cash settlement. For employee payments within the period, the increase in relative cost will be recognized under liabilities. The associated liability is recognized at its current fair value determined at each balance sheets date and at the date of settlement, with any changes in the fair value recognized in profit or loss of the period under employee benefit expense.

16) 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 that 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 and amended and became effective on January 1, 2013. 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, and then multiplied by the tax rate 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.

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Notes to the Financial Statement

17) 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.

(5) Primary Sources of Significant accounting Judgments, Estimates and Assumptions Uncertainty

When preparing the individual quarterly financial statements following IAS 34 "Interim Financial Reporting" approved by the FSC, the management needs to make judgments, estimates, and assumptions that affect the adoption of accounting policies, reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from these estimates.

The assumptions and estimates by the Bank are best estimates, which are made following IFRSs as endorsed by the FSC. They are based on past experience and other factors, including expectations for the future, and are continuously evaluated.

Accounting policies and management judgments for certain account items have significant impacts on financial statements of the Bank.

Impairment loss on loans

When the Bank decides whether to recognize impairment loss, they mainly decide if there are any observable evidence indicating possible impairment. The evidence may include observable information indicating unfavorable changes in debtor payment status, or sovereign or local economic situation related to debt payment in arrears. When analyzing expected cash flow, the estimates by the management are based on past losses experience on assets of similar credit risk characteristics. The Bank periodically reviews methods and assumptions behind the amount and schedule of expected cash flow, to reduce the difference between expected and actual loss.

Please refer to Note 6(7) for impairment loss on loans.

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Notes to the Financial Statement

(6) Disclosures of Significant Account

1) Cash and cash equivalents

	<u>June 30, 2013</u>	<u>December 31, 2012</u>	<u>June 30, 2012</u>	<u>January 1, 2012</u>
Cash on hand	\$ 4,861,057	5,096,769	4,694,710	5,728,508
Deposits with other banks	4,168,640	447,927	1,436,315	767,217
Deposits with affiliates	1,207,617	1,153,076	2,096,418	4,973,810
Total	<u>\$ 10,237,314</u>	<u>6,697,772</u>	<u>8,227,443</u>	<u>11,469,535</u>

2) Due from the Central Bank and call loans to bank

	<u>June 30, 2013</u>	<u>December 31, 2012</u>	<u>June 30, 2012</u>	<u>January 1, 2012</u>
Balances at Central Bank:				
Required reserve — checking amount	\$ 7,859,256	8,609,988	9,825,725	11,090,163
Required reserve — demand account	15,653,673	17,709,933	15,677,028	18,439,964
Required reserve — foreign currency	179,957	174,212	179,252	160,429
Required reserve — settlement accounts	821,703	1,038,443	812,656	704,826
Call loans to banks	3,801,970	5,451,764	16,388,777	10,502,914
Call loans to banks — affiliates	29,329,009	35,088,854	26,362,756	33,500,245
Total	<u>\$ 57,645,568</u>	<u>68,073,194</u>	<u>69,246,194</u>	<u>74,398,541</u>

Pursuant to the Banking Law, the "required reserve" 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.

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Notes to the Financial Statement

3) Financial instruments measured at fair value through profit or loss

The financial assets held for trading by the Bank were as follows:

	<u>June 30, 2013</u>	<u>December 31, 2012</u>	<u>June 30, 2012</u>	<u>January 1, 2012</u>
Debt instruments	\$ 23,154,543	21,512,425	25,830,001	25,458,794
Derivatives	9,617,328	8,032,285	11,918,714	15,408,897
Total	<u>\$ 32,771,871</u>	<u>29,544,710</u>	<u>37,748,715</u>	<u>40,867,691</u>

The financial liabilities measured at fair value through profit or loss of the Bank were as follows:

	<u>June 30, 2013</u>	<u>December 31, 2012</u>	<u>June 30, 2012</u>	<u>January 1, 2012</u>
Derivative financial liabilities	<u>\$ 8,881,239</u>	<u>8,357,471</u>	<u>10,742,881</u>	<u>14,863,355</u>

4) Derivative financial instruments for hedging

Derivative financial assets for hedging were as follows:

	<u>June 30, 2013</u>	<u>December 31, 2012</u>	<u>June 30, 2012</u>	<u>January 1, 2012</u>
Fair value hedge:				
Interest rate swap	\$ 243,290	356,508	465,964	541,368
Cross currency swap	-	-	-	27,675
Cash flow hedge:				
Interest rate swap	21,888	72,475	109,488	159,916
Total	<u>\$ 265,178</u>	<u>428,983</u>	<u>575,452</u>	<u>728,959</u>

Derivative financial liabilities for hedging were as follows:

	<u>June 30, 2013</u>	<u>December 31, 2012</u>	<u>June 30, 2012</u>	<u>January 1, 2012</u>
Fair value hedge:				
Interest rate swap	\$ 5,067	9,699	11,928	16,384
Cross currency swap	-	-	-	73,420
Cash flow hedge:				
Interest rate swap	21,690	3,824	4,188	2,637
Total	<u>\$ 26,757</u>	<u>13,523</u>	<u>16,116</u>	<u>92,441</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

(a) Fair value hedge

In order to minimize the risk from future market interest rate and foreign exchange rate fluctuation, the Bank entered into interest rate swap or cross currency swap transactions, where the interest rate payable on fixed-interest-rate debts issued has been swapped with a floating interest rate to reduce interest rate risk.

<u>Hedged items</u>	<u>Financial instruments designed as hedging instruments</u>	<u>Designated hedging instruments</u>			
		<u>Fair value</u>		<u>Fair value</u>	
		<u>June 30, 2013</u>	<u>December 31, 2012</u>	<u>June 30, 2012</u>	<u>January 1, 2012</u>
Available-for-sale financial assets – Government bond	Interest rate swap	\$ (3,885)	(7,532)	(11,928)	(16,384)
Available-for-sale financial assets – Government bond	Cross currency swap	-	-	-	(45,745)
Deposits and remittances – Time deposit	Interest rate swap	13,229	34,575	61,385	97,490
Bank notes payable	Interest rate swap	228,879	319,766	404,579	443,878

For the six months period ended June 30, 2013 and 2012, net (losses) gains on the hedging derivative financial instruments listed above amounted to \$(157,597) thousand and \$55,182 thousand, respectively, and net gains (losses) from the hedged risk of the hedged items amounted to \$99,355 thousand and \$(73,742) thousand, respectively.

(b) Cash flow hedge

The Bank currently holds long-term floating rate loans with interest rate risks and hedging interest rate swap contracts. The future cash flows arising from the hedging of these financial derivative instruments are caused by the changes in the interest rate from cash flow risk.

<u>Hedged items</u>	<u>Financial instruments designed as hedging instruments</u>	<u>Designated hedging instruments</u>			
		<u>Fair value</u>		<u>Fair value</u>	
		<u>June 30, 2013</u>	<u>December 31, 2012</u>	<u>June 30, 2012</u>	<u>January 1, 2012</u>
Bills and notes discounted-floating interest rate	Interest rate swap	\$ 198	68,651	105,300	157,279

5) Securities purchased under resell agreement

	<u>June 30, 2013</u>	<u>December 31, 2012</u>	<u>June 30, 2012</u>	<u>January 1, 2012</u>
Securities purchased under resell agreement	<u>\$ -</u>	<u>3,402,039</u>	<u>10,746,723</u>	<u>8,456,414</u>
Face value of securities	<u>\$ -</u>	<u>3,400,000</u>	<u>10,992,000</u>	<u>8,530,700</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

6) Receivables – net

	<u>June 30, 2013</u>	<u>December 31, 2012</u>	<u>June 30, 2012</u>	<u>January 1, 2012</u>
Accounts receivable factoring without recourse	\$ 17,495,556	26,424,694	27,786,879	25,387,750
Credit cards accounts receivable	6,058,110	5,762,258	5,746,065	5,772,545
Accounts receivable	3,169,472	2,378,579	3,040,145	432,549
Interest receivable	1,875,183	1,712,587	1,790,017	1,634,132
Acceptances receivable	526,899	986,121	632,866	613,647
Accounts receivable – related parties	442,862	583,071	352,169	357,035
Others	<u>221,978</u>	<u>117,900</u>	<u>153,237</u>	<u>477,849</u>
Subtotal	29,790,060	37,965,210	39,501,378	34,675,507
Less: allowance for bad debts – accounts receivable	<u>311,598</u>	<u>223,385</u>	<u>403,264</u>	<u>469,075</u>
Total	<u>\$ 29,478,462</u>	<u>37,741,825</u>	<u>39,098,114</u>	<u>34,206,432</u>

Please refer to note 6(7) for changes in allowance for bad debts included non-accrual loans of receivables listed above.

7) Discounts and loans – net

	<u>June 30, 2013</u>	<u>December 31, 2012</u>	<u>June 30, 2012</u>	<u>January 1, 2012</u>
Bills negotiations and bills and notes discounted	\$ 1,259,168	1,255,554	4,167,242	4,094,073
Short-term loans and overdrafts	56,507,394	56,985,085	52,561,885	32,721,346
Short-term secured loans	5,769,076	5,334,209	5,074,215	6,722,615
Medium-term loans	61,924,472	66,481,682	67,064,847	62,843,278
Medium-term secured loans	5,463,783	5,197,138	3,327,001	3,623,958
Long-term loans	8,922,317	5,510,350	6,499,800	6,687,553
Long-term secured loans	209,269,071	213,644,721	216,301,671	233,075,672
Overdue loans	<u>1,284,381</u>	<u>1,204,944</u>	<u>1,359,092</u>	<u>530,267</u>
Subtotal	350,399,662	355,613,683	356,355,753	350,298,762
Premium adjustments on discount and loans	112,630	221,704	193,788	85,739
Less: allowance for bad debts	<u>5,455,617</u>	<u>5,448,341</u>	<u>4,349,788</u>	<u>4,233,498</u>
Total	<u>\$ 345,056,675</u>	<u>350,387,046</u>	<u>352,199,753</u>	<u>346,151,003</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

As of June 30, 2013 and December 31, June 30, and January 1, 2012, 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 bad debt 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.

The movements of allowance for bad debts were as follows:

	January to June 2013		
	Specific provision	General provision	Total
Beginning balance of January 1, 2013	\$ 3,201,818	2,469,908	5,671,726
Add: provision for bad debts	918,998	18,064	937,062
recovery from written-off loans	405,758	-	405,758
Less: charge-off and temporary payments	1,117,680	-	1,117,680
exchange rate movements and others	129,675	(24)	129,651
Ending balance of June 30, 2013	<u>\$ 3,279,219</u>	<u>2,487,996</u>	<u>5,767,215</u>

	January to June 2012		
	Specific provision	General provision	Total
Beginning balance of January 1, 2012	\$ 2,338,688	2,363,885	4,702,573
Add: provision for bad debts	430,780	6,537	437,317
recovery from written-off loans	476,160	-	476,160
Less: charge-off and temporary payments	736,651	-	736,651
exchange rate movements and others	142,525	(16,178)	126,347
Ending balance of June 30, 2012	<u>\$ 2,366,452</u>	<u>2,386,600</u>	<u>4,753,052</u>

Discounts and loans included in the total amounts of impairment assessment to determine the allowance for bad debts were as follows:

Item		June 30, 2013	
		Discounts and loans and advances and accounts receivable	Allowance for bad debts
With the objective evidence of impairment	Individual assessment	\$ 12,514,423	3,279,219
Without the objective evidence of impairment	Portfolio assessment	367,675,299	2,487,996
Total		<u>\$ 380,189,722</u>	<u>5,767,215</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

		<u>December 31, 2012</u>	
<u>Item</u>		<u>Discounts and loans and advances and accounts receivable</u>	<u>Allowance for bad debts</u>
With the objective evidence of impairment	Individual assessment	\$ 13,278,911	3,201,818
Without the objective evidence of impairment	Portfolio assessment	<u>380,299,982</u>	<u>2,469,908</u>
Total		<u>\$ 393,578,893</u>	<u>5,671,726</u>

		<u>June 30, 2012</u>	
<u>Item</u>		<u>Discounts and loans and advances and accounts receivable</u>	<u>Allowance for bad debts</u>
With the objective evidence of impairment	Individual assessment	\$ 13,740,279	2,366,452
Without the objective evidence of impairment	Portfolio assessment	<u>382,116,852</u>	<u>2,386,600</u>
Total		<u>\$ 395,857,131</u>	<u>4,753,052</u>

		<u>January 1, 2012</u>	
<u>Item</u>		<u>Discounts and loans and advances and accounts receivable</u>	<u>Allowance for bad debts</u>
With the objective evidence of impairment	Individual assessment	\$ 13,243,638	2,338,688
Without the objective evidence of impairment	Portfolio assessment	<u>371,730,631</u>	<u>2,363,885</u>
Total		<u>\$ 384,974,269</u>	<u>4,702,573</u>

As of June 30, 2013 and December 31, June 30, and January 1, 2012, the amounts of outstanding loans with interest charges suspended amounted to \$1,284,381 thousand, \$1,204,944 thousand, \$1,359,092 thousand and \$530,267 thousand, respectively. The amounts of interest not accrued derived from the aforementioned loans were \$4,789 thousand, \$4,213 thousand \$7,029 thousand and \$2,203 thousand, respectively.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

8) Available-for-sale financial assets – net

	<u>June 30, 2013</u>	<u>December 31, 2012</u>	<u>June 30, 2012</u>	<u>January 1, 2012</u>
Negotiable certificates of deposit	\$ 182,516,324	177,852,550	164,986,855	178,865,781
Treasury bills	17,137,505	23,434,770	6,566,820	11,360,269
Government bonds	18,246,898	18,890,877	8,651,007	13,802,188
Financial debentures	5,316,508	5,549,175	5,509,445	5,092,553
Corporate bonds	553,681	557,107	610,565	917,053
Beneficiary certificates	-	-	1,737,070	1,800,791
Equity instruments	94,528	93,322	95,308	98,064
Less: accumulated impairments	<u>14,469</u>	<u>14,469</u>	<u>14,469</u>	<u>62,678</u>
Total	<u>\$ 223,850,975</u>	<u>226,363,332</u>	<u>188,142,601</u>	<u>211,874,021</u>
Mark-to-market adjustments for hedged assets included in the above balance	<u>\$ 119</u>	<u>3,088</u>	<u>10,329</u>	<u>26,641</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.

The Bank redeemed their first and second mortgage loan securitization on October 9, 2012 and December 19, 2011, respectively.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

9) Investment measured by equity method and financial assets carried at cost – net

	June 30, 2013			December 31, 2012		
	Percentage of ownership %	Investment cost	Book value	Percentage of ownership %	Investment cost	Book value
Investment accounted for using equity method: (recognized as other financial assets)						
Standard Chartered Life Insurance Agency Co., Ltd.	100.00	\$ 21	454,391	100.00	21	345,889
Taiwan Standard Chartered Insurance Agency Co., Ltd.	100.00	368	32,934	100.00	368	23,528
		<u>\$ 389</u>	<u>487,325</u>		<u>389</u>	<u>369,417</u>
Financial assets carried at cost:						
Fuji Enterprise Management Consulting Co., Ltd.		\$ -	-	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	15,188	15,188
Liyu Venture Investment, Inc.	4.76	8,549	8,549	4.76	8,549	8,549
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
Taiwan Depository and Clearing Corporation	0.17	9,277	9,277	0.17	9,277	9,277
Subtotal		353,536	353,536		353,536	353,536
Less: accumulated impairment		-	202,127		-	202,127
		<u>\$ 353,536</u>	<u>151,409</u>		<u>353,536</u>	<u>151,409</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

	June 30, 2012			January 1, 2012		
	Percentage of ownership %	Investment cost	Book value	Percentage of ownership %	Investment cost	Book value
Investment accounted for using equity method: (recognized as other financial assets)						
Standard Chartered Life Insurance Agency Co., Ltd.	100.00	\$ 21	367,804	100.00	\$ 21	258,244
Taiwan Standard Chartered Insurance Agency Co., Ltd.	100.00	368	27,104	100.00	368	21,335
		<u>\$ 389</u>	<u>394,908</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	20,250	20,250	5.00	20,250	20,250
Liyu Venture Investment, Inc.	4.76	10,080	10,080	4.76	10,080	10,080
Windance Co., Ltd.	2.73	188,500	188,500	2.73	188,500	188,500
Taiwan Asset Service Corporation	2.94	50,000	50,000	2.94	50,000	50,000
Yang Guang Asset Management Company	1.42	849	849	1.42	849	849
Taiwanpay Corporation	-	-	-	3.35	2,468	2,468
Taiwan Depository and Clearing Corporation	0.17	9,277	9,277	0.17	9,277	9,277
Subtotal		360,129	360,129		362,597	362,597
Less: accumulated impairment		-	202,127		-	204,595
		<u>\$ 360,129</u>	<u>158,002</u>		<u>362,597</u>	<u>158,002</u>

For the six months period ended June 30, 2013 and 2012, the Bank recognized share of profit of associates and joint ventures accounted for using equity method of \$117,908 thousand and \$115,329 thousand, respectively.

For the six months period ended June 30, 2013 and 2012, the cash dividends from financial assets carried at cost under net other non-interest income were \$2,127 thousand and \$2,169 thousand, respectively, which reduced the book value of the investment.

Fuji Enterprise Management Consulting Co., Ltd. completed the liquidation process on April 24, 2013. The distribution of remaining assets amount to \$1,089 thousand. The cost of the investment is at \$0 thousand, the full amount is recognized as gain on investment under net other non-interest income.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

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 thousand, the full amount is recognized as gain on investment under net other non-interest income.

10) Property, plant and equipment – net

June 30, 2013	Cost	Accumulated depreciation	Accumulated impairment	Net
Land	\$ 3,326,100	-	30,488	3,295,612
Buildings	2,865,661	900,752	2,089	1,962,820
Office equipment	680,599	634,875	-	45,724
Leasehold improvements	660,104	507,896	-	152,208
Other equipment	1,309,659	1,061,620	-	248,039
Unfinished construction	52,452	-	-	52,452
Total	\$ 8,894,575	3,105,143	32,577	5,756,855

December 31, 2012	Cost	Accumulated depreciation	Accumulated impairment	Net
Land	\$ 3,487,245	-	53,745	3,433,500
Buildings	3,012,201	919,134	30,247	2,062,820
Office equipment	723,825	648,453	-	75,372
Leasehold improvements	658,602	448,894	-	209,708
Other equipment	1,315,226	1,046,961	-	268,265
Total	\$ 9,197,099	3,063,442	83,992	6,049,665

June 30, 2012	Cost	Accumulated depreciation	Accumulated impairment	Net
Land	\$ 3,535,445	-	87,477	3,447,968
Buildings	3,093,750	907,291	68,528	2,117,929
Office equipment	735,414	614,709	-	120,705
Leasehold improvements	667,010	400,627	-	266,383
Other equipment	1,333,980	1,010,568	-	323,412
Total	\$ 9,365,599	2,933,195	156,005	6,276,399

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

January 1, 2012	Cost	Accumulated depreciation	Accumulated impairment	Net
Land	\$ 3,618,895	-	83,625	3,535,270
Buildings	3,371,518	954,209	12,900	2,404,409
Office equipment	755,261	590,628	-	164,633
Leasehold improvements	897,222	566,446	-	330,776
Other equipment	1,491,822	1,115,037	-	376,785
Total	\$ 10,134,718	3,226,320	96,525	6,811,873

Cost movement:

	December 31, 2012	Increase	Decrease	Reclassify	June 30, 2013
Land	\$ 3,487,245	-	161,145	-	3,326,100
Buildings	3,012,201	-	146,540	-	2,865,661
Office equipment	723,825	1,448	44,674	-	680,599
Leasehold improvements	658,602	560	678	1,620	660,104
Other equipment	1,315,226	26,551	32,118	-	1,309,659
Unfinished construction	-	54,072	-	(1,620)	52,452
Total	\$ 9,197,099	82,631	385,155	-	8,894,575

	January 1, 2012	Increase	Decrease	Reclassify	June 30, 2012
Land	\$ 3,618,895	-	83,450	-	3,535,445
Buildings	3,371,518	-	277,768	-	3,093,750
Office equipment	755,261	-	19,847	-	735,414
Leasehold improvements	897,222	1,833	232,045	-	667,010
Other equipment	1,491,822	15,835	173,677	-	1,333,980
Total	\$ 10,134,718	17,668	786,787	-	9,365,599

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

Change of accumulated depreciation:

	December 31, 2012	Increase	Decrease	Reclassify	June 30, 2013
Buildings	\$ 919,134	31,073	49,455	-	900,752
Office equipment	648,453	30,882	44,460	-	634,875
Leasehold improvements	448,894	59,681	679	-	507,896
Other equipment	1,046,961	43,298	28,639	-	1,061,620
Total	\$ 3,063,442	164,934	123,233	-	3,105,143

	January 1, 2012	Increase	Decrease	Reclassify	June 30, 2012
Buildings	\$ 954,209	34,611	81,529	-	907,291
Office equipment	590,628	42,591	18,510	-	614,709
Leasehold improvements	566,446	66,224	232,043	-	400,627
Other equipment	1,115,037	58,696	163,165	-	1,010,568
Total	\$ 3,226,320	202,122	495,247	-	2,933,195

11) Intangible assets—net

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Goodwill	\$ 3,156,048	3,156,048	3,156,048	3,156,048
Cost of computer software	2,854	37,387	48,143	61,893
Total	\$ 3,158,902	3,193,435	3,204,191	3,217,941

Change of intangible assets:

	December 31, 2012	Increase	Decrease	June 30, 2013
Goodwill	\$ 3,156,048	-	-	3,156,048
Computer software	37,387	-	34,533	2,854
Total	\$ 3,193,435	-	34,533	3,158,902

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

	<u>January 1, 2012</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2012</u>
Goodwill	\$ 3,156,048	-	-	3,156,048
Computer software	61,893	983	14,733	48,143
Total	\$ 3,217,941	983	14,733	3,204,191
12) Other assets – net				
	<u>June 30, 2013</u>	<u>December 31, 2012</u>	<u>June 30, 2012</u>	<u>January 1, 2012</u>
Refundable deposits	\$ 489,199	461,413	513,990	527,012
Derivatives collateral	-	-	-	488,599
Prepaid fee	167,812	159,100	161,985	157,233
Restricted assets – debt instruments	666,100	675,200	994,200	1,394,200
Other	29,053	15,488	20,821	137,049
	\$ 1,352,164	1,311,201	1,690,996	2,704,093
13) Deposit from the Central Bank and banks				
	<u>June 30, 2013</u>	<u>December 31, 2012</u>	<u>June 30, 2012</u>	<u>January 1, 2012</u>
Deposits from banks	\$ 1,300,687	1,354,673	1,724,844	1,984,941
Overdrafts on banks	77,317	294,380	2,388,078	797,998
Call loans from banks	27,953,500	7,096,068	16,790,963	6,526,579
Call loans from banks-affiliates	29,910,016	538,862	22,406,475	9,080,871
Total	\$ 59,241,520	9,283,983	43,310,360	18,390,389
14) Payables				
	<u>June 30, 2013</u>	<u>December 31, 2012</u>	<u>June 30, 2012</u>	<u>January 1, 2012</u>
Accounts payable	\$ 26,601	49,160	58,317	102,037
Accrued interests	1,032,425	1,206,985	1,079,402	941,134
Payables	1,187,458	1,655,809	1,598,590	1,520,439
Acceptance payable	526,899	986,121	632,866	613,647
Other payables	2,026,568	2,118,017	1,830,164	1,694,742
Total	\$ 4,799,951	6,016,092	5,199,339	4,871,999

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

15) Deposits and remittances

	<u>June 30, 2013</u>	<u>December 31, 2012</u>	<u>June 30, 2012</u>	<u>January 1, 2012</u>
Checking accounts deposits	\$ 4,364,149	4,538,083	4,552,071	5,182,659
Demand deposits				
Demand deposits	130,297,362	162,443,255	158,705,205	171,321,632
Saving account deposits	129,865,885	127,267,949	123,740,371	126,998,272
Subtotal of demand deposits	<u>260,163,247</u>	<u>289,711,204</u>	<u>282,445,576</u>	<u>298,319,904</u>
Time deposits				
Time deposits	156,136,950	178,958,735	152,075,267	198,619,187
Time savings deposits	84,701,696	89,789,541	93,006,918	93,898,964
Subtotal of time deposits	<u>240,838,646</u>	<u>268,748,276</u>	<u>245,082,185</u>	<u>292,518,151</u>
Trust accounts with company, designated purpose	-	-	-	59,822
Remittances	141,899	74,414	136,209	71,156
Total	<u>\$ 505,507,941</u>	<u>563,071,977</u>	<u>532,216,041</u>	<u>596,151,692</u>
Mark-to-market adjustments on hedge items	<u>\$ 9,360</u>	<u>29,001</u>	<u>57,141</u>	<u>90,609</u>

16) Bank notes payable – net

As of June 30, 2013 and December 31, June 30, and January 1, 2012, details of financial debentures issued by the Bank were as follows:

<u>Bond</u>	<u>Conditions for issuance</u>	<u>June 30, 2013</u>	<u>December 31, 2012</u>
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	2,400
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	1,500
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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

Bond	Conditions for issuance		June 30, 2013	December 31, 2012
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	\$	4,498,907	4,355,292
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		4,498,907	4,355,292
100-1A	2-year term, interest payable quarterly, annual interest rate is 1.03%; maturity date: May 19, 2013		-	800,000
100-1B	3-year term, interest payable quarterly, annual interest rate is 1.17%; maturity date: May 19, 2014		100,000	100,000
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
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
100-3B	2-year term, interest payable quarterly, TWD 90-day CP interest rate; maturity date: June 23, 2013		-	700,000
100-3C	5-year term, interest payable quarterly, annual interest rate is 1.40%; maturity date: September 23, 2016		1,100,000	1,100,000
100-4A	3-year term, interest payable quarterly, annual interest rate is 1.32%; maturity date: June 29, 2014		2,000,000	2,000,000
100-4B	2-year term, interest payable quarterly, TWD 90-day CP interest rate plus 0.15% interest rate; maturity date: June 29, 2013		-	400,000
100-4C	3-year term, interest payable quarterly, TWD 90-day CP interest rate plus 0.15% interest rate; maturity date: June 29, 2014		1,000,000	1,000,000

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

Bond	Conditions for issuance	June 30, 2013	December 31, 2012
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	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	700,000
101-1C	3-year term interest payable quarterly, annual interest is 1.09%; maturity date: January 17, 2015	600,000	600,000
101-2	2-year term, interest payable annually, annual interest rate is 1.05%; maturity date: May 24, 2014	6,700,000	6,700,000
		55,452,714	61,715,484
Mark-to-market adjustment on hedged items		210,338	299,053
Total		\$ 55,663,052	62,014,537

Bond	Conditions for issuance	June 30, 2012	January 1, 2012
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%	3,900	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%	4,500	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	4,481,295	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	4,481,295	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

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

Bond	Conditions for issuance	June 30, 2012	January 1, 2012
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
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	-

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

Bond	Conditions for issuance	June 30, 2012	January 1, 2012
101-2	2-year term, interest payable annually, annual interest rate is 1.05%; maturity date: May 24, 2014	6,700,000	-
		61,971,990	47,091,872
	Mark-to-market adjustment on hedged items	382,814	420,298
	Total	\$ 62,354,804	47,512,170

17) Other financial liabilities

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Structured commodity principal	\$ 25,530,568	34,690,236	15,309,860	10,095,732

18) Provisions

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Provision for guarantee liabilities	\$ 62,626	68,937	62,933	95,302
Provision for employee benefits	1,839,871	1,836,169	1,675,767	1,651,333
Other miscellaneous provisions	75,922	75,922	75,922	75,922
Total	\$ 1,978,419	1,981,028	1,814,622	1,822,557

19) Other liabilities

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Advance received from customers	\$ 295,218	355,950	419,228	474,943
Deferred revenue	59,199	77,645	82,306	107,400
Guarantee deposits received	114,665	124,037	126,348	156,360
Tax payable	414,417	393,582	361,047	302,720
Receipts under custody for derivatives	1,648,367	198,712	102,919	169,448
Other	86,692	163,805	163,923	68,721
	\$ 2,618,558	1,313,731	1,255,771	1,279,592

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

20) Employee benefits

(a) Defined contribution plan

The Bank's defined contribution plan follows the Labor Pension Act of the R.O.C. and makes monthly cash contributions to the employees' individual pension accounts at the Bureau of Labor Insurance at the rate of 6% of the employees' monthly salary. Under this plan, the Bank has no legal or constructive obligation to make other payments after the Bank makes the fixed amount of contribution to the Bureau of Labor Insurance.

For the six months period ended June 30, 2013 and 2012, the pension expense under defined contribution plan of the Bank amounted to \$83,273 thousand and \$77,201 thousand, respectively.

(b) Employee benefits provision

	<u>June 30, 2013</u>	<u>December 31, 2012</u>	<u>June 30, 2012</u>	<u>January 1, 2012</u>
Defined benefits plan	<u>\$ 1,839,871</u>	<u>1,836,169</u>	<u>1,675,767</u>	<u>1,651,333</u>

The reconciliation between present value of the Bank's defined benefits obligation and fair value of defined benefits plan assets were as follows:

	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Present value of defined benefits obligation	\$ 3,404,040	3,227,856
Less: Fair value of defined benefits plan assets	<u>1,567,871</u>	<u>1,576,523</u>
Liability recognized in balance sheets	<u>\$ 1,836,169</u>	<u>1,651,333</u>

The Bank adopted the defined benefit plan, which contributes 2.2% of eligible employees' monthly salary to the retirement reserve trust account at Bank of Taiwan. Employees' pension is calculated based on the employees' years of service under the Labor Standard Act and the employees' final average monthly salary at the time of retirement.

i) The percentage of pension assets were as follows:

	Unit: %	
	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Cash	21.77	23.70
Stocks	38.92	41.93
Short-term notes	12.42	6.80
Bonds	26.82	27.37
Government bonds	<u>0.07</u>	<u>0.20</u>
Total	<u>100.00</u>	<u>100.00</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

ii) Expense recognized in profit and loss

For the six months period ended June 30, 2013 and 2012, expense recognized in profit and loss under the operating expense-employee benefits expense amounted to \$88,206 thousand and \$87,836 thousand.

iii) Primary actuarial respectively assumptions

	<u>2013</u>	<u>2012</u>
Defined benefits plan discount rate	1.20%	1.40%
Expected rate of return on plan assets	1.50%	1.50%
Incremental rate of future compensation levels	3.50%	3.50%

iv) Historical information for adjustment based on experience

	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Net liability of defined benefits obligation	<u>\$ 1,836,169</u>	<u>1,651,333</u>
Adjustment based on experience to present value of defined benefits plan	<u>\$ 2,708</u>	<u>95,728</u>
Adjustment based on experience to net fair value of plan assets	<u>\$ 30,460</u>	<u>4,893</u>
Changes in actuarial assumptions of plan liability	<u>\$ 107,227</u>	<u>65,757</u>

21) Income tax

The Bank adopts a 17% statutory tax rate and calculates the basic income tax based on the Income Basic Tax Act.

For the six months period ended June 30, 2013 and 2012, the income tax expense and related accounts were as follows:

	<u>January to June 2013</u>	<u>January to June 2012</u>
Current income tax expense (benefit)	\$ 617	(7,083)
Deferred income tax expense	213,099	312,580
10% surtax on undistributed earnings	-	149,532
Basic income tax	<u>24,518</u>	<u>70,471</u>
Income tax expense	<u>\$ 238,234</u>	<u>525,500</u>

As of June 30, 2013 and December 31, June 30, and January 1, 2012, the current tax assets of the Bank amounted to \$176,312 thousand, \$115,818 thousand, \$115,818 thousand, and \$224,890 thousand, respectively.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

The differences between the expected income tax at statutory rates and the income tax expense were as follows:

	<u>January to June 2013</u>	<u>January to June 2012</u>
Income tax from profit before tax at statutory rate	\$ 267,680	465,809
Permanent difference	(59,080)	(193,439)
10% surtax on undistributed earnings	-	149,532
Prior-year income tax adjustments	(8,697)	(7,083)
Basic income tax	24,518	70,471
Other adjustments per tax regulation	13,813	40,210
Income tax expense	<u>\$ 238,234</u>	<u>525,500</u>

The components of deferred income tax expense recognized as other comprehensive income were as follows:

	<u>January to June 2013</u>	<u>January to June 2012</u>
Unrealized fair value (losses) gains on available-for-sale financial assets	\$ (43,537)	2,131
Fair value losses on effective portion of cash flow hedges	(21,973)	(11,177)
Total	<u>\$ (65,510)</u>	<u>(9,046)</u>

The components of deferred income tax expenses (benefits) were as follows:

	<u>January to June 2013</u>	<u>January to June 2012</u>
Unrealized interest income from financial assets	\$ (17,134)	28,328
Allowance for doubtful accounts	(8,715)	(34,437)
Depreciation expense	(6,542)	(1,788)
Amortization of goodwill	26,827	26,827
Impairment loss on assets	7,087	(11,512)
Expenses from share-based payments	8,029	(1,836)
Employee benefits	7,675	(4,154)
Provisions	(3,516)	(4)
Deferred revenue	32,841	30,402
Loss carryforwards	166,547	280,754
	<u>\$ 213,099</u>	<u>312,580</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

The Bank's temporary difference of deferred tax asset components, based on the 17% tax rate for the periods ended June 30, 2013 and December 31, June 30, and January 1, 2012 were as follows:

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Deferred tax assets:				
Bad debt expense and guarantee liability provision	\$ 442,458	433,743	243,360	208,923
Depreciation expense	22,039	15,497	13,681	11,893
Impairment loss on assets	37,177	44,264	59,142	47,630
Expenses from share based payments	30,506	38,535	38,535	36,699
Employee benefits	321,882	329,557	302,291	298,137
Provisions	15,397	11,881	165	161
Deferred revenue	324,865	357,706	389,146	419,548
Loss carryforwards	<u>1,242,253</u>	<u>1,408,800</u>	<u>1,497,157</u>	<u>1,777,911</u>
Total	<u>\$ 2,436,577</u>	<u>2,639,983</u>	<u>2,543,477</u>	<u>2,800,902</u>
Deferred tax liabilities:				
Unrealized interest revenue on financial assets	\$ 84,567	101,701	103,421	75,093
Amortization of goodwill	241,438	214,611	187,786	160,959
Land value increment tax	145,615	152,375	152,375	152,375
Unrealized gain on available-for-sale financial assets	125,761	169,298	161,521	159,390
Unrealized gain on cash flow hedge	<u>5,406</u>	<u>27,379</u>	<u>27,814</u>	<u>38,991</u>
Total	<u>\$ 602,787</u>	<u>665,364</u>	<u>632,917</u>	<u>586,808</u>

The movements of deferred tax items are as follows:

	January to June 2013	January to June 2012
Beginning balance	\$ 1,974,619	2,214,094
Recognized in current period profit and loss	(213,099)	(312,580)
Land value increment tax	6,760	-
Recognized in other comprehensive income	<u>65,510</u>	<u>9,046</u>
Ending balance	<u>\$ 1,833,790</u>	<u>1,910,560</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

The income tax returns of the prior years have been assessed up to the year 2010.

22) Information of imputation credit account

The balances of the imputation credit account (ICA) were as follows:

	<u>June 30, 2013</u>	<u>December 31, 2012</u>	<u>June 30, 2012</u>	<u>January 1, 2012</u>
Imputation credit account	<u>\$ 571</u>	<u>332,794</u>	<u>19,700</u>	<u>110,532</u>

The accumulated earnings were all generated after 1998, which is according to Regulations Governing the Preparation of Financial Reports and the IFRSs as endorsed by the FSC.

	<u>2013 (estimated)</u>	<u>2012 (actual)</u>
Tax creditable ratios of distribution of retained earnings to R.O.C. residents	10.57%	1.33%

The estimated tax creditable ratio for 2013 shown above is according to the estimation by the draft of Income Tax Law amendment No.66-6 which is concluded for the first trial on April 1, 2013. Until the audited date, the draft has not been passed by the Legislative Yuan through third reading.

23) Stockholders' equity

(a) Capital

As of June 30, 2013, the Bank's authorized capital was \$30,000,000 thousand, representing 3,000,000 thousand shares with par value of NTD 10 per share, and issued capital \$29,105,720 thousand, representing 2,910,572 thousand common shares.

(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 as realized capital surplus or distribution of cash dividends. The aforementioned realized 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 percent (10%) of the Bank's issued share capital.

(c) Legal 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.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

The board of directors approved the distribution of the 2012 and 2011 earnings on June 29, 2013 and June 29, 2012, and appropriated legal reserve of \$901,004 thousand and \$2,511,935 thousand, respectively.

(d) Special reserve

In terms of the Financial Supervisory Commission, Executive Yuan, Jin-Guan-Zheng-Fa No. 1010012865 dated April 6, 2012, the first time a public company adopts International Financial Reporting Standards ("IFRS"), it must set aside special reserves equal in amounts to those portions of unrealized revaluation gains and cumulative translation adjustments (both of which are sub-accounts under booked shareholder equity) that is shifted to retained earnings as a result of the claiming of an IFRS 1 exemption. However, if the increment of retained earnings resulted from first-time adoption of IFRS is not sufficient at the date of transition; the company could recognize that incremental amount only. When a company subsequently uses, disposes of, or reclassifies the assets in question, a proportional amount of its originally set aside special reserve may be shifted back to distributable earnings. In accordance with that regulation, under the situation of not having sufficient increment of retained earnings resulted from first-time adoption of IFRS, the Company can shift that incremental amount \$231,470 thousand to special reserves.

(e) Other item in stockholders' equity

Changes in the Bank's other items in stockholders' equity were as follows:

	Unrealized gains and losses on available-for-sale financial assets	Unrealized gains (loss) on cash flow hedge	Total
January 1, 2013	\$ 851,045	133,675	984,720
Available-for-sale financial asset – net			
– Valuation adjustment	(221,119)	-	(221,119)
– Realized amount	233	-	233
Cash flow hedge			
– Unrealized valuation	-	(122,847)	(122,847)
June 30, 2013	<u>\$ 630,159</u>	<u>10,828</u>	<u>640,987</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

	Unrealized gains and losses on available-for-sale financial assets	Unrealized gains (loss) on cash flow hedge	Total
January 1, 2012	\$ 772,342	190,367	962,709
Available-for-sale financial asset – net			
– Valuation adjustment	10,746	-	10,746
– Realized amount	(9,976)	-	(9,976)
Cash flow hedge			
– Unrealized valuation	-	(54,572)	(54,572)
June 30, 2012	<u>\$ 773,112</u>	<u>135,795</u>	<u>908,907</u>

(f) 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:

- i. Shareholders' dividends and bonus: 99.99%
- ii. 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 May 31, 2013 and June 29, 2012, the board of directors, representing shareholders, approved the distribution of retained earnings and distributed cash dividends for 2012 and 2011 were as follows:

	2012	2011
Legal reserve appropriated	\$ 901,004	2,511,935
Cash dividends of ordinary share	2,690,000	4,365,858
Total	<u>\$ 3,591,004</u>	<u>6,877,793</u>

The estimated amount of staff bonus accrued were based on the possibility of bonus distribution and estimated bonus distribution and resolution approved by 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 Statement

The board of directors approved the distribution of 2011 earnings on June 29, 2012, and distributed bonus to employees for \$586 thousand. The original estimated bonus to employees was \$589 thousand. This difference shall be identified as changes in accounting estimate and recognized as profit or loss in 2012. Furthermore, the board of directors approved the distribution of 2012 earnings on May 31, 2013 and distributed bonus to employees for \$210 thousand. The estimated employee bonus was \$210 thousand; the difference shall be treated as changes in accounting estimate and recognized as profit or loss in 2013.

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.

24) Share-based payments

Standard Chartered PLC Group (the "SC PLC Group") has established five main share-based payment schemes for its directors and employees. On June 2013 and 2012, the share-based payment schemes adopted by the Bank were as follows:

(a) All Employee Sharesave Plan (Original: International Sharesave Schemes "ISS")

Under the Sharesave plans, employees have the choice of opening a savings contract. Within a period of six months after the third or fifth anniversary, as appropriate, employees may purchase ordinary shares in the Bank at a discount of up to 20 percent on the share price at the date of invitation. There are no performance conditions attached to options granted under the Sharesave plans.

The option movements of the ISS were as follows:

	January to June 2013	January to June 2012
Beginning balance	529,534	576,342
Less: exercised	51,514	46,915
lapsed	31,476	34,083
Ending balance	446,544	495,344

For the six months period ended June 30, 2013 and 2012, the costs of the ISS charged to profits or losses were \$15,164 thousand and \$14,668 thousand, respectively, recognized as operating expenses – employees' benefit costs.

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

(b) Restricted Share Award (Original: Restricted Share Scheme)

The SC PLC Group established the Restricted Share Award ("RSA") to motivate and retain high performing employees. RSA is also used to deliver awards made as part of a designated buyout for new joiners. 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 RSA. 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 as long as qualified participants remain employed by the SC PLC Group and certain conditions have been met.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

The option movements of the RSS were as follows:

	January to June 2013	January to June 2012
Beginning balance	127,704	254,648
Add: granted	866	1,408
Less: exercised	50,733	80,296
lapsed	4,268	9,116
Ending balance	<u>73,569</u>	<u>166,644</u>

For the six months period ended June 30, 2013 and 2012, the costs of the RSS charged to profits or losses were \$14,661 thousand and \$31,864 thousand, respectively, recognized as operating expenses – employee’s benefit.

(c) Executive Share Option Scheme

The Executive Share Option Scheme ("ESOS") was 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. The ESOS is now closed to new grants and remains outstanding vested awards only.

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:

	January to June 2013	January to June 2012
Ending balance (Beginning balance)	<u>\$ -</u>	<u>6,233</u>

There were no costs of the ESOS charged to profit or loss recognized for the years ended June 30, 2013 and 2012.

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 June 30, 2013 and 2012.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

(d) Performance Share Award (Original: Performance Share Plan)

The Performance Share Award ("PSA") is designed to be an intrinsic part of total variable compensation for the SC PLC Group's most senior executives. Awards are made to reward and incentivise high performing senior managers to deliver strong long term performance by building a financial stake in the Group's success. PSA vest after a three year period and are subject to three performance measures, Total Shareholder Return ("TSR"), Earnings Per Share ("EPS") and Return on Risk Weighted Assets ("RoRWA"). The share-based awards are exercisable between the third and tenth year after the grant date as long as qualified participants remain employed by the SC PLC Group and certain conditions have been met.

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

	January to June 2013	January to June 2012
Beginning balance	15,004	77,608
Less: exercised	9,411	28,058
Ending balance	5,593	49,550

For the years ended June 30, 2013 and 2012, the costs of the PSA (PSP) charged to profit or loss were \$3,630 thousand and \$151 thousand, respectively, recognized as operating expenses—employees' benefits.

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.

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 (Original: Supplementary Restricted Share Scheme)

The Supplementary Restricted Share Scheme ("SRSS") was designed as a retention and motivation tool for high performing and high potential employees, encouraging them to deliver long-term performance. The SRSS is now closed to new grants and remains outstanding vested awards only. 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 and certain conditions have been met, the share-based awards can be exercised within seven years after the grant date.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

The option movements of the SRSS were as follows:

	<u>January to June 2013</u>	<u>January to June 2012</u>
Beginning balance	20,451	32,457
Less: exercise	2,043	-
lapsed	-	11,142
Ending balance	<u>18,408</u>	<u>21,315</u>

For the six months period ended June 30, 2013 and 2012, the costs of the SRSS charged to profit or loss were \$154 thousand and \$500 thousand, respectively, recognized as operating expenses—employees' benefits.

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.

25) Earnings per share

	<u>January to June 2013</u>	<u>January to June 2012</u>
Net income attributable to common stockholders	<u>\$ 1,336,355</u>	<u>2,214,551</u>
Common stock (in thousands)	<u>\$ 2,910,572</u>	<u>2,910,572</u>
Basic EPS (in dollars)	<u>\$ 0.46</u>	<u>0.76</u>

Since the Bank's implementation of share-based payment transactions would proceed by cash settlement, there is no impact on the Bank's weighted-average shares of common stock outstanding during the period.

26) Net income of interest

	<u>January to June 2013</u>	<u>January to June 2012</u>
Interest income		
Interest income, due from banks	\$ 159,956	201,478
Interest income, credit card recurrence	231,050	194,163
Interest income, discounts and loans	5,370,979	5,593,411
Interest income, available-for-sale financial assets	1,029,829	1,105,481
Interest income, others	332,999	506,814
Total	<u>7,124,813</u>	<u>7,601,347</u>
Interest expense		
Interest expense, due to banks	226,563	635,907
Interest expense, deposits	2,194,125	1,992,861
Interest expense, others	93,071	58,503
Total	<u>2,513,759</u>	<u>2,687,271</u>
	<u>\$ 4,611,054</u>	<u>4,914,076</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

27) Net service fee income

	January to June 2013	January to June 2012
Service fee		
Service fee, loan	\$ 100,014	112,231
Service fee, agency	65,180	65,429
Service fee, remittance and interbank	47,316	52,301
Service fee, guarantee, import, export and acceptance payable	51,596	54,810
Service fee, credit card	169,998	145,027
Service fee, trust	1,221,392	1,033,308
Service fee, others	<u>96,750</u>	<u>104,868</u>
Subtotal	1,752,246	1,567,974
Service charge		
Service charge, interbank	65,427	67,950
Service charge, agency	38,486	105,532
Service charge, custodian	55,239	52,741
Service charge, others	<u>19,371</u>	<u>8,848</u>
Subtotal	<u>178,523</u>	<u>235,071</u>
Total	<u>\$ 1,573,723</u>	<u>1,332,903</u>

28) Gain on financial assets or liabilities measured at fair value through profit or loss

	January to June 2013	January to June 2012
Gain (loss) on disposal		
Trading financial assets	\$ 17,157	52,989
Derivative financial instruments	<u>363,345</u>	<u>(58,529)</u>
Subtotal	380,502	(5,540)
Gain on valuation		
Trading financial assets	(9,356)	(8,591)
Derivative financial instruments	<u>528,567</u>	<u>673,417</u>
Subtotal	<u>519,211</u>	<u>664,826</u>
Interest income	<u>105,389</u>	<u>112,685</u>
Total	<u>\$ 1,005,102</u>	<u>771,971</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

29) Realized gain (loss) on available-for-sale financial assets

	January to June 2013	January to June 2012
Government bonds	<u>\$ 233</u>	<u>(9,976)</u>

30) Net other non-interest income

	January to June 2013	January to June 2012
Net gain on sale of non-performing loans	\$ -	357,150
Net gain on disposal of property	49,667	231,322
Net gain on securities brokering income	20,401	57,090
Gains on financial assets carried at cost	3,216	3,577
Rental income	8,151	9,643
Net loss on fair value hedge	(58,242)	(18,560)
Others	4,672	6,801
Total	<u>\$ 27,865</u>	<u>647,023</u>

31) Impairment loss on assets

	January to June 2013	January to June 2012
Impairment loss — other assets	<u>\$ -</u>	<u>61,041</u>

32) Bad debt expense and provision for guarantee liabilities

	January to June 2013	January to June 2012
Bad debt expense	\$ 937,062	437,317
Provision for guarantee liabilities reversal	(6,310)	(32,370)
Total	<u>\$ 930,752</u>	<u>404,947</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

33) Employee benefits expense

	January to June 2013	January to June 2012
Salary expenses	\$ 2,260,708	2,298,213
Labor and health insurance	179,416	157,305
Pension		
Deferred contribution plan	83,273	77,201
Deferred benefits plan	88,206	87,836
Others	114,766	131,123
Total	\$ 2,726,369	2,751,678

34) Depreciation and amortization expense

	January to June 2013	January to June 2012
Depreciation expense		
Buildings	\$ 31,073	34,611
Office equipment	30,882	42,591
Leasehold improvements	59,681	66,224
Other equipments	43,298	58,696
Subtotal of depreciation	164,934	202,122
Computer software amortization	34,533	14,733
Total	\$ 199,467	216,855

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

35) Other general and administrative expense

	January to June 2013	January to June 2012
Rental expense	\$ 283,855	279,161
Office supplies	58,132	66,215
Postage	130,324	117,826
Repairs and maintenance	81,647	73,186
Advertising expense	87,979	63,111
Utilities fee	46,341	44,465
Taxes	248,521	271,503
Professional service fees	48,334	48,391
Operational and advisory service fee	495,284	555,686
Consulting and technical support service fee	278,204	194,814
Wholesale banking business service fee	106,665	137,218
Others	271,329	170,844
Total	\$ 2,136,615	2,022,420

36) Disclosure of financial instruments

(a) Fair value of financial instruments

Financial assets	June 30, 2013		December 31, 2012	
	Book value	Fair value	Book value	Fair value
Non-derivative financial instruments				
Cash and cash equivalents	\$ 10,237,314	10,237,314	6,697,772	6,697,772
Due from the Central Banks and call loans to bank	57,645,568	57,645,568	68,073,194	68,073,194
Financial assets at fair value through profit or loss – financial interest instrument	23,154,543	231,154,543	21,512,425	21,512,425
Securities purchased under resell agreements	-	-	3,402,039	3,402,039
Receivables – net	29,478,462	29,478,462	37,741,825	37,741,825
Discounts and loans – net	345,056,675	345,056,675	350,387,046	350,387,046
Available-for-sale financial assets, net	223,850,975	223,850,975	226,363,332	226,363,332
Other financial assets – net	151,455	151,455	151,409	151,409

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

Financial assets	June 30, 2012		January 1, 2012	
	Book value	Fair value	Book value	Fair value
Non-derivative financial instruments				
Cash and cash equivalents	\$ 8,227,443	8,227,443	11,469,535	11,469,535
Due from the Central Banks and call loans to bank	69,246,194	69,246,194	74,398,541	74,398,541
Financial assets at fair value through profit or loss – financial interest instruments	25,830,001	25,830,001	25,458,794	25,458,794
Securities purchased under resell agreements	10,746,723	10,746,723	8,456,414	8,456,414
Receivables – net	39,098,114	39,098,114	34,206,432	34,206,432
Discounts and loans – net	352,199,753	352,199,753	346,151,003	346,151,003
Available-for-sale financial assets-net	188,142,601	188,142,601	211,874,021	211,874,021
Other financial assets – net	158,002	158,002	158,072	158,072

Financial liabilities	June 30, 2013		December 31, 2012	
	Book value	Fair value	Book value	Fair value
Non-derivative financial instruments				
Deposits from the Central Bank and banks	\$ 59,241,520	59,241,520	9,283,983	9,283,983
Payables	4,799,951	4,799,951	6,016,092	6,016,092
Related parties payable	6,688,176	6,668,176	6,012,064	6,012,064
Deposits and remittances	505,507,941	505,507,941	563,071,977	563,071,977
Bank notes payable-net	55,663,052	55,663,052	62,014,537	62,014,537
Other financial liabilities	25,530,568	25,530,568	34,690,236	34,690,236

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

Financial liabilities	June 30, 2012		January 1, 2012	
	Book value	Fair value	Book value	Fair value
Non-derivative financial instruments				
Deposits from the Central Bank and banks	\$ 43,310,360	43,310,360	18,390,389	18,390,389
Payables	5,199,339	5,199,339	4,871,999	4,871,999
Related parties payable	5,211,151	5,211,151	4,284,892	4,284,892
Deposits and remittances	532,216,041	532,216,041	596,151,692	596,151,692
Bank notes payable-net	62,354,804	62,354,804	47,512,170	47,512,170
Other financial liabilities	15,309,860	15,309,860	10,095,732	10,095,732

(b) The following methods and assumptions were used by The Bank's management to estimate the fair value of financial instruments:

- i. Non-derivative short-term financial assets include cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under resell agreements, receivables and guarantee deposits paid ; other short-term financial liabilities include due to the Central Bank and other banks, notes and bonds issued under repurchase agreements, payables, and guarantee deposits received. The fair values of these financial instruments are estimated to be the carrying amounts because of the short maturities of these financial instruments.
- ii. Financial assets and liabilities at fair value through profit or loss and available for sale financial assets: if there is a quoted price in an active market for the financial asset, then use this market price as the fair value; if there is no quoted price in an active market for the financial asset, the fair value is estimated using the evaluation methods.
- iii. The interest on discounted bills and loans to customers is mainly based on floating rates. Therefore, the book value approximates the fair value.
- iv. Other financial assets and liabilities: the stocks held which is not listed on an exchange or OTC, and no derivative is significant influenced or linked with these stocks are called other financial assets. Other financial assets that are prepared in accordance with guidelines shall be measured at cost; other financial liabilities as required by legislation to disclose the principle amounts of the structured deposits, thus liabilities are presented in its book value.
- v. Based on the characteristics of the financial industry, most deposits and remittances have maturities of less than one year, so the book value should be reasonable based on estimated fair value.
- vi. Bank notes payable is mainly a financial liability with floating rate, so its fair value equals its book value.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

vii If there are no active market prices available pertaining to derivative financial instruments (including structured notes), the options trading contracts will use the Black-Scholes model to assess. The exchange rate for forward foreign exchange contracts are quoted by the FBS program. Meanwhile the forward foreign exchange contracts individual maturity date and exchange rates are individually calculated at fair value. The fair value of interest rate swaps and cross currency swap contracts quotation are based on Reuters program information system with each individual contracts estimated at fair value.

(c) Levels of fair value of financial instruments and statement of movement

i. Fair value hierarchy information of financial instruments

<u>Financial instruments at fair value</u>	June 30, 2013			
	<u>Total</u>	<u>Level 1 (note 1)</u>	<u>Level 2 (note 2)</u>	<u>Level 3 (note 3)</u>
Non-derivative financial instruments:				
Assets:				
Financial assets at fair value through profit or loss				
Bond investments	\$ 23,154,543	5,389,213	17,765,330	-
Available-for-sale financial assets—net				
Bond investments	223,770,916	18,146,898	205,624,018	-
Stock investments	80,059	80,059	-	-
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	9,617,328	11,974	9,605,354	-
Derivative financial assets for hedging	265,178	-	265,178	-
Liabilities:				
Financial liabilities at fair value through profit or loss	8,881,239	11,969	8,869,270	-
Derivative financial liabilities for hedging	26,757	-	26,757	-

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

	December 31, 2012			
	Total	Level 1 (note 1)	Level 2 (note 2)	Level 3 (note 3)
<u>Financial instruments at fair value</u>				
Non-derivative financial instruments:				
Assets:				
Financial assets at fair value through profit or loss				
Bond investments	\$ 21,512,425	4,366,153	17,146,272	-
Available-for-sale financial assets – net				
Bond investments	226,284,479	18,793,576	207,490,903	-
Stock investments	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	-
Derivative financial assets for hedging	428,983	-	428,983	-
Liabilities:				
Financial liabilities at fair value through profit or loss	8,357,471	3,935	8,353,536	-
Derivative financial liabilities for hedging	13,523	-	13,523	-

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

	June 30, 2012			
	Total	Level 1 (note 1)	Level 2 (note 2)	Level 3 (note 3)
<u>Financial instruments at fair value</u>				
Non-derivative financial instruments:				
Assets:				
Financial assets at fair value through profit or loss				
Bond investments	\$ 25,830,001	7,075,261	18,754,740	-
Available-for-sale financial assets – net				
Bond investments	186,324,692	16,083,617	170,241,075	-
Beneficiary certificates	1,737,070	-	-	1,737,070
Stock investments	80,839	80,839	-	-
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	11,918,714	17,919	11,655,935	244,860
Derivative financial assets for hedging	575,452	-	575,452	-
Liabilities:				
Financial liabilities at fair value through profit or loss	10,742,881	18,907	10,633,738	90,236
Derivative financial liabilities for hedging	16,116	-	16,116	-

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

<u>Financial instruments at fair value</u>	January 1, 2012			
	<u>Total</u>	<u>Level 1 (note 1)</u>	<u>Level 2 (note 2)</u>	<u>Level 3 (note 3)</u>
Non-derivative financial instruments:				
Assets:				
Financial assets at fair value through profit or loss				
Bond investments	\$ 25,458,794	6,386,879	19,071,915	-
Available-for-sale financial assets – net				
Bond investments	210,037,844	25,095,144	184,942,700	-
Beneficiary certificates	1,752,582	-	-	1,752,582
Stock investments	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
Derivative financial assets for hedging	728,959	-	728,959	-
Liabilities:				
Financial liabilities at fair value through profit or loss	14,863,355	1,955	14,585,681	275,719
Derivative financial liabilities for hedging	92,441	-	92,441	-

ii. Statement of movement in financial assets which were classified to Level 3 based on fair value measurement

<u>Items</u>	January to June 2013								<u>Ending balance</u>
	<u>Beginning balance</u>	<u>Recognized in current years' profit or loss</u>	<u>Recognized in other comprehensive income</u>	<u>Purchase or issuance</u>	<u>Transfer-in to level 3 from other levels</u>	<u>Transfer-in to level 3 financial assets from level 3 financial liabilities</u>	<u>Sale disposal, or settlement</u>	<u>Transfer-out to other levels from level 3</u>	
Non-derivative financial instruments									
Available-for-sale	\$ 1,752,582	(15,512)	-	-	-	-	-	-	1,737,070
Derivative financial instruments									
Financial assets at fair value through profit or loss	362,955	(118,905)	-	-	-	-	-	-	244,860
Total	\$ 2,115,537	(133,607)	-	-	-	-	-	-	1,981,930

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

iii. Statement of changes in financial liabilities which were classified to Level 3 based on fair value measurement

Items	January to June 2012									Ending balance
	Beginning balance	Recognized in current years' profit or loss	Recognized in other comprehensive income	Increase in current period			Decrease in current period			
				Purchase or issuance	Transfer-in to level 3 from other levels	Transfer-in to level 3 financial assets from level 3 financial liabilities	Sale disposal, or settlement	Transfer-out to other levels from level 3	Transfer-in to level 3 financial liabilities from level 3 financial assets	
Derivative financial instruments Financial assets at fair value through profit or loss	\$ 275,719	(185,483)	-	-	-	-	-	-	-	90,236

Note 1: Level 1 inputs are quoted prices in active markets for identical assets or liabilities. According to the SFAS No. 34 "Financial Instruments: Recognition and Measurement", paragraph 5, active markets are defined as markets that meet the following criteria: (1) the asset or liability traded in the market have similar attributes; (2) there is a willing buyer and seller for the asset or liability in the market at any given time; (3) price information on the asset or liability can be accessed by the general public.

Note 2: Level 2 inputs are inputs other than quoted prices in active markets that are observable, including those inputs that can be observed directly (quoted prices) or indirectly (derived from quoted prices) from active markets. For example:

- i) The quoted price in similar financial instruments' active market was referred to the fair value of financial instruments held by and based on similar financial instruments' recent quoted prices; the judgment of similar financial instruments should follow the characteristics of the financial instruments and trading conditions. The factors that require the fair value of financial instruments to be adjusted with compatible similar financial instruments which have observable trading prices might include recent financial instruments trading price already have time gap (i.e. has been a while since last trading time), the difference between the financial instruments trading conditions, transaction prices involved with a related party, and the correlation between observable transaction price similar financial instruments and the price of financial instruments held.
- ii) Quoted prices for identical or similar assets or liabilities in markets those are not active.
- iii) Fair value determined based on a valuation model. Inputs for the model (for example, interest rates, yield curves, volatilities, etc.) can be observed from the market (these observable inputs are obtained from market information, and when they are being used in the model, the resulting valuation for the asset or liability shall represent prices anticipated by the market participants).
- iv) Inputs are derived principally from or corroborated by observable market data by correlation or other means.

Note 3: Level 3 means to measure the fair value of the input parameters are not based on

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

observable market data (inputs are unobservable for example, using historical volatilities in a model that determines option value represent using unobservable inputs, since historical volatilities do not reflect future volatilities as anticipated by the overall market participants).

(d) Information on financial risk

The Bank's risk management framework encompasses servicing client interests and fulfilling long term operation goals while keeping overall risk tolerance and compliance to local regulations. This framework serves to diversify or transfer risk in an effective manner, benefiting not only our customers and shareholders but ourselves as well. The Bank encounters credit risk, operational risk, market risk, (interest rate swaps, exchange rate swaps, equity, and commodity) and liquidity risk both on and off the balance sheets in our day-to-day operations.

The Bank has formulated both the risk management policy and operation procedures into structured operation manuals, which have been approved by the Board of Directors. These manuals set out a clear guidance on distinguishing, measuring, monitoring, and managing credit risk, operation risk, market risk, and liquidity risk.

i. Market risk

i) Strategy and procedure of market risk management

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

ii) Market risk management organization and structure

Market risk management organization and structure changes in market prices and rates. The Bank is exposed to market risk arising principally from customer-driven transactions. The objective of the companies limits are annually reviewed by GMR Taiwan and are in line with Group Market Risk Committee guidance. The policies and procedures are presented to the Board for approval.

Market risk limits are proposed by the business within the terms of the agreed policy. Limits are presented to the Risk Committee for approval with its authority delegated by the Board. Limits for derivatives require approval from the Board.

GMR Taiwan monitors exposures against these limits on a daily basis. Related market risk management results are reported to the Risk Committee at a minimum on a quarterly basis.

The Company also receives strong support from SCB regional and group business and market risk management functions based outside of Taiwan.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

- iii) The scope and characteristics of market risk report and evaluation system

The scope of market risk report covers market exposures in both trading book and banking book. The primary categories of market risk for the Company are interest rate risk and currency exchange rate risk linked to trading products in financial markets, as the Company has not held any positions relating to commodities price risk and equity price risk.

The Company measures the risk of losses arising from future potential adverse movements in market rates, prices and volatilities using a Value at Risk (VaR) methodology. VaR, in general, is a quantitative measure of market risk which applies recent historical market conditions to estimate the potential future loss in market value that will not be exceeded in a set time period at a set statistical confidence level. VaR provides a consistent measure that can be applied across trading businesses.

The table below lists the market risk of financial instruments of the Bank as of June 30, 2013 and 2012. 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.

	January to June 2013			January to June 2012		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Foreign exchange VaR	\$ 4,925	8,024	2,200	7,077	12,847	2,635
Interest rate VaR	17,541	23,692	9,652	19,062	25,317	12,687
Risk rate VaR	22,466	31,716	11,852	26,139	38,164	15,322

Losses beyond the confidence interval are not captured by a VaR calculation, which therefore gives no indication of the size of unexpected losses in these situations. GMR Taiwan complements the VaR measurement by stress testing of market risk exposures to highlight the potential risk that may arise from extreme market events that are rare but plausible. Stress testing is an integral part of the market risk management framework and considers both historical market events and forward looking scenarios. Stress testing is applied to trading and non-trading books respectively.

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

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

Market risk policies, procedures and limits are annually reviewed by GMR Taiwan. The policies and procedures cover both trading and non-trading books and are presented to Board for approval.

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

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

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

- v) Method used for regulatory capital calculation
Standardized Approach / Delta-Plus for Options

- vi) Exchange rate risk exposure information

The significant exposure to foreign currency exchange rates are as follows:

	June 30, 2013			December 31, 2012			
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	
Long position							
USD	\$	9,879,243	29.993	296,308,146	9,696,882	29.035	281,548,979
EUR		489,473	39.136	19,156,029	526,253	38.295	20,152,842
JPY		62,827,323	0.303	19,036,679	42,628,374	0.337	14,365,762
AUD		643,344	27.732	17,841,216	301,804	30.139	9,096,071
CNY		5,368,277	4.907	26,342,136	91,179,337	4.707	43,207,141
Short position							
USD		9,828,170	29.993	294,776,302	9,599,616	29.035	281,748,744
EUR		489,458	39.136	19,155,428	526,257	38.295	20,152,997
JPY		62,804,277	0.303	19,029,696	42,658,858	0.337	14,376,035
AUD		642,467	27.732	17,816,896	301,126	30.139	9,075,643
CNY		5,303,064	4.907	26,022,137	9,173,685	4.707	43,180,534
	June 30, 2012			January 1, 2012			
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	NTD
Long position							
USD	\$	11,287,452	29.875	337,212,626	9,128,157	30.270	276,309,325
EUR		584,908	37.528	21,950,440	619,322	39.098	24,214,267
JPY		40,569,742	0.376	15,254,223	54,077,213	0.390	21,090,113
AUD		670,129	30.372	20,353,168	314,428	30.725	9,660,819
CNY		4,263,766	4.687	19,984,270	51,004	4.819	245,790
Short position							
USD		11,223,953	29.875	335,315,598	9,251,719	30.270	280,049,521
EUR		584,943	37.528	21,951,739	539,753	39.098	21,103,262
JPY		41,364,622	0.376	15,553,098	54,103,774	0.390	21,100,472
AUD		668,592	30.372	20,306,489	313,689	30.725	9,638,107
CNY		4,276,274	4.687	20,042,894	100,760	4.819	485,564

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

vii) Interest rate sensitivity information

A. Interest rate sensitivity analysis (for assets and liabilities denominated in NTD)

June 30, 2013

Items	Day 1 to 90 day	Day 91 to 180 day	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	\$ 370,557,407	90,141,828	71,127,867	20,615,100	552,442,202
Interest rate sensitive liabilities	366,016,350	76,564,341	33,052,677	3,055,542	478,688,910
Interest rate sensitive gap	4,541,057	13,577,487	38,075,190	17,559,558	73,753,292
Net worth					40,700,771
Ratio of interest rate sensitive assets to liabilities (%)					115.41
Ratio of interest rate sensitive gap to net equity (%)					181.21

December 31, 2012

Items	Day 1 to 90 day	Day 91 to 180 day	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 gap	(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 gap to net equity (%)					165.35

June 30, 2012

Items	Day 1 to 90 day	Day 91 to 180 day	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	\$ 434,016,444	70,796,228	65,862,839	18,268,399	588,943,910
Interest rate sensitive liabilities	353,852,197	62,696,325	40,261,904	35,655,156	492,465,582
Interest rate sensitive gap	80,164,247	8,099,903	25,600,935	(17,386,757)	96,478,328
Net worth					42,022,859
Ratio of interest rate sensitive assets to liabilities (%)					119.59
Ratio of interest rate sensitive gap to net equity (%)					229.59

January 1, 2012

Items	Day 1 to 90 day	Day 91 to 180 day	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 gap	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 gap to net equity (%)					193.76

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

B. Interest rate sensitivity analysis (for assets and liabilities denominated in USD)

June 30, 2013

Unit: in thousands of US Dollars

Items	Day 1 to 90 day	Day 91 to 180 day	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	\$ 3,342,921	279,050	70,584	177,260	3,869,815
Interest rate sensitive liabilities	4,629,943	167,649	162,097	62,855	5,022,544
Interest rate sensitive gap	(1,287,022)	111,401	(91,513)	114,405	(1,152,729)
Net worth					20,128
Ratio of interest rate sensitive assets to liabilities (%)					77.05
Ratio of interest rate sensitive gap to net equity (%)					(5,726.99)

December 31, 2012

Unit: in thousands of US Dollars

Items	Day 1 to 90 day	Day 91 to 180 day	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 gap	(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 gap to net equity (%)					(1,047.94)

June 30, 2012

Unit: in thousands of US Dollars

Items	Day 1 to 90 day	Day 91 to 180 day	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	\$ 2,441,133	228,683	360,186	247,193	3,277,195
Interest rate sensitive liabilities	4,582,327	298,035	262,231	8,639	5,151,232
Interest rate sensitive gap	(2,141,194)	(69,352)	97,955	238,554	(1,874,037)
Net worth					34,377
Ratio of interest rate sensitive assets to liabilities (%)					63.62
Ratio of interest rate sensitive gap to net equity (%)					(5,451.43)

January 1, 2012

Unit: in thousands of US Dollars

Items	Day 1 to 90 day	Day 91 to 180 day	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 gap	(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 gap to net equity (%)					(2,802.05)

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

ii. Operational risk

i) Strategy and procedure of operational risk management

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

Operational risk arises as a result of business activities. It is the Company's objective to minimize exposure to operational risk, subject to cost tradeoffs. Operational risk exposures are managed through a framework of policies and procedures that drive risk identification, assessment, control, and monitoring.

Responsibility for the management of operational risk rests with businesses and functions as an integral component of their first line risk management responsibility.

ii) Operational risk management organization and structure

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

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

The Country Operational Risk Committee ("CORC"), headed by the Chief Executive Officer, is responsible for the direct management of operational risks across the Company, and for ensuring that an appropriate and robust risk management framework is in place to monitor and manage operational risk.

The Company also receives strong support from SCB regional and group business and operational risk management functions based outside of Taiwan.

iii) The scope and characteristics of operational risk report and evaluation system

The following risk types fall within the scope of operational risk, including tax risk, financial risk, vendor risk, technology risk, operations risk, Corporate Real Estate Services (CRES) risk, employee risk, legal risk, financial crime risk, and compliance risk.

The on-going effectiveness of operational risk controls is ensured through an assurance approach that comprises three distinct lines of responsibility. At its foundation is the responsibility that businesses and functions have to adhere to control requirements and to periodically test adherence through control sample testing performed on controls embedded within critical processes.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

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

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

- v) Method used for regulatory capital calculation

Basic Indicator Approach

- iii. 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.

- iv. Credit risk management

- i) Credit risk strategy, goal, policy and procedure

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

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

A. Strategy and Goal

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

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

- a. Balancing risk and reward: risk is taken in support of the requirements of our stakeholders, in line with our strategy and within our risk appetite;

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

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

B. Policies and Procedures

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

ii) Credit risk management organization and structure

Ultimate responsibility for the effective management of risk rests with the Company Board. The Risk Committee, through its authority delegated by the Board via the Executive Committee, is directly responsible for the management of credit risk.

The management of credit risk includes approving standards (and policies) for the measurement and management of credit risk, approval of delegated approval authority framework and responsibilities to sub-committees and to Risk Officers. The Risk function is independent of the origination, trading and sales functions to ensure that the necessary balance in risk/return decisions is not compromised. The Board and Executive Committee receive regular reports on risk management and are authorized to investigate or seek any information relating to an activity within its term of reference.

Internal Audit is an independent function that reports to the Board. It provides assurance that policies and procedures are being complied with. The findings and recommended corrective actions from the audits are reported to all relevant management and governance bodies.

To ensure the effectiveness of risk management processes in maintaining the risk profile of the Company, it maintains three lines of defence. The First Line of Defence requires that all employees ensure the effective management of all risks within the scope of their direct organizational responsibilities. The Second Line of Defence comprises Risk Control Owners, supported by their respective control and assurance functions. The Third Line of Defence is the independent assurance provided by Internal Audit of the effectiveness of the First and Second Lines of Defence.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

iii) The scope and characteristics of credit risk report and evaluation system

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

Various risk measurement systems are available to the Risk function to enable them to assess and manage the credit portfolio. These include systems to calculate probability of default (PD), loss given default (LGD) and exposure at default (EAD) on a transaction, counterparty and portfolio basis.

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

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

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

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

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

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

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

Certain credit exposures, e.g. non-recourse receivable service, are mitigated using credit default insurance.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

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

v) Method used for regulatory capital calculation

Standardized Approach

vi) Maximum exposure to credit risk

Without taking collateral or other credit enhancement mitigation effect into account, the maximum exposure to credit risk of on-balance-sheet financial assets is equal to their carrying values.

Maximum exposures of financial instruments (without taking collateral or other credit enhancement, and irrevocable maximum exposure) were as follows:

Off-balance-sheet items	Maximum exposure to credit risk			
	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Unused amount of irrevocable credit commitments	\$ 1,491,474	2,177,170	2,201,872	1,169,610
Unused amount of letters of credit	2,127,082	1,878,599	2,114,226	2,291,150
Other guarantee	7,139,301	7,066,722	7,523,360	9,390,534
Total	\$ 10,757,857	11,122,491	11,839,458	12,851,294

Due to the Bank's use of a more strict selection process for credit risk followed by subsequent periodic review, the Bank's management assessed a more sustainable control to minimize the Bank's off-balance-sheet items for credit risk.

vii) Concentrations of credit risk

Financial instruments counterparties are significantly concentrated onto one person or multiple persons. Concentration of credit risk exists if a number of counterparties are engaged in similar activities or activities in the same 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's concentration of credit risk are derived from assets, liabilities or off-balance sheet items, compliance or enforcement by transactions (regardless of the product or service), or arises from a combination of categories including credit, due from banks and call loans to banks, portfolio investments, and other receivables and derivatives. The Bank currently has no concentration of transaction to a single counterparty nor a single transaction with a counterparty for the Bank's discount and loans, and non-performing loans that are significant. The following table illustrates the diversification of the loan portfolio among industry sectors, geographical regions and collateral types of the Bank and its subsidiaries.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

A. By industry

	June 30, 2013	December 31, 2012
Manufacturing	\$ 43,011,515	43,306,915
Commercial	14,836,107	15,019,866
Construction industry	3,022,649	1,455,281
Financial industry	19,965,460	12,947,258
Individual	255,673,346	267,830,077
Other	13,890,585	15,054,286
Total	<u>\$ 350,399,662</u>	<u>355,613,683</u>

	June 30, 2012	January 1, 2012
Manufacturing	\$ 35,669,418	36,758,508
Commercial	15,714,529	7,932,603
Construction industry	1,578,647	6,142,979
Financial industry	19,189,481	3,104,060
Individual	272,559,010	285,470,139
Other	11,644,668	10,890,473
Total	<u>\$ 356,355,753</u>	<u>350,298,762</u>

B. By area

	June 30, 2013	December 31, 2012
Domestic	\$ 297,628,491	310,708,028
Overseas	52,771,171	44,905,655
Total	<u>\$ 350,399,662</u>	<u>355,613,683</u>

	June 30, 2012	January 1, 2012
Domestic	\$ 310,514,749	326,336,975
Overseas	45,841,004	23,961,787
Total	<u>\$ 356,355,753</u>	<u>350,298,762</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

C. By collateral

	June 30, 2013	December 31, 2012
Unsecured	\$ 116,790,255	115,398,529
Secured		
– Financial	5,085,457	8,906,954
– Real estate	213,053,668	217,428,563
– Other	15,470,282	13,879,637
Total	<u>\$ 350,399,662</u>	<u>355,613,683</u>
	June 30, 2012	January 1, 2012
Unsecured	\$ 121,599,303	98,509,328
Secured		
– Financial	4,895,312	5,123,415
– Real estate	220,467,117	238,101,828
– Other	9,394,021	8,564,191
Total	<u>\$ 356,355,753</u>	<u>350,298,762</u>

viii) Credit quality and impairment analysis on financial assets

Some of the financial assets held by the Bank, such as cash and equivalent cash, due from Central Bank, call loans to banks, financial assets measured at fair value through profit or loss, refundable deposits, operational guarantee deposits, and settlement fund, are excluded from this analysis since the counterparty is normally with good credit quality and can be considered as low credit risk. Below tables provide the credit quality analysis for other financial assets.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

A. Credit quality analysis

June 30, 2013						
	Neither Past due nor impaired	Past due but Not impaired	Impaired	Allowance for bad debts		Total
				Individually impaired	Collectively impaired	
Receivables						
Consumer banking	\$ 5,159,885	223,005	675,220	253,446	55,683	5,748,981
Wholesale banking	17,495,556	-	-	-	-	17,495,556
Discounts and loans						
Consumer banking	239,344,247	6,567,854	5,456,515	1,253,090	2,156,748	247,958,778
Wholesale banking	96,853,781	390,756	1,786,509	1,772,684	273,095	96,985,267
Available-for-sale financial assets	<u>223,770,916</u>	<u>-</u>	<u>94,528</u>	<u>14,469</u>	<u>-</u>	<u>223,850,975</u>
	<u>\$582,624,385</u>	<u>7,181,615</u>	<u>8,012,772</u>	<u>3,293,689</u>	<u>2,485,526</u>	<u>592,039,557</u>

December 31, 2012						
	Neither Past due nor impaired	Past due but Not impaired	Impaired	Allowance for bad debts		Total
				Individually impaired	Collectively impaired	
Receivables						
Consumer banking	\$ 4,789,353	214,090	758,815	158,243	62,055	5,541,960
Wholesale banking	26,424,694	-	-	-	-	26,424,694
Discounts and loans						
Consumer banking	251,692,386	7,026,842	5,592,448	1,261,479	2,199,088	260,851,109
Wholesale banking	88,245,839	302,523	2,753,645	1,782,096	205,678	89,314,233
Available-for-sale financial assets	<u>226,284,479</u>	<u>-</u>	<u>93,322</u>	<u>14,469</u>	<u>-</u>	<u>226,363,332</u>
	<u>\$597,436,751</u>	<u>7,543,455</u>	<u>9,198,230</u>	<u>3,216,287</u>	<u>2,466,821</u>	<u>608,495,328</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

June 30, 2012						
	Neither Past due nor impaired	Past due but Not impaired	Impaired	Allowance for bad debts		Total
				Individually impaired	Collectively impaired	
Receivables						
Consumer banking	\$ 4,703,904	154,456	887,705	179,669	219,889	5,346,507
Wholesale banking	27,786,879	-	-	-	-	27,786,879
Discounts and loans						
Consumer banking	254,223,555	6,547,119	5,395,627	1,112,871	1,951,133	263,092,297
Wholesale banking	86,957,178	249,326	2,982,948	1,063,912	211,872	88,913,668
Available-for-sale financial assets	<u>188,061,762</u>	<u>-</u>	<u>95,308</u>	<u>14,469</u>	<u>-</u>	<u>188,142,601</u>
	<u>\$ 561,733,278</u>	<u>6,950,901</u>	<u>9,361,588</u>	<u>2,380,921</u>	<u>2,382,894</u>	<u>573,281,952</u>

January 1, 2012						
	Neither Past due nor impaired	Past due but Not impaired	Impaired	Allowance for bad debts		Total
				Individually impaired	Collectively impaired	
Receivables						
Consumer banking	\$ 4,619,461	124,740	1,028,344	206,745	258,007	5,307,793
Wholesale banking	25,387,750	-	-	-	-	25,387,750
Discounts and loans						
Consumer banking	266,462,917	6,548,423	5,269,949	1,072,816	1,872,901	275,335,572
Wholesale banking	68,730,070	297,909	2,989,494	1,059,128	228,653	70,729,692
Available-for-sale financial assets	<u>210,037,844</u>	<u>-</u>	<u>1,898,855</u>	<u>62,678</u>	<u>-</u>	<u>211,874,021</u>
	<u>\$ 575,238,042</u>	<u>6,971,072</u>	<u>11,186,642</u>	<u>2,401,367</u>	<u>2,359,561</u>	<u>588,634,828</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

- B. Credit quality analysis on neither past due nor impaired loans and advances. The credit quality categorization based on the bank's internal risk rating which is defined in internal master scale.

	June 30, 2013			
	<u>Investment grade</u>	<u>Sub-investment grade</u>	<u>High risk grade</u>	<u>Total</u>
Receivables				
Consumer banking	\$ -	-	5,159,885	5,159,885
Wholesale banking	9,443,909	4,524,018	3,527,629	17,495,556
Discounts and loans				
Consumer banking	3,966,263	-	235,377,984	239,344,247
Wholesale banking	<u>27,434,365</u>	<u>16,355,416</u>	<u>53,064,000</u>	<u>96,853,781</u>
	<u>\$ 40,844,537</u>	<u>20,879,434</u>	<u>297,129,498</u>	<u>358,853,469</u>

	December 31, 2012			
	<u>Investment grade</u>	<u>Sub-investment grade</u>	<u>High risk grade</u>	<u>Total</u>
Receivables				
Consumer banking	\$ -	-	4,789,353	4,789,353
Wholesale banking	20,523,265	3,570,619	2,330,810	26,424,694
Discounts and loans				
Consumer banking	5,387,457	-	246,304,929	251,692,386
Wholesale banking	<u>21,040,654</u>	<u>17,503,008</u>	<u>49,702,177</u>	<u>88,245,839</u>
	<u>\$ 46,951,376</u>	<u>21,073,627</u>	<u>303,127,269</u>	<u>371,152,272</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

	June 30, 2012			
	<u>Investment grade</u>	<u>Sub-investment grade</u>	<u>High risk grade</u>	<u>Total</u>
Receivables				
Consumer banking	\$ -	-	4,703,904	4,703,904
Wholesale banking	21,967,028	3,584,227	2,235,624	27,786,879
Discounts and loans				
Consumer banking	3,144,635	-	251,078,920	254,223,555
Wholesale banking	<u>24,353,244</u>	<u>16,079,608</u>	<u>46,524,326</u>	<u>86,957,178</u>
	<u>\$ 49,464,907</u>	<u>19,663,835</u>	<u>304,542,774</u>	<u>373,671,516</u>
	January 1, 2012			
	<u>Investment grade</u>	<u>Sub-investment grade</u>	<u>High risk grade</u>	<u>Total</u>
Receivables				
Consumer banking	\$ -	-	4,619,461	4,619,461
Wholesale banking	19,705,400	3,306,317	2,376,033	25,387,750
Discounts and loans				
Consumer banking	3,092,079	-	263,370,838	266,462,917
Wholesale banking	<u>13,960,805</u>	<u>12,722,263</u>	<u>42,047,002</u>	<u>68,730,070</u>
	<u>\$ 36,758,284</u>	<u>16,028,580</u>	<u>312,413,334</u>	<u>365,200,198</u>

C. Credit quality analysis on past due but not impaired loans and receivables. The credit quality categorization based on the Bank's internal risk rating which is defined in internal master scale.

	June 30, 2013			
	<u>Investment grade</u>	<u>Sub-investment grade</u>	<u>High risk grade</u>	<u>Total</u>
Receivables				
Consumer banking	\$ 3,372	2,426	217,207	223,005
Discounts and loans				
Consumer banking	390,289	539,869	5,637,696	6,567,854
Wholesale banking	<u>-</u>	<u>-</u>	<u>390,756</u>	<u>390,756</u>
Total	<u>\$ 393,661</u>	<u>542,295</u>	<u>6,245,659</u>	<u>7,181,615</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

	December 31, 2012			
	<u>Investment grade</u>	<u>Sub-investment grade</u>	<u>High risk grade</u>	<u>Total</u>
Receivables				
Consumer banking	\$ 3,496	2,267	208,327	214,090
Discounts and loans				
Consumer banking	288,239	583,994	6,154,609	7,026,842
Wholesale banking	-	-	302,523	302,523
Total	<u>\$ 291,735</u>	<u>586,261</u>	<u>6,665,459</u>	<u>7,543,455</u>
	June 30, 2012			
	<u>Investment grade</u>	<u>Sub-investment grade</u>	<u>High risk grade</u>	<u>Total</u>
Receivables				
Consumer banking	\$ 3,542	2,009	148,905	154,456
Discounts and loans				
Consumer banking	429,338	531,033	5,586,748	6,547,119
Wholesale banking	-	-	249,326	249,326
Total	<u>\$ 432,880</u>	<u>533,042</u>	<u>5,984,979</u>	<u>6,950,901</u>
	January 1, 2012			
	<u>Investment grade</u>	<u>Sub-investment grade</u>	<u>High risk grade</u>	<u>Total</u>
Receivables				
Consumer banking	\$ 3,917	2,090	118,733	124,740
Discounts and loans				
Consumer banking	223,545	401,873	5,923,005	6,548,423
Wholesale banking	-	-	297,909	297,909
Total	<u>\$ 227,462</u>	<u>403,963</u>	<u>6,339,647</u>	<u>6,971,072</u>

D. Credit quality analysis on neither past due nor impaired financial assets. The credit quality categorization based on the issuer's internal risk rating which is defined in internal master scale.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

June 30, 2013				
	<u>Investment grade</u>	<u>Sub-investment grade</u>	<u>High risk grade</u>	<u>Total</u>
Available-for-sale financial assets				
Bonds	<u>\$ 223,267,533</u>	<u>503,383</u>	<u>-</u>	<u>223,770,916</u>

December 31, 2012				
	<u>Investment grade</u>	<u>Sub-investment grade</u>	<u>High risk grade</u>	<u>Total</u>
Available-for-sale financial assets				
Bonds	<u>\$ 226,284,479</u>	<u>-</u>	<u>-</u>	<u>226,284,479</u>

June 30, 2012				
	<u>Investment grade</u>	<u>Sub-investment grade</u>	<u>High risk grade</u>	<u>Total</u>
Available-for-sale financial assets				
Bonds	\$ 186,324,692	-	-	186,324,692
Equity instrument	-	1,737,070	-	1,737,070
Total	<u>\$ 186,324,692</u>	<u>1,737,070</u>	<u>-</u>	<u>188,061,762</u>

January 1, 2012				
	<u>Investment grade</u>	<u>Sub-investment grade</u>	<u>High risk grade</u>	<u>Total</u>
Available-for-sale financial assets				
Bonds	<u>\$ 210,037,844</u>	<u>-</u>	<u>-</u>	<u>210,037,844</u>

ix) Aging analysis on past due but not impaired financial assets

Customer in the early stage of delinquency due to some temporary administration reasons can result in past due but not impairment. According to the internal credit risk assets impairment evaluation guideline, a less than 90-day past due loan is typically not to be treated as impairment unless there is other objective evidence showing the potential loss.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

June 30, 2013					
	Up to 1 month	1-2 months	2-3 months	Over 3 months	Total
Receivables					
Consumer banking	\$ 112,926	43,818	29,047	37,214	223,005
Discounts and loans					
Consumer banking	4,333,867	1,162,098	585,313	486,576	6,567,854
Wholesale banking	351,439	16,432	10,226	12,659	390,756
Total	<u>\$ 4,798,232</u>	<u>1,222,348</u>	<u>624,586</u>	<u>536,449</u>	<u>7,181,615</u>

December 31, 2012					
	Up to 1 month	1-2 months	2-3 months	Over 3 months	Total
Receivables					
Consumer banking	\$ 100,519	44,203	29,709	39,659	214,090
Discounts and loans					
Consumer banking	4,498,932	1,304,007	692,259	531,644	7,026,842
Wholesale banking	230,465	20,771	11,087	40,200	302,523
Total	<u>\$ 4,829,916</u>	<u>1,368,981</u>	<u>733,055</u>	<u>611,503</u>	<u>7,543,455</u>

June 30, 2012					
	Up to 1 month	1-2 months	2-3 months	Over 3 months	Total
Receivables					
Consumer banking	\$ 85,692	27,566	18,383	22,815	154,456
Discounts and loans					
Consumer banking	4,241,269	1,271,448	631,299	403,103	6,547,119
Wholesale banking	147,114	25,801	14,747	61,664	249,326
Total	<u>\$ 4,474,075</u>	<u>1,324,815</u>	<u>664,429</u>	<u>487,582</u>	<u>6,950,901</u>

January 1, 2012					
	Up to 1 month	1-2 months	2-3 months	Over 3 months	Total
Receivables					
Consumer banking	\$ 63,154	24,852	18,313	18,421	124,740
Discounts and loans					
Consumer banking	4,124,812	1,342,913	653,760	426,938	6,548,423
Wholesale banking	265,917	19,905	3,884	8,203	297,909
Total	<u>\$ 4,453,883</u>	<u>1,387,670</u>	<u>675,957</u>	<u>453,562</u>	<u>6,971,072</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

x) Asset quality of non-performing loans and overdue receivables

A. Asset quality of the Bank

Unit: in thousands of New Taiwan Dollars, %

Product		Period	June 30, 2013					
			Non-performing loan	Loan balances	NPL ratio	Allowance for bad debts	Coverage ratio	
Wholesale Banking	Secured		254,048	23,491,160	1.08 %	782,449	307.99%	
	Unsecured		776,529	75,539,886	1.03 %	1,263,330	162.69%	
Consumer Banking	Mortgage		710,356	196,117,798	0.36 %	1,367,330	192.49 %	
	Personal loan		548,889	51,284,555	1.07 %	2,038,992	371.48 %	
	Others	Secured		-	714,902	- %	-	- %
		Unsecured		-	3,251,361	- %	3,516	- %
Total			2,289,822	350,399,662	0.65 %	5,455,617	238.26 %	
			Overdue	Accounts receivables	Overdue ratio	Allowance for bad debts	Coverage ratio	
Credit card			37,784	6,058,110	0.62 %	309,129	818.15 %	
Factoring loan receivable without recourse			-	17,495,556	- %	-	- %	

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 %	765,370	626.93 %	
	Unsecured		990,716	69,585,547	1.42 %	1,222,404	123.39 %	
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 Statement

Product		Period		June 30, 2012			
		Non-performing loan	Loan balances	NPL ratio	Allowance for bad debts	Coverage ratio	
Wholesale Banking	Secured	193,071	21,150,639	0.91 %	307,979	159.52 %	
	Unsecured	801,221	69,038,813	1.16 %	967,805	120.79 %	
Consumer Banking	Mortgage	956,166	202,956,528	0.47 %	1,216,694	127.25 %	
	Personal loan	396,659	60,065,138	0.66 %	1,854,231	467.46 %	
	Others	Secured	-	803,001	- %	-	- %
		Unsecured	-	2,341,634	- %	3,079	- %
Total		2,347,117	356,355,753	0.66 %	4,349,788	185.32 %	
		Overdue	Accounts receivables	Overdue ratio	Allowance for bad debts	Coverage ratio	
Credit card		23,908	5,746,065	0.42 %	399,558	1,671.23 %	
Factoring loan receivable without recourse		-	27,786,879	- %	-	- %	

Product		Period		January 1, 2012			
		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	- %	-	- %	

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

The information below shows that may be exempted from reporting as overdue loans and overdue receivables, respectively.

	Unit: in thousands of New Taiwan Dollars			
	June 30, 2013		December 31, 2012	
	Loans that may be exempted from reporting as overdue loan	Receivables that may be exempted from reporting as overdue receivables	Loans that may be exempted from reporting as overdue loan	Receivables that may be exempted from reporting as overdue receivables
The amount under inter-bank debt relief program without default by debtors	\$ 17,977	64,860	20,895	75,306
The amount under debt discharge program and rehabilitation program without default by debtors	<u>536,718</u>	<u>40,438</u>	<u>475,817</u>	<u>-</u>
	<u>\$ 554,695</u>	<u>105,298</u>	<u>496,712</u>	<u>75,306</u>
	June 30, 2012		January 1, 2012	
	Loans that may be exempted from reporting as overdue loan	Receivables that may be exempted from reporting as overdue receivables	Loans that may be exempted from reporting as overdue loan	Receivables that may be exempted from reporting as overdue receivables
The amount under inter-bank debt relief program without default by debtors	\$ 23,542	87,058	27,145	99,544
The amount under debt discharge program and rehabilitation program without default by debtors	<u>440,952</u>	<u>-</u>	<u>429,271</u>	<u>-</u>
	<u>\$ 464,494</u>	<u>87,058</u>	<u>456,416</u>	<u>99,544</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

B. Concentration of corporate credit risk for the bank

Units: in thousands of New Taiwan Dollars, %

June 30, 2013			
Rank	Industry classification of group enterprise	Outstanding credit	% of net assets
1	A Group Other computer peripheral manufacturing industry	3,299,198	7.99%
2	B Group Other weaving industry	3,202,015	7.76%
3	C Group Petrochemical manufacturing	2,953,603	7.15%
4	D Group Cement manufacturing	2,409,470	5.84%
5	E Company Other chemical manufacturing	2,400,503	5.81%
6	F Group Semiconductors packaging and testing	2,230,183	5.40%
7	G Group Aviation transportation	2,136,175	5.17%
8	H Company Banking	1,956,814	4.74%
9	I Company Banking	1,936,277	4.69%
10	J Company Tire manufacturing	1,799,562	4.36%

December 31, 2012			
Rank	Industry classification of group enterprise	Outstanding credit	% of net assets
1	C Group Petrochemical manufacturing	3,187,547	7.42%
2	K Group Other computer peripheral manufacturing industry	3,048,214	7.09%
3	D Group Cement manufacturing	2,846,157	6.62%
4	L Group Sheet glass and glass manufacturing products manufacturing	2,605,617	6.06%
5	B Group Other weaving industry	2,445,178	5.69%
6	F Group Semiconductors packaging and testing	1,923,089	4.47%
7	H Company Banking	1,914,763	4.45%
8	M Company Banking	1,859,884	4.33%
9	I Company Banking	1,806,378	4.20%
10	J Company Tire manufacturing	1,742,134	4.05%

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

June 30, 2012			
Rank	Industry classification of group enterprise	Outstanding credit	% of net assets
1	A Group Other computer peripheral manufacturing industry	3,585,035	8.49%
2	F Group Semiconductors packaging and testing	2,136,140	5.06%
3	B Group Other weaving industry	2,038,711	4.83%
4	D Group Cement manufacturing	2,031,520	4.81%
5	N Company Banking	1,894,203	4.49%
6	O Company Banking	1,860,223	4.41%
7	P Company Banking	1,850,309	4.38%
8	Q Company Banking	1,849,410	4.38%
9	I Company Banking	1,844,740	4.37%
10	M Company Banking	1,804,779	4.28%
January 1, 2012			
Rank	Industry classification of group enterprise	Outstanding credit	% of net assets
1	R Company Audio and video electronic products manufacturing	4,540,436	10.23%
2	K Company Other computer peripheral manufacturing industry	2,539,332	5.72%
3	F Group Semi conductors packaging and testing	2,048,904	4.62%
4	D Group Cement manufacturing	1,944,819	4.38%
5	J Company Tires manufacturing	1,816,174	4.09%
6	S Company Drugs and medicines manufacturing	1,774,955	4.00%
7	T Company Integrated circuit manufacturing	1,696,163	3.82%
8	L Group Sheet glass and sheet glass products manufacturing	1,572,072	3.54%
9	U Company Monitors and terminals manufacturing industry	1,503,064	3.39%
10	B Group Other weaving industry	1,422,670	3.21%

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

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.

v. Liquidity risk management mechanism

i) Definition and sources of liquidity risk

Liquidity risk is the potential that the Company either does not have sufficient liquid financial resources available to meet all its obligations as they fall due, or can only access these financial resources at excessive cost

ii) Management procedure of liquidity risk

The Liquidity Risk Framework governs liquidity risk and is managed by Asset and Liability Committee. In accordance with that policy, the Company maintains a liquid portfolio of marketable securities as a liquidity buffer. In total, it maintains a liquidity buffer of TWD241.4bn, which is equivalent to 33.9% of the Company's total assets. The level of the Company's aggregate liquid reserves exceeds local regulatory minimum liquidity requirements.

The asset side of the balance sheet is of equal importance to the Company's balance sheet as the liability side. The Company's balance sheet is fluid as evidenced by the majority of WB lending and fixed income assets are contractually less than one year in tenor.

The Company is of the view that capital is not a mitigant for liquidity risk; liquid reserves are the true mitigant. Accordingly, the Company does not hold capital in respect of liquidity risk.

iii) Financial assets held for liquidity risk management

The Bank holds interest-earning assets such as cash or other assets with high liquidity and quality to support the repay liability and the potential emergency cash demand exist in market environment. The assets held for liquidity risk management include cash and cash equivalent, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, discounts and loans, available-for-sale financial assets, and held-to-maturity financial assets.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

iv) Maturity analysis of non-derivatives liabilities

The table below shows the analysis of cash outflows of non-derivatives liabilities based on time remaining until the contractual maturity date. The amount disclosed is based on contractual cash flows and may be different from that included in the balance sheets.

	June 30, 2013				
	Within 3 months	3months~1 year	1~5years	Over 5 years	Total
Deposits from the Central Bank and the banks	\$ 58,153,933	1,087,587	-	-	59,241,520
Deposits and remittances	353,060,992	148,166,728	4,280,221	-	505,507,941
Bank notes payable	9,002,714	17,500,452	17,073,981	12,085,905	55,663,052
Other financial liabilities	2,563,933	266,927	21,699,708	1,000,000	25,530,568
Total	\$ 422,781,572	167,021,694	43,053,910	13,085,905	645,943,081

	December 31, 2012				
	Within 3 months	3months~1 year	1~5years	Over 5 years	Total
Deposits from the Central Bank and the banks	\$ 8,220,944	1,063,039	-	-	9,283,983
Deposits and remittances	397,093,200	162,292,496	3,686,281	-	563,071,977
Bank notes payable	4,900	6,550,805	28,026,644	27,432,188	62,014,537
Other financial liabilities	3,157,766	2,000,000	28,532,470	1,000,000	34,690,236
Total	\$ 408,476,810	171,906,340	60,245,395	28,432,188	669,060,733

	June 30, 2012				
	Within 3 months	3months~1 year	1~5years	Over 5 years	Total
Deposits from the Central Bank and the banks	\$ 39,089,997	4,220,363	-	-	43,310,360
Deposits and remittances	376,139,839	136,136,339	19,939,863	-	532,216,041
Bank notes payable	9,400	6,552,439	28,061,380	27,731,585	62,354,804
Other financial liabilities	4,313,601	2,100,000	6,396,259	2,500,000	15,309,860
Total	\$ 419,552,837	149,009,141	54,397,502	30,231,585	653,191,065

	January 1, 2012				
	Within 3 months	3months~1 year	1~5years	Over 5 years	Total
Deposits from the Central Bank and the banks	\$ 17,243,476	1,146,913	-	-	18,390,389
Deposits and remittances	420,055,136	147,055,447	29,041,109	-	596,151,692
Bank notes payable	-	-	18,600,092	28,912,078	47,512,170
Other financial liabilities	5,884,948	100,000	1,210,783	2,900,001	10,095,732
Total	\$ 443,183,560	148,302,360	48,851,984	31,812,079	672,149,983

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

v) Maturity analysis of derivative financial liabilities

The Bank evaluates the maturity of the derivative financial liabilities listed on the balance sheets to analyze their basic elements. The amount disclosed is based on contractual cash flows and may be different from those included in the balance sheets. The maturity analysis of net settled derivative liabilities is as follows:

A. Maturity analysis of net settled derivatives

June 30, 2013						
	0-30 days	31-90 days	91-180 days	181 days~1year	Over 1 years	Total
Derivative financial liabilities						
measured at fair value through						
profit and loss						
– Foreign exchange derivative						
instruments	\$ 46,468	6,240	14,137	99,794	219,810	386,449
– Interest rate derivative						
instruments	7,650	31,234	66,167	173,272	2,770,908	3,049,231
Derivative financial liabilities –						
hedging						
– Interest rate derivative						
instruments	-	-	1,916	3,151	21,690	26,757
	\$ 54,118	37,474	82,220	276,217	3,012,408	3,462,437

December 31, 2012						
	0-30 days	31-90 days	91-180 days	181 days~1year	Over 1 years	Total
Derivative financial liabilities						
measured at fair value through						
profit and loss						
– Foreign exchange derivative						
instruments	\$ 1,284	2,763	20,936	6,814	-	31,797
– Interest rate derivative						
instruments	13,256	228,805	206,517	236,305	3,706,451	4,391,334
Derivative financial liabilities –						
hedging						
– Interest rate derivative						
instruments	-	-	791	3,810	8,922	13,523
	\$ 14,540	231,568	228,244	246,929	3,715,373	4,436,654

June 30, 2012

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

	<u>0-30 days</u>	<u>31-90 days</u>	<u>91-180 days</u>	<u>181 days~1year</u>	<u>Over 1 years</u>	<u>Total</u>
Derivative financial liabilities measured at fair value through profit and loss						
– Foreign exchange derivative instruments	\$ 47,939	62,776	23,514	103,694	-	237,923
– Interest rate derivative instruments	41,506	89,985	197,468	630,180	4,869,164	5,828,303
Derivative financial liabilities – hedging						
– Interest rate derivative instruments	-	85	-	2,233	13,798	16,116
	<u>\$ 89,445</u>	<u>152,846</u>	<u>220,982</u>	<u>736,107</u>	<u>4,882,962</u>	<u>6,082,342</u>

January 1, 2012

	<u>0-30 days</u>	<u>31-90 days</u>	<u>91-180 days</u>	<u>181 days~1year</u>	<u>Over 1 years</u>	<u>Total</u>
Derivative financial liabilities measured at fair value through profit and loss						
– Foreign exchange derivative instruments	\$ 14,984	33,808	443,307	46,793	1,027	539,919
– Interest rate derivative instruments	96,240	438,735	577,646	838,421	6,316,153	8,267,195
Derivative financial liabilities – hedging						
– Interest rate derivative instruments	-	-	20	-	19,001	19,021
	<u>\$ 111,224</u>	<u>472,543</u>	<u>1,020,973</u>	<u>885,214</u>	<u>6,336,181</u>	<u>8,826,135</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

B. Maturity analysis of gross settled derivatives

	June 30, 2013					
	0-30 days	31-90 days	91-180 days	181 days~1year	Over 1 years	Total
Derivative financial liabilities						
measured at fair value through						
profit and loss						
– Foreign exchange derivative						
instruments						
– Cash outflow	\$ 112,388,623	64,755,063	42,136,559	43,485,904	16,616,686	279,382,835
– Cash inflow	<u>111,505,023</u>	<u>64,600,501</u>	<u>42,138,997</u>	<u>43,462,029</u>	<u>16,264,652</u>	<u>277,971,202</u>
Net cash flow	<u>\$ (883,600)</u>	<u>(154,562)</u>	<u>2,438</u>	<u>(23,875)</u>	<u>(352,034)</u>	<u>(1,411,633)</u>

	December 31, 2012					
	0-30 days	31-90 days	91-180 days	181 days~1year	Over 1 years	Total
Derivative financial liabilities						
measured at fair value through						
profit and loss						
– Foreign exchange derivative						
instruments						
– Cash outflow	\$ 102,711,731	78,326,077	33,085,063	37,754,822	19,485,844	271,363,537
– Cash inflow	<u>101,838,597</u>	<u>77,271,768</u>	<u>32,679,158</u>	<u>37,405,670</u>	<u>19,081,740</u>	<u>268,276,933</u>
Net cash flow	<u>\$ (873,134)</u>	<u>(1,054,309)</u>	<u>(405,905)</u>	<u>(349,152)</u>	<u>(404,104)</u>	<u>(3,086,604)</u>

	June 30, 2012					
	0-30 days	31-90 days	91-180 days	181 days~1year	Over 1 years	Total
Derivative financial liabilities						
measured at fair value through						
profit and loss						
– Foreign exchange derivative						
instruments						
– Cash outflow	\$ 134,098,118	99,895,938	41,011,260	36,447,433	12,138,591	323,591,340
– Cash inflow	<u>133,015,254</u>	<u>99,290,023</u>	<u>40,812,094</u>	<u>36,378,112</u>	<u>12,301,400</u>	<u>321,796,883</u>
Net cash flow	<u>\$ (1,082,864)</u>	<u>(605,915)</u>	<u>(199,166)</u>	<u>(69,321)</u>	<u>162,809</u>	<u>(1,794,457)</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

	January 1, 2012					
	<u>0-30 days</u>	<u>31-90 days</u>	<u>91-180 days</u>	<u>181 days-1year</u>	<u>Over 1 years</u>	<u>Total</u>
Derivative financial liabilities measured at fair value through profit and loss						
– Foreign exchange derivative instruments						
– Cash outflow	\$ 86,990,279	108,880,304	29,196,018	36,984,818	6,773,753	268,825,172
– Cash inflow	<u>85,865,976</u>	<u>107,531,737</u>	<u>29,043,370</u>	<u>37,673,438</u>	<u>7,038,573</u>	<u>267,153,094</u>
Net cash flow	<u>\$ (1,124,303)</u>	<u>(1,348,567)</u>	<u>(152,648)</u>	<u>688,620</u>	<u>264,820</u>	<u>(1,672,078)</u>

vi) Maturity analysis of off-balance-sheet items

Table below shows the maturity analysis of off-balance-sheet items for the Bank. The amount of the guarantee and committed credit lines will be allocated to the earliest period when such obligation can be exercised anytime by clients. The amount disclosed is based on contractual cash flow and may be different from that included in the consolidated balance sheets.

	June 30, 2013				
	<u>0-30 days</u>	<u>31-90 days</u>	<u>91-1 year</u>	<u>Over 1 year</u>	<u>Total</u>
Financial guarantees contract	\$ 38,081	123,345	750,204	6,227,671	7,139,301
Unused amount of irrevocable loan commitment	-	-	90,264	1,401,210	1,491,474
Unused amount of irrevocable letter of credit	<u>98,305</u>	<u>988,790</u>	<u>1,039,987</u>	<u>-</u>	<u>2,127,082</u>
	<u>\$ 136,386</u>	<u>1,112,135</u>	<u>1,880,455</u>	<u>7,628,881</u>	<u>10,757,857</u>
	December 31, 2012				
	<u>0-30 days</u>	<u>31-90 days</u>	<u>91-1 year</u>	<u>Over 1 year</u>	<u>Total</u>
Financial guarantees contract	\$ 30,656	119,157	684,011	6,232,898	7,066,722
Unused amount of irrevocable loan commitment	200,000	-	1,036,512	940,658	2,177,170
Unused amount of irrevocable letter of credit	<u>74,387</u>	<u>1,263,717</u>	<u>324,321</u>	<u>216,174</u>	<u>1,878,599</u>
	<u>\$ 305,043</u>	<u>1,382,874</u>	<u>2,044,844</u>	<u>7,389,730</u>	<u>11,122,491</u>
	June 30, 2012				
	<u>0-30 days</u>	<u>31-90 days</u>	<u>91-1 year</u>	<u>Over 1 year</u>	<u>Total</u>
Financial guarantees contract	\$ 54,721	228,538	817,854	6,422,247	7,523,360
Unused amount of irrevocable loan commitment	-	1,045,635	1,143,910	12,327	2,201,872
Unused amount of irrevocable letter of credit	<u>25,769</u>	<u>1,212,583</u>	<u>729,277</u>	<u>146,597</u>	<u>2,114,226</u>
	<u>\$ 80,490</u>	<u>2,486,756</u>	<u>2,691,041</u>	<u>6,581,171</u>	<u>11,839,458</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

	January 1, 2012				
	0-30 days	31-90 days	91-1 year	Over 1 year	Total
Financial guarantees contract	\$ 30,656	297,887	465,064	8,596,927	9,390,534
Unused amount of irrevocable loan commitment	-	-	286,949	882,661	1,169,610
Unused amount of irrevocable letter of credit	292,200	1,036,400	828,626	133,924	2,291,150
	\$ 322,856	1,334,287	1,580,639	9,613,512	12,851,294

vii) Structure Analysis of Maturity Date New Taiwan Dollars

June 30, 2013

	Total	Remaining period to expiration					
		0~10 days	11~30 days	31~90 days	91~180 days	181 days~ Over 1 year	Over 1 year
Capital provided	\$ 749,294,357	91,552,222	44,318,627	93,649,756	128,160,783	132,244,249	259,368,720
Capital used	751,401,656	51,975,128	42,752,849	91,603,448	133,809,756	116,742,906	314,517,569
Gap	(2,107,299)	39,577,094	1,565,778	2,046,308	(5,648,973)	15,501,343	(55,148,849)

December 31, 2012

	Total	Remaining period to expiration					
		0~10 days	11~30 days	31~90 days	91~180 days	181 days~ Over 1 year	Over 1 year
Capital provided	\$ 796,223,830	144,337,128	46,486,205	56,801,342	101,985,455	176,682,452	269,931,248
Capital used	796,639,425	75,352,281	69,232,627	90,529,993	124,157,229	92,979,710	344,387,585
Gap	(415,595)	68,984,847	(22,746,422)	(33,728,651)	(22,171,774)	83,702,742	(74,456,337)

June 30, 2012

	Total	Remaining period to expiration					
		0~10 days	11~30 days	31~90 days	91~180 days	181 days~ Over 1 year	Over 1 year
Capital provided	\$ 788,906,823	126,704,733	40,251,090	121,434,480	110,735,605	124,499,317	265,281,598
Capital used	797,766,918	71,036,911	58,929,118	127,584,156	109,458,001	99,263,335	331,495,397
Gap	(8,860,095)	55,667,822	(18,678,028)	(6,149,676)	1,277,604	25,235,982	(66,213,799)

January 1, 2012

	Total	Remaining period to expiration					
		0~10 days	11~30 days	31~90 days	91~180 days	181 days~ Over 1 year	Over 1 year
Capital provided	\$ 828,288,527	131,077,072	48,699,865	120,082,839	72,244,490	174,627,253	281,556,378
Capital used	845,379,289	57,517,132	64,066,084	184,292,171	108,323,178	89,799,803	341,380,921
Gap	(17,090,762)	73,560,570	(15,366,219)	(64,209,332)	(36,078,688)	84,827,450	(59,824,543)

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

viii) Structure Analysis of Maturity Date US Dollars

June 30, 2013

Units: in thousands of US Dollars

	Total	Remaining period to expiration				
		0~30 days	31~90 days	91~180 days	181 days~ Over 1 year	Over 1 year
Capital provided	\$ 13,225,143	4,350,152	3,197,822	2,516,974	2,146,357	1,013,838
Capital used	13,098,191	5,814,314	2,765,279	1,464,706	1,405,456	1,648,436
Gap	126,952	(1,464,162)	432,543	1,052,268	740,901	(634,598)

December 31, 2012

Units: in thousands of US Dollars

	Total	Remaining period to expiration				
		0~30 days	31~90 days	91~180 days	181 days~ Over 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)

June 30, 2012

Units: in thousands of US Dollars

	Total	Remaining period to expiration				
		0~30 days	31~90 days	91~180 days	181 days~ Over 1 year	Over 1 year
Capital provided	\$ 13,586,595	5,244,915	4,120,191	2,005,676	1,733,850	481,963
Capital used	14,567,365	5,068,712	4,505,183	1,730,457	1,208,527	2,054,486
Gap	(980,770)	176,203	(384,992)	275,219	525,323	(1,572,523)

January 1, 2012

Units: in thousands of US Dollars

	Total	Remaining period to expiration				
		0~30 days	31~90 days	91~180 days	181 days~ Over 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)

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

(e) Capital management

i. Summary

The goal of the Bank's capital management is shown below:

- i) To meet the regulatory requirement on capital adequacy and the organization's target of minimizing the statutory capital adequacy ratio returns for shareholders by following capital management procedures and raising return on capital.
- ii) To ensure keeping adequate capital to support all the risks surrounding its business, the Bank should take the risk combination and the characters of risk into consideration when measuring the Bank's required capital. At the meanwhile, the Bank should proceed the risk management by capital distribution to realize the resource allocation adequacy.

ii. Capital management procedure

The Bank keeps the Risk-Based Capital (RBC) to meet the requirement made by FSC, and report the RBC to FSC on the quarterly basis.

The Bank's regulatory capital is managed by the Asset and Liability Committee and Basel team. The Bank's regulatory capital is divided into Tier 1 Capital and Tier 2 Capital following the "Regulations Governing the Capital Adequacy and Capital Category of Banks":

- i) Tier 1 Capital: The aggregate amount of Common Equity and additional Tier 1 Capital.
 - A. Net common equity: Primarily consists of the aggregate amount of Common stock and additional paid-in capital in excess of par - common stock, accumulated earnings, and equity adjustments, minus intangible assets (including goodwill), unamortized losses on sales of non-performing loans, disposal gain on real properties sale and lease back, the material investment in financial instruments, deferred tax assets, deferred pension cost, and other items excluding from Tier 1 and Tier 2 capital (except material investment in financial instruments).
 - B. Additional Tier 1 capital: Consists of the aggregate amount of non-cumulative perpetual preferred stock, non-cumulative and non-perpetual subordinated debts, and etc.
- ii) Tier 2 capital: Consists of the aggregate amount of cumulative perpetual preferred stock, non-perpetual cumulative subordinated debts income in revaluation, convertible bonds, operational reserve an allowance for doubtful accounts etc.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

iii. Capital adequacy

Item		Period-end			
		June 30, 2013	December 31, 2012	June 30, 2012	
Self-owned capital	Common stock capital	36,177,062	38,501,448	37,698,215	
	Other tier 1 capital	-	-	-	
	Tier 2 capital	18,749,839	19,881,317	19,205,784	
	Total self-owned capital	54,926,901	58,382,765	56,903,999	
Risk-weighted assets	Credit risk	Standard approach (SA)	318,546,013	320,675,692	311,362,476
		Internal ratings-based approach (IRB)	-	-	-
		Securitization	-	-	-
	Operational risk	Basic indicator approach (BIA)	31,889,154	31,379,656	31,379,656
		Standardized approach (SA)	-	-	-
		Advanced measurement approach (AMA)	-	-	-
	Market risk	Standardized approach/alternative approach	21,425,875	18,918,596	21,437,888
		Internal model-based approach (IMA)	-	-	-
	Total risk-weighted assets		371,861,042	370,973,944	364,180,020
	Total risk-based capital		14.77%	15.74%	15.63%
Ratio of common stock to total risk-based assets		9.73%	10.38%	10.35%	
Ratio of Tier 1 capital to risk-based assets		9.73%	10.38%	10.35%	
Leverage ratio		4.27%	4.52%	4.81%	

(7) Related-party transactions

1) Name and relationship of related parties

<u>Name</u>	<u>Relationship</u>
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
Scope International Private Limited	Affiliate
Scope International (M) Sdn Bhd	Affiliate
Standard Chartered Bank Hong Kong Limited ("SCB HK")	Affiliate

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

<u>Name</u>	<u>Relationship</u>
Standard Chartered Bank China Limited ("SCB China")	Affiliate
Standard Chartered Bank Bangkok Limited ("SCB BKK")	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 and others

2) Significant transactions with related parties

(a) Deposits

June 30, 2013			
<u>Name</u>	<u>Ending balance</u>	<u>Percentage deposits (%)</u>	<u>Interest rate (%)</u>
Deposits by individual related parties not over 1% of total deposits	<u>\$ 839,953</u>	<u>0.17</u>	0.00~4.84

June 30, 2012			
<u>Name</u>	<u>Ending balance</u>	<u>Percentage deposits (%)</u>	<u>Interest rate (%)</u>
Deposits by individual related parties not over 1% of total deposits	<u>\$ 627,244</u>	<u>0.12</u>	0.00~4.65

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%.

For the six months period ended June 30, 2013 and 2012, interest expenses on the above deposits were \$2,611 thousand and \$2,769 thousand, respectively, and the interest payables on the above transaction were \$199 thousand and \$314 thousand, respectively.

(b) Loans

January to June 2013							
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	10	4,599	3,737	3,737	-	Unsecured lending	None
Mortgage	19	164,077	160,358	160,358	-	Residential property	None
Others	2	6,610	6,340	6,340	-	Overdraft on the comprehensive deposits	None

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

January to June 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	11	5,950	5,355	5,355	-	Unsecured lending	None
Mortgage	14	127,740	120,970	120,970	-	Residential property	None
Others	1	2,724	2,550	2,550	-	Overdraft on the comprehensive deposits	None

For the six months period June 30, 2013 and 2012, interest income on the above loans were \$1,343 thousand and \$1,109 thousand, respectively, and the interest receivables on the above transaction were \$140 thousand and \$98 thousand, respectively.

(c) Derivative transactions

Name	Contracts	Contract duration period	June 30, 2013		Balance sheet	
			Notional	Net valuation adjustment	Account	Balance
SCB	Interest rate swap	2013.8.5~ 2017.10.11	\$ 23,634,819	(46,395)	Financial assets at fair value through profit or loss	110,814
					Financial liabilities at fair value through profit or loss	(157,209)
	Interest rate option contract	2013.8.13~ 2017.8.22	1,199,709	(16,851)	Financial liabilities at fair value through profit or loss	(16,851)
					Forward contract	2013.7.1~ 2014.6.27
	Financial liabilities at fair value through profit or loss	(894,645)				
	Cross currency swap	2014.10.1	29,993	6,480	Financial assets at fair value through profit or loss	6,480
					Foreign exchange option contract	2013.7.1~ 2015.6.30
	Financial liabilities at fair value through profit or loss	(2,305,665)				
	Commodity swap	2013.7.2~ 2014.3.4	743,253	8,961	Financial assets at fair value through profit or loss	45,244
					Financial liabilities at fair value through profit or loss	(36,283)
Commodity option contract	2013.7.2~ 2013.10.2	121,321	(2,512)	Financial liabilities at fair value through profit or loss	(2,512)	
Interest rate swap (Hedge)	2014.10.16	269,934	(166)	Derivative financial liability for hedging – net	(166)	
SCB Singapore	Forward contract	2013.7.1~ 2013.11.12	22,319,896	(432,990)	Financial assets at fair value through profit or loss	90,206
					Financial liabilities at fair value through profit or loss	(523,196)

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

Name	Contracts	Contract duration period	June 30, 2013		Balance sheet	
			Notional	Net valuation adjustment	Account	Balance
SCB HK	Forward contract	2013.7.11~ 2014.4.23	28,162,393	44,716	Financial assets at fair value through profit or loss	199,054
					Financial liabilities at fair value through profit or loss	(154,338)
SCB Tokyo	Forward contract	2013.7.1	3,334,460	(3,038)	Financial liabilities at fair value through profit or loss	(3,038)
SCB New York	Forward contract	2013.7.1	7,829	2	Financial assets at fair value through profit or loss	2

Name	Contracts	Contract duration period	June 30, 2012		Balance sheet	
			Notional	Net valuation adjustment	Account	Balance
SCB	Forward contract	2012.7.2~ 2013.6.3	\$ 228,905,217	513,041	Financial assets at fair value through profit or loss	970,855
					Financial liabilities at fair value through profit or loss	(457,814)
	Cross currency swap	2012.9.28~ 2012.10.12	16,654,603	282,581	Financial assets at fair value through profit or loss	563,875
					Financial liabilities at fair value through profit or loss	(281,294)
	Interest derivative	2012.12.11~ 2013.8.13	6,996,795	-	Financial assets at fair value through profit or loss	-
	Interest rate swap	2012.6.30~ 2022.3.7	37,246,499	(53,460)	Financial assets at fair value through profit or loss	387,368
					Financial liabilities at fair value through profit or loss	(440,828)
	Option contract	2012.7.2~ 2014.6.20	84,103,516	(582,309)	Financial assets at fair value through profit or loss	108,092
					Financial liabilities at fair value through profit or loss	(690,401)
	Commodity swap	2012.7.6~ 2012.12.6	2,305,015	(77,067)	Financial assets at fair value through profit or loss	23,547
					Financial liabilities at fair value through profit or loss	(100,614)
SCB Singapore	Forward contract	2012.7.3~ 2012.12.27	24,946,893	41,437	Financial assets at fair value through profit or loss	199,027
					Financial liabilities at fair value through profit or loss	(157,590)
SCB Tokyo	Forward contract	2012.7.2	299,878	(769)	Financial assets at fair value through profit or loss	-
					Financial liabilities at fair value through profit or loss	(769)
SCB HK	Forward contract	2012.7.3~ 2013.6.8	11,823,822	5,104	Financial assets at fair value through profit or loss	20,041
					Financial liabilities at fair value through profit or loss	(14,937)

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

(d) Deposits with banks—affiliates

January to June 2013			
	Balance	Interest rate %	Interest income
SCB China	\$ 606,710		-
SCB Germany	305,306	-	-
SCB	112,591	-	-
SCB New York	84,160	-	-
SCB Singapore	62,261		
Others	36,589	-	-
	<u>\$ 1,207,617</u>		<u>-</u>

January to June 2012			
	Balance	Interest rate %	Interest income
SCB China	\$ 796,031		-
SCB Singapore	435,867	-	-
SCB HK	423,776	-	-
SCB Tokyo	213,513	-	-
Others	227,231	-	-
	<u>\$ 2,096,418</u>		<u>-</u>

(e) Call loans to banks—affiliates

January to June 2013			
	Balance	Interest rate %	Interest income
SCB Taipei	\$ 21,968,662	0.27~1.38	44,732
SCB China	7,360,347	5.50~8.00	8,308
Others	-	-	131,626
	<u>\$ 29,329,009</u>		<u>184,666</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

	January to June 2012		
	Balance	Interest rate %	Interest income
SCB Taipei	\$ 26,362,756	0.10~1.93	115,529
Others	-	-	117,270
	<u>\$ 26,362,756</u>		<u>232,799</u>

As of June 30, 2013 and 2012, the interest receivables resulting from the above loans and advances to affiliates were \$30,431 thousand and \$49,497 thousand, respectively.

(f) Deposits from banks – affiliates

	January to June 2013		
	Balance	Interest rate %	Interest expense
SCB Taipei	\$ 1,109	-	-

	January to June 2012		
	Balance	Interest rate %	Interest expense
SCB Taipei	\$ 299,704	-	-

(g) Overdrafts on banks – affiliates

	January to June 2012		
	Balance	Interest rate %	Interest expense
SCB New York	\$ 2,367,997	-	-

(h) Call loans from banks, credit – affiliates

	January to June 2013		
	Balance	Interest rate %	Interest expense
SCB HK	14,913,658	0.25~6.25	20,347
SCB Tokyo	7,498,179	0.20~0.50	15,242
SCB Taipei	5,998,543	-	-
SCB BKK	1,499,636	0.65	2,372
Others	-	-	161,996
	<u>\$ 29,910,016</u>		<u>199,957</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

	January to June 2012		
	Balance	Interest rate %	Interest expense
SCB Taipei	\$ 14,937,650	0.12~1.38	35,186
SCB HK	7,468,825	0.07~1.38	17,733
	<u>\$ 22,406,475</u>		<u>52,919</u>

As of June 30, 2013 and 2012, the interest payables resulting from the above loans from affiliates were \$13,902 thousand and \$4,548 thousand, respectively.

- (i) The fair values of financial debentures acquired from affiliates, which were recognized as available-for-sale financial assets were as follows:

<u>Name</u>	Fair value		Fair value	
	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
SCB HK	\$ 5,316,508	5,247,836	5,206,667	5,092,553

As of June 30, 2013, and 2012, the interest receivable resulting from the above transaction were \$131,626 thousand and \$117,270 thousand, respectively.

- (j) Financial debenture payables deriving from the issuance of financial debentures to affiliates were as follows:

<u>Name</u>	<u>Bond (note)</u>	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
SCB	98-2	\$ 4,498,907	4,355,292	4,481,295	4,540,436
SCB	98-3	4,498,907	4,355,292	4,481,295	4,540,436

Note: The issuance conditions and details of financial debentures are stated in note 4(16).

For the six months period ended June 30, 2013 and 2012, the interest expense on the above transaction were \$161,996 thousand and \$172,206 thousand, respectively, and the interest payables on the above transaction were \$18,021 thousand and \$18,910 thousand, respectively.

- (k) For the six months period ended June 30, 2013, operational and advisory service fees, consulting and technical support service fees and wholesale banking business service fees were \$495,284 thousand, \$278,204 thousand, and \$106,665 thousand, respectively. For the six months period ended June 30, 2012, operational and advisory service fees, consulting and technical support service fees and wholesale banking business service fees were \$555,686 thousand, \$194,814 thousand, and \$137,218 thousand, respectively. As of June 30, 2013 and 2012, fees payables to SCB were \$6,534,455 thousand and \$4,621,076 thousand, respectively, recorded under accounts payables—related parties. Moreover, for the six months period ended June 30, 2013 and 2012, the royalty expenses for obtaining the right to use intellectual property of SC PLC Group amounted to \$20,968 thousand and \$20,584 thousand, respectively. As of June 30, 2013 and 2012, the royalty expenses payable to SCB were \$69,631 thousand and \$73,868 thousand, respectively, recorded under accounts payables—related parties.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

- (l) For the six months period ended June 30, 2013 and 2012, the related cost of the Executive Share Option Scheme amounted to \$33,609 thousand and \$47,183 thousand, respectively. As of June 30, 2013 and 2012, accounts payable to SCB for the share-based payment scheme costs amounted to \$32,154 thousand and \$450,635 thousand, respectively, recorded under accounts payables—related parties.
- (m) For the six months period ended June 30, 2013 and 2012, expenses resulting from operating activities with affiliates were as follows:

<u>Name</u>	<u>January to June 2013</u>	<u>January to June 2012</u>
Technical support mandate service:		
SCB	<u>\$ 47,620</u>	<u>14,349</u>
Information technology service fees:		
Scope International Private Ltd.	\$ 33,937	37,211
Scope International (M) Sdn. Bhd	<u>31,837</u>	<u>37,349</u>
Total	<u>\$ 65,774</u>	<u>74,560</u>

- (n) As of June 30, 2013 and 2012, the deposit ending balance, related interest expense and accrued interest of SCLIA were \$621,873 thousand and \$432,407 thousand, \$1,446 thousand and \$1,524 thousand, and \$61 thousand and \$13 thousand, respectively; the deposit ending balance, related interest expense and accrued interest of SCIAC were \$37,544 thousand and \$30,868 thousand, \$50 thousand and \$123 thousand, and \$3 thousand and \$3 thousand, respectively.
- (o) For the six months period ended June 30, 2013 and 2012, SCBTL has signed a rental contracts with SCLIA. Related rental were \$8 thousand and \$8 thousand, respectively.
- (p) As of June 30, 2013 and 2012, the accounts receivable and related service income that SCBTL supported the SCLIA for its sales were \$191,019 thousand and \$141,700 thousand, \$202,337 thousand, \$157,065 thousand, respectively; the accounts receivable and related service income that SCBTL supported the SCIAC for its sales were \$5,973 thousand and \$6,350 thousand, and \$6,781 thousand and \$7,627 thousand, respectively.
- (q) For the six months period ended June 30, 2013 and 2012, SCBTL signed a rental contracts with SCB Taipei. Related rental were both \$2,120 thousand, respectively.
- (r) The relating party disclosure is based on materiality of the transaction amounts less than TWD 1,000 thousand were not disclosed due to the materiality threshold.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

3) The salary and remuneration of directors and supervisors

	January to June 2013	January to June 2012
Salary and other short term benefits	\$ 147,995	175,459
Post employment benefit	486	690
Total	\$ 148,481	176,149

(8) Pledged Assets

Unit: in thousands of New Taiwan Dollars

Pledged assets	Pledged for	Amount			
		June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Bonds (recognized as other assets)	Provision seizure	\$ 156,100	165,200	184,200	209,200
	Securitization of mortgage loans	-	-	300,000	700,000
		\$ 156,100	165,200	484,200	909,200

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

Pledged assets	Pledged for	Amount			
		June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Negotiable certificates of deposit, government bonds (recognized as other assets)	Trust indemnity reserve	\$ 150,000	150,000	150,000	150,000
	Security deposits for futures trading	35,000	35,000	35,000	35,000
	Security deposits for security brokerage	225,000	225,000	225,000	225,000
	Reserve for trust funds	-	-	-	25,000
	Bid for bonds	100,000	100,000	100,000	50,000
		510,000	510,000	510,000	485,000
Guarantee deposits paid (recorded as other assets)	Security deposits for bond proprietary trading	174,316	171,772	171,772	198,747
Total		684,316	681,772	681,772	683,747

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

- 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) Provision seizures are provided by collateral placed with the court in order to execute the Bank's right over debtors' properties.
- 4) Bid for bonds 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) Security deposits for bond proprietary trading were all \$110,000 thousand as of June 30, 2013 and December 31, June 30, and January 1, 2012. The rest amount was all by cash.
- 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.

(9) Significant Contingent Liabilities and Unrecognized Contract Commitments

- 1) Commitments and contingent liabilities

	June 30,	December	June 30,	January 1,
	2013	31, 2012	2012	2012
Consignment collection for others	\$ 9,604,358	9,176,863	10,006,285	10,448,433
Traveler's checks held on consignment for sale	91,386	85,584	120,084	123,009
Securities, consignments and goods in custody	1,221,212,202	1,642,020,829	1,472,752,383	1,374,512,602
Trust assets	100,311,767	112,727,231	128,713,072	131,948,904
	<u>\$ 1,331,219,713</u>	<u>1,764,010,507</u>	<u>1,611,591,824</u>	<u>1,517,032,948</u>
Unused lines of credit	<u>\$ 1,491,474</u>	<u>2,177,170</u>	<u>2,201,872</u>	<u>1,169,610</u>
Other guarantees	<u>\$ 7,139,301</u>	<u>7,066,722</u>	<u>7,523,360</u>	<u>9,390,534</u>
Unused letters of credit by customer	<u>\$ 2,127,082</u>	<u>1,878,599</u>	<u>2,114,226</u>	<u>2,291,150</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

2) Operating leases

Estimated irrevocable operating lease of minimum future lease payments were as follows:

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Within 1 year	\$ 271,660	518,034	277,576	517,107
Over 1 year but under 5 years	931,837	880,429	1,276,548	1,221,081
Over 5 years	16,110	3,698	204,381	199,036
Total	<u>\$ 1,219,607</u>	<u>1,402,161</u>	<u>1,758,505</u>	<u>1,937,224</u>

3) Significant service agreements

The Bank entered into a banc assurance agreement with PCA Life Assurance Co., Ltd. ("PCA") to promote and sell approved insurance policies in October 2007. Pursuant to the agreement, during the contract period from October 2007 to September 2015, the Bank should establish a sales team for PCA life insurance products, maintain a customer database, and exclusively sell such life insurance products underwritten by PCA through the distribution networks in Taiwan. In consideration of the exclusive distribution arrangement, PCA had paid to the Bank a facilitation fee of USD \$32,000 thousand. The amounts of \$61,561 thousand were both recognized as fee income for the six months period ended June 30, 2013 and 2012, and the remaining amount was recognized as other liabilities—unearned receipts.

4) Disclosures required by Article 17 of the Trust Enterprise Law on trust balance sheets, trust income statements, and trust assets were as follows: :

Trust Balance Sheet

June 30, 2013

Trust assets		Trust liabilities	
Bank deposits	\$ 15,512	Accounts payables	\$ 12
Short-term investments	96,306,211	Taxes payables	1
Structured notes	2,423,794	Payables for securities under custody	1,566,246
Securities under custody	1,566,246	Trust capital	98,745,484
Other assets	4	Other liabilities	24
Total trust assets	<u>\$ 100,311,767</u>	Total trust liabilities and capital	<u>\$ 100,311,767</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

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 custody	1,907,799
Securities under custody	1,907,799	Trust capital	110,819,417
Other assets	6		
Total trust assets	<u>\$ 112,727,231</u>	Total trust liabilities and capital	<u>\$ 112,727,231</u>

Trust Balance Sheet

June 30, 2012

Trust assets		Trust liabilities	
Bank deposits	\$ 20,366	Accounts payables	\$ 15
Short-term investments	122,175,653	Taxes payables	3
Structured notes	4,456,124	Payables for securities under custody	2,060,896
Securities under custody	2,060,896	Trust capital	126,652,158
Other assets	33		
Total trust assets	<u>\$ 128,713,072</u>	Total trust liabilities and capital	<u>\$ 128,713,072</u>

Trust Balance Sheet

January 1, 2012

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 custody	2,547,111
Securities under custody	2,547,111	Trust capital	129,401,776
Other assets	18		
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 Statement

Trust Income Statements

	<u>January to June 2013</u>	<u>January to June 2012</u>
Trust revenue:		
Interest revenue	\$ 40	61
Common stock cash dividends	327	401
Unrealized gain on investments	28	5,760
Gain on trading of assets	<u>259</u>	<u>-</u>
	<u>654</u>	<u>6,222</u>
Trust expenses:		
Management expenses	79	92
Service charges	-	1
Realized loss on investments	175	-
Unrealized loss on investments	615	231
Net loss on trading of assets	<u>-</u>	<u>150</u>
	<u>869</u>	<u>474</u>
Net income before income tax	(215)	5,748
Income tax expense	<u>2</u>	<u>2</u>
Net income after income tax	<u><u>\$ (217)</u></u>	<u><u>5,746</u></u>

Schedules of investment for trust business

<u>Investment items</u>	<u>June 30, 2013</u>	<u>December 31, 2012</u>	<u>June 30, 2012</u>	<u>January 1, 2012</u>
Bank deposits	\$ 15,512	18,069	20,366	20,840
Short-term investments:				
Bonds	7,562,410	8,789,054	5,729,325	2,830,507
Common stock	2,472,073	2,475,194	3,032,084	3,047,643
Funds	86,271,728	96,971,472	113,414,244	117,465,414
Structured notes	2,423,794	2,565,637	4,456,124	6,037,371
Securities under custody	1,566,246	1,907,799	2,060,896	2,547,111
Other assets	4	6	33	18
	<u><u>\$ 100,311,767</u></u>	<u><u>112,727,231</u></u>	<u><u>128,713,072</u></u>	<u><u>131,948,904</u></u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

Foreign currency trust business engaged by the Offshore Banking Unit (OBU) as of June 30, 2013 and December 31, June 30, and January 1, 2012 were included in the trust balance sheets and schedules of investment for trust business.

(10) Significant Disaster Loss: None.

(11) Significant Subsequent Events: None.

(12) Others

Profitability

Unit : %

Items		June 30, 2013	December 31, 2012	June 30, 2012
Return on assets (note 1)	Before income tax	0.43	0.49	0.75
	After income tax	0.37	0.41	0.60
Return on equity (note 2)	Before income tax	7.47	8.34	12.66
	After income tax	6.34	7.01	10.23
Net profit ratio (note 3)		17.66	18.98	27.22

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

Note 4: Net income before / after tax represented accumulated income of the current

Note 5: Both Return on assets ratio and Return on equity ratio are annualized ratio

(13) Other Disclosure Items

- 1) Related information on significant transaction
 - (a) Lending to other parties: None.
 - (b) Guarantees and endorsements for other parties: None.
 - (c) Information regarding securities held: None.
 - (d) 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.
 - (e) 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.
 - (f) 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.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

- (g) Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT\$5 million: None.
- (h) Information regarding receivables from related parties for which the amount exceeded NT\$300 million or 10% of the Bank's paid-in capital: None.
- (i) Information regarding trading in derivative financial instruments: please refer to Note (6) 1), 4) and 36).
- (j) Information regarding selling non-performing loans:
- i. Summary table of NPL disposal: None.
- ii. Disposal of a single batch of NPL up to 1 billion and information on each transactions: None.
- (k) Information on applications for handling securitized commodities according to the Regulation on Financial Asset Securitization or the Regulation on Real Estate Investment Trusts: None.
- (l) Business relationship and material transaction between the parent party and subsidiaries: None.
- (m) 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:

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 %	454,391	108,502	300	-	300	100.00 %	-
Taiwan Standard Chartered Insurance Agency Co., Ltd.	No. 106, Chung-Yeng Road, Hsinchu, Taiwan	Property insurance agent	100.00 %	32,934	9,406	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	-	-	-	-	-	-	-	Note
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 %	-

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

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	
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., Jhongshan 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 %	-
Taiwan Depository and Clearing Corporation	11F., No.363, Fushing N. Rd., Songshan District, Taipei City 10542, Taiwan	Securities custodian	0.17 %	9,277	-	553	-	553	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 %	80,059	-	4,823	-	4,823	0.06 %	-

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statement

Note : Fuji Enterprise Management Corporation completed the process of winding up on April 24, 2013.

3) Related information on investments in Mainland China : None.

(14) Operating Segment Financial Information

Please refer to the consolidated financial statements for the Company for the six months period ended June 30, 2013.

(15) First - time adoption of IFRSs

Please refer to the consolidated financial statements for the Company for the six months period ended June 30, 2013.