Stock code:2807

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Interim Financial Statements

June 30, 2014 and 2013
(With Independent Auditors' Report Thereon)

安侯建業聯合會計師事務所
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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, 2014, December 31 and June 30, 2013, 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, 2014 and 2013. 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, 2014, December 31 and June 30, 2013 and the results of its performances and its cash flows for the six months period ended June 30, 2014, December 31 and June 30, 2013, in conformity with the Regulations Governing the Preparation of Financial Statements by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, and other related regulations.

KPMG

August 28, 2014

Note to Readers

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, 2014, December 31 and June 30, 2013

(Expressed in thousands of New Taiwan Dollars)

	Assets	June 30, 2014 Amount	%	December 31, 2013 Amount	%	June 30, 2013 Amount	%
11000	Cash and cash equivalents (notes 6(1) and 7)	$ 59,519,278	8	49,979,231	7	17,597,661	3
11500	Due from the Central Bank and call loans to banks (notes 6(2) and 7)	42,501,809	6	47,828,974	6	50,285,221	7
12000	Financial assets at fair value through profit or loss						
	(notes 6(3) and 7)	20,078,959	3	20,458,887	4	32,771,871	5
12300	Derivative financial assets for hedging—net (notes 6(4) and 7)	124,592	-	172,750	-	265,178	-
12500	Securities purchased under resell agreements and debt instruments						
	(note 6(5))	7,995,747	1	1,950,000	-	-	-
13000	Receivable—net (notes 6(6), (7) and7)	25,272,161	4	32,759,448	4	29,478,462	4
13200	Current tax assets (note 6(21))	22,442	-	111,724	-	176,312	-
13500	Discounts and loans—net (notes 6(4), (7) and 7)	343,377,648	48	360,762,604	48	345,056,675	48
14000	Available-for-sale financial assets—net						
	(notes 6(4), (8) and 7)	185,190,182	26	230,156,830	30	223,850,975	31
15000	Investments measured by equity method—net (note 6(9))	659,347	-	393,511	-	487,325	-
15500	Other financial assets (note 6 (9))	151,245	-	151,245	-	151,455	-
18500	Property, plant and equipment—net (note 6(10))	5,496,716	1	5,563,295	1	5,756,855	1
19000	Intangible assets—net (note 6(11))	3,156,244	-	3,157,050	-	3,158,902	1
19300	Deferred tax assets (note 6(21))	2,306,289	-	2,397,891	-	2,436,577	-
19500	Other assets—net (notes 6(12) and 8)	20,489,430	3	3,267,254	-	1,673,902	-
	Total assets	$ 716,342,089	100	759,110,694	100	713,147,371	100

	Liabilities and stockholders' equity	June 30, 2014 Amount	%	December 31, 2013 Amount	%	June 30, 2013 Amount	%
	Liabilities:						
21000	Deposits from the Central Bank and banks (notes 6(13) and 7)	$ 55,960,364	8	45,985,672	6	59,241,520	8
22000	Financial liabilities at fair value through profit or loss						
	(notes 6(3) and 7)	7,509,707	1	7,533,988	1	8,881,239	1
22300	Derivative financial liabilities for hedging—net (notes 6(4) and 7)	2,214	-	3,227	-	26,757	-
23000	Payables (note 6(14))	4,008,564	1	4,538,856	1	4,799,951	1
23100	Related parties payable (note 7)	8,525,550	1	7,498,048	1	6,688,176	1
23500	Deposits and remittances (notes 6(4), (15) and 7)	526,711,720	74	577,585,845	76	505,507,941	71
24000	Bank notes payable—net (notes 6(4), (16) and 7)	55,362,208	8	55,559,925	7	55,663,052	8
25500	Other financial liabilities (note 6(17))	10,535,961	1	13,120,022	2	25,530,568	4
25600	Provisions (notes 6(18) and (20))	1,936,823	-	1,915,124	-	1,978,419	-
29300	Deferred tax liabilities (note 6(21))	644,561	-	592,787	-	602,787	-
29500	Other liabilities (notes 6(19) and 9(3))	1,843,320	-	2,371,688	-	2,940,296	-
	Total liabilities	673,040,992	94	716,705,182	94	671,860,706	94
	Stockholders' equity:						
31101	Common stock (note 6(23))	29,105,720	4	29,105,720	4	29,105,720	4
31500	Capital surplus (note 6(23))	5,786,031	1	5,786,031	1	5,786,031	1
	Retained earnings:						
32001	Legal reserve (note 6(23))	4,970,169	1	4,289,836	1	4,289,836	1
32003	Special reserve (note 6(23))	347,706	-	347,706	-	367,504	-
32005	Unappropriated earnings (note 6(23))	2,360,631	-	2,267,777	-	1,096,587	-
		7,678,506	1	6,905,319	1	5,753,927	1
32500	Other equity interest (note 6(23))	730,840	-	608,442	-	640,987	-
	Total stockholders' equity	43,301,097	6	42,405,512	6	41,286,665	6
	Total liabilities and stockholders' equity	$ 716,342,089	100	759,110,694	100	713,147,371	100

See accompanying notes to interim financial statements

Standard Chartered Bank (Taiwan) Limited

Statements of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2014 and 2013

(expressed in thousands of New Taiwan Dollars)

		January to June 2014		January to June 2013	
		Amount	%	Amount	%
41000	**Interest income (notes 6(26) and 7)**	$ 7,217,307	95	7,124,813	94
51000	**Less：Interest expense (notes 6(26) and 7)**	2,784,858	36	2,513,759	33
	Net interest income	4,432,449	59	4,611,054	61
	Net non-interest income				
49100	Net service fee income (notes 6(27) and 9(3))	1,548,468	20	1,573,723	21
49200	Gain on financial assets or liabilities at fair value through profit or loss (note 6(28))	577,924	8	952,556	12
49300	Realized gain on available-for-sale financial assets (note 6(29))	3,568	-	233	-
49600	Foreign exchange gain	710,919	9	231,907	3
49750	Share of profit of associates and joint ventures accounted for using equity method (note 6(9))	265,836	3	117,908	2
49800	Net other non-interest income (notes 6(9), (30) and 7)	73,921	1	80,411	1
	Net revenue	7,613,085	100	7,567,792	100
58200	**Bad debt expense and guarantee liability provision (note 6(31))**	462,456	6	930,752	12
	Operating expenses:				
58500	Employee benefits expense (notes 6(20), (24), (32) and 7)	2,707,401	36	2,725,048	36
59000	Depreciation and amortization expenses (notes 6(10), (11), and (33))	147,905	2	199,467	3
59500	Other general and administrative expenses (notes 6(34) and 7)	2,131,723	28	2,137,936	28
	Total operating expenses	4,987,029	66	5,062,451	67
	Income from continuing operations before tax	2,163,600	28	1,574,589	21
61003	**Less：Income tax expense (note 6(21))**	322,913	4	238,234	3
	Net income	1,840,687	24	1,336,355	18
65000	**Other comprehensive income:**				
65011	Change in fair value of available-for-sale financial assets recognized	(22,597)	-	(264,423)	(3)
65021	Change in fair value of cash flow hedges recognized	173,873	2	(144,820)	(2)
65091	Less: tax on other comprehensive income (note 6 (21))	28,878	-	(65,510)	(1)
65000	**Other comprehensive income－net of tax**	122,398	2	(343,733)	(4)
	Total comprehensive income for the period	$ 1,963,085	26	992,622	14
67500	**Basic earnings per share (NTD) (note 6(25))**	$ 0.63		0.46	

See accompanying notes to interim financial statements

Standard Chartered Bank (Taiwan) Limited

Statements of Changes in Stockholders' Equity

For the six months ended June 30, 2014 and 2013

(expressed in thousands of New Taiwan Dollars)

	Share capital		Retained earnings					
	Ordinary Share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	Total equity
Balance as of January 1, 2013	$ 29,105,720	5,786,031	3,388,832	136,034	3,582,706	851,045	133,675	42,984,043
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)
Total comprehensive income for the period	-	-	-	-	1,336,355	(220,886)	(122,847)	992,622
Balance as of June 30, 2013	$ 29,105,720	5,786,031	4,289,836	367,504	1,096,587	630,159	10,828	41,286,665
Balance as of January 1, 2014	$ 29,105,720	5,786,031	4,289,836	347,706	2,267,777	728,701	(120,259)	42,405,512
Appropriation and distribution of retained earnings:								
Legal reserve appropriated (note 6(23))	-	-	680,333	-	(680,333)	-	-	-
Special reserve appropriated (note 6(23))	-	-	-	-	(1,067,500)	-	-	(1,067,500)
Net income	-	-	-	-	1,840,687	-	-	1,840,687
Other comprehensive income	-	-	-	-	-	(21,916)	144,314	122,398
Total comprehensive income for the period	-	-	-	-	1,840,687	(21,916)	144,314	1,963,085
Balance as of June 30, 2014	$ 29,105,720	5,786,031	4,970,169	347,706	2,360,631	706,785	24,055	43,301,097

See accompanying notes to interim financial statements

Standard Chartered Bank (Taiwan) Limited

Statements of Cash Flows

For the six months ended June 30, 2014 and 2013

(expressed in thousands of New Taiwan Dollars)

		January to June 2014	January to June 2013
Cash flow from operating activities :			
Profit before tax	$	2,163,600	1,574,589
Adjustments :			
Adjustments to reconcile profit (loss)			
Depreciation expense		147,099	164,934
Amortization expense		806	34,533
Bad debt expense and guarantee liability provision －net		462,456	930,752
Interest expense		2,784,858	2,513,759
Interest income		(7,217,307)	(7,124,813)
Net change in other provisions		29,207	3,701
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method		(265,836)	(117,908)
Loss (gain) on disposal of property and equipment		25	(49,667)
Total adjustments to reconcile profit (loss)		(4,058,692)	(3,644,709)
Change in operating assets and liabilities :			
Change in operating assets :			
Due from the Central Bank and call loans to banks		2,192,102	9,306,399
Financial assets at fair value through profit or loss		379,928	(3,227,161)
Receivables		7,457,802	8,425,959
Discounts and loans		16,914,992	4,393,309
Available-for-sale financial assets		30,079,580	1,578,865
Other financial assets		-	(46)
Total changes in operating assets		57,024,404	20,477,325
Changes in operating liabilities :			
Deposits from the Central Bank and banks		9,974,692	49,957,537
Financial liabilities at fair value through profit or loss		(24,281)	523,768
Payables		620,523	(365,469)
Deposits and remittances		(50,876,929)	(57,544,395)
Other financial liabilities		(2,584,061)	(9,159,668)
Other liabilities		(528,368)	1,626,565
Total changes in operating liabilities		(43,418,424)	(14,961,662)
Total changes in operating assets and liabilities		13,605,980	5,515,663
Total adjustments		9,547,288	1,870,954
Cash inflow generated from operations		11,710,888	3,445,543
Interest received		7,246,792	6,962,217
Interest paid		(2,908,171)	(2,688,319)
Income taxes paid		(119,133)	(158,169)
Net cash flows from operating activities		15,930,376	7,561,272
Cash flows used in investing activities :			
Proceeds from disposal of property, plant and equipment		-	260,174
Acquisition of property, plant and equipment		(80,545)	(82,631)
(Increase) decrease in other assets		(2,358,903)	303,399
Net cash flows (used in) from investing activities		(2,439,448)	480,942
Cash flows used in financing activities :			
Increase in derivative financial liabilities for hedging		265,767	104,262
Decrease in bank notes payable		(238,464)	(6,440,200)
Cash dividends paid		(1,067,500)	(2,690,000)
Net cash flows used in financing activities		(1,040,197)	(9,025,938)
Net increase (decrease) in cash and cash equivalents		12,450,731	(983,724)
Cash and cash equivalents at beginning of period		79,244,102	45,831,008
Cash and cash equivalents at end of period	$	91,694,833	44,847,284
Components of cash and cash equivalents:			
Cash and cash equivalents reported in the statement of financial position	$	59,519,278	17,597,661
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7		24,179,808	27,249,623
Securities purchased under resell agreements and debt instruments qualifying for cash and cash equivalents under the definition of IAS 7		7,995,747	-
Cash and cash equivalents at end of period	$	91,694,833	44,847,284

See accompanying notes to interim financial statements

Standard Chartered Bank (Taiwan) Limited
Notes to the Financial Statements
June 30, 2014 and 2013
(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.

On June 18, 2014, the Bank announced the resolution of the Board of Directors by exercising the powers of shareholders to sell the securities brokerage services to President Securities Corp. The Bank temporarily set October 9, 2014 as the record date of business transferring, the termination date of related securities business, and the last business day of the securities branch.

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

The financial statements were authorized for issue by the Board of Directors on August 28, 2014.

(Continued)

(3) New Standards and Interpretations Not yet Adopted

1) Effect on non-application of 2013 version of International Financial Reporting Standards and interpretations endorsed by the financial supervisory commissions R.O.C. ("FSC"):

According to FSC Jin-Kuan-Cheng-Shen No. 10300120325 on April 3, 2014, the Bank should prepare the financial statements adopted 2013 version of International Financial Reporting Standards and interpretations endorsed by the FSC (excluding IFRS 9 "Financial Instruments") started from 2015. The summary below shows related amendments of standards and interpretations:

Amendments of standards and interpretations	Effective date per IASB
Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards—Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010
Amendments to IFRS 7 "Disclosures—Transferring Financial Assets"	July 1, 2012
Amendments to IFRS 7 "Disclosures—Offsetting Financial Assets and Financial Liabilities"	January 1, 2013
Amendments to IFRS 10 "Consolidated Financial Statements"	January 1, 2013
Amendments to IFRS 11 "Joint Arrangements"	January 1, 2013
Amendments to IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013
Amendments to IFRS 13 "Fair Value Measurement"	January 1, 2013
Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income"	July 1, 2012
Amendments to IAS 12 "Income Taxes—Deferred Taxes: Recovery of Underlying Assets"	January 1, 2012
Amendments to IAS 19 "Employee Benefits"	January 1, 2013
Amendments to IAS 27 "Separate Financial Statements"	January 1, 2013
Amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities"	January 1, 2014

The adoption of 2013 version of International Financial Reporting Standards and interpretations would not have material impacts on the individual interim financial statements of the Bank, except the following:

(a) IAS 1 "presentation of financial statements"

The Standard revised the disclosure method of other comprehensive income statements ("OCI"); separate the items in OCI into "items that will not be reclassified subsequently to profit or loss" and "items that will be reclassified subsequently to profit or loss when specific conditions are met." The revision also mentioned that the items in OCI presented as pre-tax, the tax amount should also present separately based on the requirement shows above. The standard amended the disclosure method of comprehensive income statements. The Bank will change the disclosure method of comprehensive income statements ruled by the standard.

(b) IFRS 13 "fair value measurement"

The standard defined fair value, established the structure of fair value, and planned the disclosure of fair value. The Bank has began to assess and evaluate the possible impact of the financial statements, and will enlarge the disclosure of fair value ruled by the standard.

(Continued)

(c) IFRS 7 "disclosures—offsetting financial assets and financial liabilities' and IAS 32 "Offsetting financial assets and financial liabilities"

The Standards clarify the meaning of "currently has a legally enforceable right to set-off" and "entity to intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously". The Bank has begun to assess and evaluate the possible impact of the financial statements adopted 2013 version of International Financial Reporting Standards and interpretations, and will enlarge the disclosure of net settlement ruled by the Standards.

2) Effect of newly issued International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") that has not been endorsed by the FSC.

The summary below shows the new issuance and amendments of new International Financial Reporting Standards and interpretations issued by the IASB that has not been endorsed by the FSC in the 2013 version.

New issuance and amendments of standards and interpretations	Effective date per IASB
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contribution"	July 1, 2014
Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

Currently, the Bank has began to assess and evaluate the possible impact of the financial statement, and will disclose the influence when the access finished.

(4) Summary of Significant Accounting Policies

Significant accounting policies adopted in the individual interim financial statements are summarized as below:

1) Statement of compliance

The individual interim financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms (hereinafter referred to as the Regulations), and other related regulations. The individual interim financial statements is not required to include the all necessary information disclosed in annual financial statements, prepared in accordance with IFRSs approved by the FSC, International Accounting Standards ("IASs"), International Financial Reporting Interpretations Committee ("IFRICs"), and the Standing Interpretations Committee ("SICs").

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:

(a) Financial instruments at fair value through profit or loss are measured at fair value;

(b) Available-for-sale financial assets are measured at fair value;

(c) Liabilities for cash-settled share-based payment arrangements are measured at fair value; and

(d) 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 financial statements are presented in New Taiwan Dollar, the functional currency of the Bank. All financial information presented in New Taiwan Dollars is 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—checking account and foreign currency account, 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.

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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 and debt instruments

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 repurchase agreements or securities purchased under resell agreements.

iv. Loans, receivables 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.

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.

(Continued)

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 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.

(Continued)

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;

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.

(Continued)

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 liabilities held by the Bank includes a financial liability measured at fair value through profit or loss (including the instruments designated at fair value through profit or loss), financial liability at amortized cost 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.

(Continued)

(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 Bank 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 Bank holds directly or indirectly 20% of the voting rights in the investee, the Bank has significant influence over the investee. When the Bank holds 50% or more of the voting rights in the investee, the Bank has control over the investee. Unless the Bank 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 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 Bank to receive benefits. When the Bank'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 Bank 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 Bank 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 classifies all its leases as 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 on a regular basis. Changes in the estimated useful lives, depreciation method, and residual value are accounted for as changes in accounting estimates.

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

Buildings	5 to 50 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) Assets held-for-sale and liabilities directly related with assets held-for-sale

Disposal group held for sale are classified as "Assets held-for-sale" when all of the following criteria are met: a decision has been made to sell, the assets are available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups), and it must be highly probable that the sale will be completed within one year. Disposal groups held for sale that is classified as "Assets held-for-sale" are measured at the lower of their book value or fair value less costs to sell. In addition, no amortization or depreciation expense shall be recognized. The net value of "Assets held-for-sale" is listed as an individual item in the balance sheet. Interest expense and other expenses incurred in a disposal group held for sale shall continue to be recognized in the current period profit or loss.

13) 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 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.

14) 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.

15) 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.

16) 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. 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.

17) 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.

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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.

18) 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 financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, and other related regulations, management requires 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.

Management keeps testing the assumptions and estimations. The impacts of changes in accounting estimations will be recognized in the period when changes applied and the future periods that will be affected.

Below shows accounting policies and management judgments for certain account items that have significant impacts on financial statements of the Bank.

1) 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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2) Valuation of financial instruments

Fair value of financial instruments is determined using valuation techniques when there is no active market or quoted price. Under this circumstance, fair value is assessed through relevant observable information or model. If there is no observable market parameters, fair value of financial instruments can be evaluated based on appropriate assumptions. When valuation technique is used to determine fair value, all models shall be calibrated to ensure that all outputs reflect the actual data and the market price. Valuation techniques that rely to a greater extent on unobservable inputs require a higher level of management judgment to calculate a fair value than those based wholly on observable inputs. The valuation techniques are adopted as much as possible from observable data. However, for credit risk (risk between itself and counterparty), management shall estimate volatility and correlation.

(6) Disclosures of Significant Accounts

1) Cash and cash equivalents

	June 30, 2014	December 31, 2013	June 30, 2013
Cash on hand	$ 4,525,806	4,373,127	4,861,057
Deposits with other banks	19,604,714	19,796,089	4,168,640
Deposits with other banks—affiliates	35,388,758	25,810,015	8,567,964
Total	$ 59,519,278	49,979,231	17,597,661

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

	June 30, 2014	December 31, 2013	June 30, 2013
Required reserve—checking account	$ 6,553,874	9,253,599	7,859,256
Required reserve—demand account	14,753,008	15,961,327	15,653,673
Required reserve—foreign currency	179,312	179,121	179,957
Required reserve—settlement account	814,858	822,571	821,703
Call loans to banks	3,515,187	-	3,801,970
Call loans to banks—affiliates	16,685,570	21,612,356	21,968,662
Total	$ 42,501,809	47,828,974	50,285,221

Pursuant to the Banking Law, the "required reserves" are deposited with the Central Bank. These reserves are for deposits and for interbank settlements.

"Required reserve" is calculated at prescribed rates on a monthly basis on the average balances of various deposit accounts and no interest is accrued on the checking account and the foreign currency account. Balances can be withdrawn on demand. Demand account accrues interests, other than the monthly adjustments to the account, no withdrawal is allowed.

3) Financial instruments at fair value through profit or loss

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

	June 30, 2014	December 31, 2013	June 30, 2013
Interest-rate instruments	$ 13,269,153	12,655,284	23,154,543
Derivative financial assets	6,809,806	7,803,603	9,617,328
Total	$ 20,078,959	20,458,887	32,771,871

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

	June 30, 2014	December 31, 2013	June 30, 2013
Interest-rate instruments	$ 448,740	-	-
Derivative financial liabilities	7,060,967	7,533,988	8,881,239
Total	$ 7,509,707	7,533,988	8,881,239

4) Derivative financial instruments for hedging

Derivative financial assets for hedging were as follows:

	June 30, 2014	December 31, 2013	June 30, 2013
Fair value hedge:			
Interest rate swap	$ 122,559	164,262	243,290
Cash flow hedge:			
Interest rate swap	2,033	8,488	21,888
Total	$ 124,592	172,750	265,178

Derivative financial liabilities for hedging were as follows:

	June 30, 2014	December 31, 2013	June 30, 2013
Fair value hedge:			
Interest rate swap	$ 2,214	1,527	5,067
Cash flow hedge:			
Interest rate swap	-	1,700	21,690
Total	$ 2,214	3,227	26,757

(Continued)

(a) Fair value hedge

A fair value hedge is the hedging of the hedged items exposure to change in fair value of recognized assets or liabilities that are attributable to particular hedged risks that could affect profit or loss. As of June 30, 2014, December 31 and June 30, 2013, marked-to-market adjustments of hedged items and the corresponding hedging instruments (recorded under other financial assets or liabilities, net) accounted as fair value hedge were as follows:

Hedged item		**Hedging instruments**	
Underlying instruments	**June 30, 2014**	**Contract type**	**June 30, 2014**
Available-for-sale financial assets:			
Government bonds	$ (464)	Interest rate swaps	$ 452
Time deposits	2,804	Interest rate swaps	(2,214)
Financial debentures	(109,206)	Interest rate swaps	122,107
	$ (106,866)		$ 120,345

Hedged item		**Hedging instruments**	
Underlying instruments	**December 31, 2013**	**Contract type**	**December 31, 2013**
Available-for-sale financial assets:			
Government bonds	$ 735	Interest rate swaps	$ (261)
Financial debentures	(149,953)	Interest rate swaps	162,996
	$ (149,218)		$ 162,735

Hedged item		**Hedging instruments**	
Underlying instruments	**June 30, 2013**	**Contract type**	**June 30, 2013**
Available-for-sale financial assets:			
Government bonds	$ 119	Interest rate swaps	$ (3,885)
Time deposits	(9,360)	Interest rate swaps	13,229
Financial debentures	(210,338)	Interest rate swaps	228,879
	$ (219,579)		$ 238,223

For the six months period ended June 30, 2014 and 2013, net losses on the hedging derivative financial instruments listed above amounted to $43,058 thousand and $105,052 thousand, respectively, and net gains from the hedged risk of the hedged items amounted to $41,452 thousand and $99,355 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.

		Fair value		
Hedged items	**Financial instruments designated as hedging instruments**	**June 30, 2014**	**December 31, 2013**	**June 30, 2013**
Discounts and loans —floating interest rate	Interest rate swap	$ 2,033	6,788	198

(Continued)

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Notes to the Financial Statements

5) Securities purchased under resell agreements and debt instruments

	June 30, 2014	December 31, 2013	June 30, 2013
Securities purchased under resell agreement	$ 7,995,747	1,950,000	-
Face value of debt instruments	$ 8,005,000	1,950,000	-

6) Receivables—net

	June 30, 2014	December 31, 2013	June 30, 2013
Accounts receivable factoring	$ 16,085,261	23,878,092	17,495,556
Credit cards accounts receivable	5,552,976	5,798,567	6,058,110
Accounts receivable	500,290	494,256	464,298
Interest receivable	1,591,207	1,620,692	1,875,183
Acceptances receivable	642,442	473,983	526,899
Accounts receivable—related parties	468,659	613,488	442,862
Unsettled trade receivable	499,108	-	2,705,174
Other	258,064	206,599	221,978
Subtotal	25,598,007	33,085,677	29,790,060
Less: allowance for bad debts—accounts receivable	325,846	326,229	311,598
Total	$ 25,272,161	32,759,448	29,478,462

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

	June 30, 2014	December 31, 2013	June 30, 2013
Bills negotiations and bills and notes discounted	$ 1,210,612	785,434	1,259,168
Short-term loans and overdrafts	73,885,377	78,474,855	56,507,394
Short-term secured loans	6,658,115	7,165,283	5,769,076
Medium-term loans	51,169,668	56,867,127	61,924,472
Medium-term secured loans	5,941,172	6,427,053	5,463,783
Long-term loans	7,778,667	7,974,787	8,922,317
Long-term secured loans	200,830,524	207,132,660	209,269,071
Non-accrual loans	545,205	1,121,421	1,284,381
Subtotal	348,019,340	365,948,620	350,399,662
Premium adjustments on discount and loans	59,088	88,600	112,630
Less: allowance for bad debts	4,700,780	5,274,616	5,455,617
Total	$ 343,377,648	360,762,604	345,056,675

As of June 30, 2014, December 31 and June 30, 2013, 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.

(Continued)

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 2014		
	Individual assessment of impairment	Portfolio assessment of impairment	Total
Beginning balance on January 1, 2014	$ 3,168,510	2,432,335	5,600,845
Add: provision for bad debts (reversal)	554,167	(84,203)	469,964
recovery from written-off loans	403,499	-	403,499
Less: charge-off and temporary payments	1,306,543	-	1,306,543
exchange rate movements and other	135,398	5,741	141,139
Ending balance on June 30, 2014	$ 2,684,235	2,342,391	5,026,626

	January to June 2013		
	Individual assessment of impairment	Portfolio assessment of impairment	Total
Beginning balance on 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 on June 30, 2013	$ 3,279,219	2,487,996	5,767,215

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

		June 30, 2014	
Item		Discounts and loans and accounts receivable	Allowance for bad debts
With objective evidence of impairment	Individual assessment of impairment	$ 4,669,764	2,684,235
	Portfolio assessment of impairment	4,809,221	95,416
Without objective evidence of impairment	Portfolio assessment of impairment	364,138,362	2,246,975
Total		$ 373,617,347	5,026,626

(Continued)

Item		December 31, 2013 Discounts and loans and accounts receivable	December 31, 2013 Allowance for bad debts
With objective evidence of impairment	Individual assessment of impairment	$ 5,457,382	3,168,510
	Portfolio assessment of impairment	5,046,562	89,299
Without objective evidence of impairment	Portfolio assessment of impairment	388,530,353	2,343,036
Total		$ 399,034,297	5,600,845

Item		June 30, 2013 Discounts and loans and accounts receivable	June 30, 2013 Allowance for bad debts
With objective evidence of impairment	Individual assessment of impairment	$ 4,979,515	3,279,219
	Portfolio assessment of impairment	4,869,855	83,922
Without objective evidence of impairment	Portfolio assessment of impairment	370,340,352	2,404,074
Total		$ 380,189,722	5,767,215

As of June 30, 2014, December 31 and June 30, 2013, the amounts of outstanding loans with interest charges suspended amounted to $545,205 thousand, $1,121,421 thousand and $1,284,381 thousand, respectively. The amounts of interest not accrued derived from the aforementioned loans were $6,868 thousand, $5,500 thousand and $4,789 thousand, respectively.

8) Available-for-sale financial assets－net

	June 30, 2014	December 31, 2013	June 30, 2013
Negotiable certificates of deposit	$ 156,995,317	186,508,439	182,516,324
Treasury bills	2,498,973	14,666,665	17,137,505
Government bonds	19,932,255	23,406,290	18,246,898
Financial debentures	5,676,219	5,492,108	5,316,508
Corporate bonds	-	-	553,681
Equity instruments	101,887	97,797	94,528
Less: accumulated impairments	14,469	14,469	14,469
Total	$ 185,190,182	230,156,830	223,850,975
Marked-to-market adjustments for hedged assets included in the above balance	$ (464)	735	119

(Continued)

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

	June 30, 2014			December 31, 2013		
	Percentage of ownership %	Investment cost	Book value	Percentage of ownership %	Investment cost	Book value
Investment measured by equity method:						
Standard Chartered Life Insurance Agency Co., Ltd.	100.00	$ 21	624,230	100.00	21	367,190
Taiwan Standard Chartered Insurance Agency Co., Ltd.	100.00	368	35,117	100.00	368	26,321
		$ 389	659,347		389	393,511
Financial assets carried at cost (recognized as other financial assets):						
Fuji Enterprise Management Consulting Co., Ltd.	-	$ -	-	-	-	-
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		-	202,291		-	202,291
		$ 353,536	151,245		353,536	151,245

	June 30, 2013		
	Percentage of ownership %	Investment cost	Book value
Investment measured by equity method:			
Standard Chartered Life Insurance Agency Co., Ltd.	100.00	$ 21	454,391
Taiwan Standard Chartered Insurance Agency Co., Ltd.	100.00	368	32,934
		$ 389	487,325
Financial assets carried at cost (recognized as other financial assets):			
Fuji Enterprise Management Consulting Co., Ltd.	-	$ -	-
Taiwan Small and Medium Enterprises Development Corp.	4.84	29,000	29,000
Financial Information Service Co., Ltd.	1.14	45,500	45,500
Taipei Forex Inc.	3.18	6,673	6,673
TSC Bio Venture Management, Inc.	5.00	15,188	15,188
Liyu Venture Investment, Inc.	4.76	8,549	8,549
Windance Co., Ltd.	2.73	188,500	188,500
Taiwan Asset Service Corporation	2.94	50,000	50,000
Yang Guang Asset management Company	1.42	849	849
Taiwan Depository and Clearing Corporation	0.17	9,277	9,277
Subtotal		353,536	353,536
Less: accumulated impairment		-	202,127
		$ 353,536	151,409

For the six months period ended June 30, 2014 and 2013, the Bank recognized share of profit of associates under equity method and joint ventures as $265,836 thousand and $117,908 thousand, respectively.

For the six months period ended June 30, 2014 and 2013, the cash dividends from financial assets carried at cost under net other non-interest income were $3,195 thousand and $2,127 thousand, respectively.

(Continued)

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Notes to the Financial Statements

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.

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, and paid back $23 thousand for the Bank's investment in its shares in 2013 as the third-time paid back. The cost of the investment is at $0 thousand, the full amount is recognized as gain on investment under net other non-interest income. On 2013, the company recognized impairment losses of $164 thousand from Liyu Venture Investment Inc..

10) Property, plant and equipment—net

June 30, 2014	Cost	Accumulated depreciation	Accumulated impairment	Net
Land	$ 3,161,179	-	19,218	3,141,961
Buildings	3,127,834	1,080,841	5,039	2,041,954
Office equipment	646,281	583,225	-	63,056
Leasehold improvements	674,343	553,159	-	121,184
Other equipment	918,347	789,786	-	128,561
Total	$ 8,527,984	3,007,011	24,257	5,496,716

December 31, 2013	Cost	Accumulated depreciation	Accumulated impairment	Net
Land	$ 3,161,179	-	19,218	3,141,961
Buildings	3,111,411	1,033,122	5,039	2,073,250
Office equipment	651,104	575,050	-	76,054
Leasehold improvements	667,604	525,251	-	142,353
Other equipment	935,071	820,547	-	114,524
Work in process	15,153	-	-	15,153
Total	$ 8,541,522	2,953,970	24,257	5,563,295

June 30, 2013	Cost	Accumulated depreciation	Accumulated impairment	Net
Land	$ 3,326,100	-	30,488	3,295,612
Buildings	3,195,164	1,048,100	2,089	2,144,975
Office equipment	680,600	634,875	-	45,725
Leasehold improvements	660,103	507,896	-	152,207
Other equipment	980,156	914,272	-	65,884
Work in process	52,452	-	-	52,452
Total	$ 8,894,575	3,105,143	32,577	5,756,855

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Cost movement:

	December 31, 2013	Increase	Decrease	Reclassify	June 30, 2014
Land	$ 3,161,179	-	-	-	3,161,179
Buildings	3,111,411	2,124	30	14,329	3,127,834
Office equipment	651,104	7,458	17,793	5,512	646,281
Leasehold improvements	667,604	12,152	14,593	9,180	674,343
Other equipment	935,071	44,943	61,667	-	918,347
Work in progress	15,153	13,868	-	(29,021)	-
Total	$ 8,541,522	80,545	94,083	-	8,527,984

	January 1, 2013	Increase	Decrease	Reclassify	June 30, 2013
Land	$ 3,487,245	-	161,145	-	3,326,100
Buildings	3,346,861	-	151,697	-	3,195,164
Office equipment	723,825	1,448	44,673	-	680,600
Leasehold improvements	658,602	560	679	1,620	660,103
Other equipment	980,566	26,551	26,961	-	980,156
Work in process	-	54,072	-	(1,620)	52,452
Total	$ 9,197,099	82,631	385,155	-	8,894,575

Change in accumulated depreciation:

	December 31, 2013	Increase	Decrease	Reclassify	June 30, 2014
Buildings	$ 1,033,122	47,749	30	-	1,080,841
Office equipment	575,050	25,968	17,793	-	583,225
Leasehold improvements	525,251	42,501	14,593	-	553,159
Other equipment	820,547	30,881	61,642	-	789,786
Total	$ 2,953,970	147,099	94,058	-	3,007,011

	January 1, 2013	Increase	Decrease	Reclassify	June 30, 2013
Buildings	$ 1,052,968	46,285	51,153	-	1,048,100
Office equipment	648,453	30,882	44,460	-	634,875
Leasehold improvements	448,894	59,681	679	-	507,896
Other equipment	913,127	28,086	26,941	-	914,272
Total	$ 3,063,442	164,934	123,233	-	3,105,143

11) Intangible assets—net

	June 30, 2014	December 31, 2013	June 30, 2013
Goodwill	$ 3,156,048	3,156,048	3,156,048
Computer software	196	1,002	2,854
Total	$ 3,156,244	3,157,050	3,158,902

(Continued)

Change in intangible assets:

	December 31, 2013	Increase	Decrease	June 30, 2014
Goodwill	$ 3,156,048	-	-	3,156,048
Computer software	1,002	-	806	196
Total	$ 3,157,050	-	806	3,156,244

	January 1, 2013	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

12) Other assets—net

	June 30, 2014	December 31, 2013	June 30, 2013
Refundable deposits	$ 473,249	483,712	489,199
Derivatives collateral	3,641,504	1,956,834	321,738
Prepaid fee	166,661	163,696	167,812
Restricted assets—debt instruments	15,597,873	641,400	666,100
Assets held-for-sale	579,847	-	-
Other	30,296	21,612	29,053
	$ 20,489,430	3,267,254	1,673,902

On June 18, 2014, the Bank announced the resolution of the Board of Directors by exercising the powers of shareholders to sell the securities brokerage services and equipments to President Securities Corp. The Bank temporarily set October 9, 2014 as the record date of business transferring, the termination date of related securities business, and the last business day of the securities branch.

13) Deposit from the Central Bank and banks

	June 30, 2014	December 31, 2013	June 30, 2013
Deposits from banks	$ 1,141,097	1,144,345	1,299,578
Deposits from banks—affiliates	739,645	828,609	1,109
Overdrafts on banks	63,424	36,712	77,317
Call loans from banks	14,441,073	20,054,226	27,953,500
Call loans from banks—affiliates	39,575,125	23,921,780	29,910,016
Total	$ 55,960,364	45,985,672	59,241,520

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Notes to the Financial Statements

14) Payables

	June 30, 2014	December 31, 2013	June 30, 2013
Accounts payable	$ 47,948	36,014	26,601
Accrued interest	666,391	789,704	1,032,425
Accrued expenses	1,116,210	1,518,512	1,090,637
Collection payable	84,422	132,546	96,821
Acceptance payable	642,442	473,983	526,899
After hours trading payable	248,957	504,019	370,612
Inter-branch check clearing payable	239,916	228,130	37,331
Temporary receipts in advance	363,980	216,404	380,149
Unsettled trade payable	50,205	-	199,676
Other	548,093	639,544	1,038,800
Total	$ 4,008,564	4,538,856	4,799,951

15) Deposits and remittances

	June 30, 2014	December 31, 2013	June 30, 2013
Checking accounts deposits	$ 4,703,668	5,135,873	4,364,149
Demand deposits:			
Demand deposits	154,260,573	168,989,714	130,297,362
Saving account deposits	129,048,197	129,327,292	129,865,885
Subtotal of demand deposits	283,308,770	298,317,006	260,163,247
Time deposits:			
Time deposits	172,892,455	204,022,794	156,136,950
Time savings deposits	65,647,484	69,989,693	84,701,696
Subtotal of time deposits	238,539,939	274,012,487	240,838,646
Remittances	159,343	120,479	141,899
Total	$ 526,711,720	577,585,845	505,507,941
Marked-to-market adjustments on hedged items	$ (2,804)	-	9,360

(Continued)

16) Bank notes payable—net

As of June 30, 2014, December 31 and June 30, 2013, details of financial debentures issued by the Bank were as follows:

Bond	Conditions for issuance	June 30, 2014	December 31, 2013
91-1A	5 year term, interest payable and paid 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 and paid 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 and paid semi annually, based on the average one year regular floating rate of the nine largest banks plus 1.493%	500	500
98-1	10 year term, interest payable and paid 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, USD based, interest payable and paid 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	4,482,801	4,478,036
98-3	No maturity date, USD based, interest payable and paid 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	4,482,801	4,478,036
100-1B	3 year term, interest payable and paid quarterly, annual interest rate is 1.17%; maturity date: May 19, 2014	-	100,000
100-1C	4 year term, interest payable and paid quarterly, annual interest rate is 1.32%; maturity date: May 19, 2015	650,000	650,000
100-1D	5 year term, interest payable and paid 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 and paid 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 and paid quarterly, annual interest rate is 1.60%; maturity date: May 19, 2018	2,550,000	2,550,000
100-1H	5 year term, interest payable and paid quarterly, TWD 90 day CP interest rate; maturity date: May 19, 2016	400,000	400,000
100-1I	7 year term, interest payable and paid 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 and paid quarterly, annual interest rate is 1.451%; maturity date: June 8, 2016	500,000	500,000
100-3C	5 year term, interest payable and paid 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 and paid quarterly, annual interest rate is 1.32%; maturity date: June 29, 2014	-	2,000,000
100-4C	3 year term, interest payable and paid quarterly, TWD 90 day CP interest rate plus 0.15% interest rate; maturity date: June 29, 2014	-	1,000,000
100-4D	10 year term, interest payable and paid quarterly, TWD 90 day CP interest rate plus 0.15% interest rate; maturity date: June 29, 2021	2,000,000	2,000,000

(Continued)

Bond	Conditions for issuance	June 30, 2014	December 31, 2013
101-1A	2 year term, interest payable and paid quarterly, annual interest rate is 1.05%; maturity date: January 17, 2014	$ -	7,000,000
101-1B	2 year term, interest payable and paid 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 and paid quarterly, annual interest is 1.09%; maturity date: January 17, 2015	600,000	600,000
101-2	2 year term, interest payable and paid annually, annual interest rate is 1.05%; maturity date: May 24, 2014	-	6,700,000
103-1	2 year term, USD based, interest payable quarterly, interest paid annually, annual interest rate is USD 3M LIBOR plus 0.70%; maturity date: January 27, 2016	17,333,500	-
		55,253,002	55,409,972
Marked-to-market adjustment on hedged items		109,206	149,953
Total		$ 55,362,208	55,559,925

Bond	Conditions for issuance	June 30, 2013
91-1A	5 year term, interest payable and paid 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
94-1	No maturity date, interest payable and paid semi annually, based on the average one year regular floating rate of the nine largest banks plus 1.493%	2,400
94-2	No maturity date, interest payable and paid semi annually, based on the average one year regular floating rate of the nine largest banks plus 1.493%	1,500
98-1	10 year term, interest payable and paid 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
98-2	No maturity date, interest payable and paid 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
98-3	No maturity date, interest payable and paid 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
100-1B	3 year term, interest payable and paid quarterly, annual interest rate is 1.17%; maturity date: May 19, 2014	100,000
100-1C	4 year term, interest payable and paid quarterly, annual interest rate is 1.32%; maturity date: May 19, 2015	650,000
100-1D	5 year term, interest payable and paid quarterly, annual interest rate is 1.45%; maturity date: May 19, 2016	6,150,000
100-1E	6 year term, interest payable and paid quarterly, annual interest rate is 1.51%; maturity date: May 19, 2017	1,000,000
100-1F	7 year term, interest payable and paid quarterly, annual interest rate is 1.60%; maturity date: May 19, 2018	2,550,000
100-1H	5 year term, interest payable and paid quarterly, TWD 90 day CP interest rate; maturity date: May 19, 2016	400,000
100-1I	7 year term, interest payable and paid quarterly, TWD 90 day CP interest rate; maturity date: May 19, 2018	4,000,000
100-2	5 year term, interest payable and paid quarterly, annual interest rate is 1.451%; maturity date: June 8, 2016	500,000
100-3C	5 year term, interest payable and paid quarterly, annual interest rate is 1.40%; maturity date: September 23, 2016	1,100,000
100-4A	3 year term, interest payable and paid quarterly, annual interest rate is 1.32%; maturity date: June 29, 2014	2,000,000

(Continued)

Bond	Conditions for issuance	June 30, 2013
100-4C	3 year term, interest payable and paid quarterly, TWD 90 day CP interest rate plus 0.15% interest rate; maturity date: June 29, 2014	$ 1,000,000
100-4D	10 year term, interest payable and paid quarterly, TWD 90 day CP interest rate plus 0.15% interest rate; maturity date: June 29, 2021	2,000,000
101-1A	2 year term, interest payable and paid quarterly, annual interest rate is 1.05%; maturity date: January 17, 2014	7,000,000
101-1B	2 year term, interest payable and paid 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 and paid quarterly, annual interest is 1.09%; maturity date: January 17, 2015	600,000
101-2	2 year term, interest payable and paid annually, annual interest is 1.05%; maturity date: May 24, 2014	6,700,000
		55,452,714
Marked-to-market adjustment on hedged items		210,338
Total		$ 55,663,052

17) Other financial liabilities

	June 30, 2014	December 31, 2013	June 30, 2013
Structured deposits	$ 10,535,961	13,120,022	25,530,568

18) Provisions

	June 30, 2014	December 31, 2013	June 30, 2013
Provision for guarantee liabilities	$ 100,903	108,411	62,626
Provision for employee benefits	1,745,263	1,724,645	1,839,871
Other miscellaneous provisions	90,657	82,068	75,922
Total	$ 1,936,823	1,915,124	1,978,419

19) Other liabilities

	June 30, 2014	December 31, 2013	June 30, 2013
Advance received from customers	$ 62,388	281,196	295,218
Deferred income	63,718	70,028	59,199
Guarantee deposits received	54,633	49,254	114,665
Tax payable	498,320	435,538	414,417
Derivatives collateral	491,704	1,518,323	1,970,105
Temporary trade receipts in advance	500,000	-	-
Liabilities directly related with assets held-for-sale	46,849	-	-
Other	125,708	17,349	86,692
	$ 1,843,320	2,371,688	2,940,296

Please refer to note 6(12) other assets—net for more information on liabilities directly related with assets held-for-sale.

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, 2014 and 2013, the pension expense under defined contribution plan of the Bank amounted to $80,763 thousand and $83,273 thousand, respectively.

(b) Employee benefits provision

i) Change in defined benefit obligation

	June 30, 2014	December 31, 2013	June 30, 2013
Defined benefits plan	$ 1,745,263	1,724,645	1,839,871

The Bank adopted the defined benefit plan, which contributes 3% 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. Final average monthly salary refers to the average 6-month monthly salary preceding retirement, including basic monthly salary, meal allowance, car allowance, shift allowance, transportation allowance, sales incentives, and overtime payment.

ii) Recognized as profit and loss cost

For the six months period ended June 30, 2014 and 2013, the cost charged to profit or loss were $83,649 thousand and $87,383 thousand, respectively, recognized as operating expenses—employees' benefit costs.

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, 2014 and 2013, the income tax expense and related accounts were as follows:

	January to June 2014	January to June 2013
Current income tax (benefit) expense	$ (2,101)	617
10% surtax on undistributed earnings	73,991	-
Deferred income tax expense	114,498	213,099
Basic income tax	136,525	24,518
Income tax expense	$ 322,913	238,234

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As of June 30, 2014, December 31 and June 30, 2013, the current tax assets of the Bank amounted to $22,442 thousand, $111,724 thousand and $176,312 thousand, respectively.

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

	January to June 2014	January to June 2013
Income tax from profit before tax at statutory rate	$ 367,812	267,680
Permanent difference	(288,796)	(59,080)
10% surtax on undistributed earnings	73,991	-
Prior-year income tax adjustments	35,482	(8,697)
Basic income tax	136,525	24,518
Other adjustments per tax regulation	(2,101)	13,813
Income tax expense	$ 322,913	238,234

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

	January to June 2014	January to June 2013
Change in fair value of available-for-sale financial assets	$ (680)	(43,537)
Change in fair value of cash flow hedges	29,558	(21,973)
Total	$ 28,878	(65,510)

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

	January to June 2014	January to June 2013
Unrealized interest income from financial assets	$ (3,930)	(17,134)
Bad debt expense and guarantee liability provision	64,486	(8,715)
Depreciation expense	(1,662)	(6,542)
Amortization of goodwill	26,826	26,827
Impairment loss on assets	-	7,087
Expenses from share-based payments	2,333	8,029
Employee benefits	(3,505)	7,675
Provisions	(8,218)	(3,516)
Deferred income	97,053	32,841
Loss carryforwards	(58,885)	166,547
	$ 114,498	213,099

(Continued)

The Bank's temporary difference of deferred tax asset components, based on the 17% tax rate for June 30, 2014, December 31 and June 30, 2013 were as follows:

	June 30, 2014	December 31, 2013	June 30, 2013
Deferred tax assets:			
Bad debt expense and guarantee liability provision	$ 340,261	404,747	442,458
Depreciation expense	18,892	17,230	22,039
Impairment loss on assets	37,706	37,706	37,177
Expenses from share-based payments	28,173	30,506	30,506
Employee benefits	296,693	293,188	321,882
Provisions	20,897	12,679	15,397
Deferred income	193,525	290,578	324,865
Loss carryforwards	1,370,142	1,311,257	1,242,253
Total	$ 2,306,289	2,397,891	2,436,577
Deferred tax liabilities:			
Unrealized interest revenue on financial assets	$ 71,204	75,134	84,567
Amortization of goodwill	295,090	268,264	241,438
Land value increment tax	137,179	137,179	145,615
Unrealized gain on available-for-sale financial assets	136,161	136,841	125,761
Unrealized (loss) gain on cash flow hedge	4,927	(24,631)	5,406
Total	$ 644,561	592,787	602,787

The movements of deferred tax items were as follows:

	January to June 2014	January to June 2013
Beginning balance	$ 1,805,104	1,974,619
Recognized in current period profit and loss	(114,498)	(213,099)
Land value increment tax	-	6,760
Recognized in other comprehensive income	(28,878)	65,510
Ending balance	$ 1,661,728	1,833,790

22) Information of imputation credit account

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

	June 30, 2014	December 31, 2013	June 30, 2013
Imputation credit account	$ 164,252	163,464	571

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.

(Continued)

	2014 (estimated)	2013 (actual)
Tax creditable ratios of distribution of retained earnings to R.O.C. residents	20.48 %	11.30 %

Preceding information of imputation credit account is according with the Treasury Department in October 17, 2013 Tai Tsai Shui No.10204562810 amount of processing requirements.

23) Stockholders' equity

(a) Capital

As of June 30, 2014, 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, until the legal reserve equals to the capital. However, unless and until the accumulated legal reserve equals the Bank's paid in capital, the maximum cash profits which may be distributed shall not exceed fifteen percent (15%) of the Bank's paid in capital. In addition to the legal reserve, a special reserve can be appropriated and approved by the stockholders' meeting. The board of directors approved the distribution of the 2013 and 2012 earnings on May 28, 2014, and May 31, 2013, and appropriated legal reserve of $680,333 thousand and $901,004 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 Bank can shift that incremental amount $239,413 thousand to special reserves.

(Continued)

As result from the disposal of the related asset in 2013, an amount of $27,741 thousands was released from the special reserve recognized on the first time adoption of the International Financial Reporting Standards and transferred to unappropriated retained earnings.

(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 and losses on cash flow hedge	Total
January 1, 2014	$ 728,701	(120,259)	608,442
Available-for-sale financial assets—net			
—Valuation adjustment	(21,916)	-	(21,916)
Cash flow hedge			
—Unrealized gain	-	144,314	144,314
June 30, 2014	$ 706,785	24,055	730,840

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

(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.

(Continued)

On May 28, 2014 and May 31, 2013, the board of directors, representing shareholders, approved the distribution of retained earnings and distributed cash dividends for 2013 and 2012 were as follows:

		2013	2012
Legal reserve appropriated	$	680,333	901,004
Cash dividends of ordinary share		1,067,500	2,690,000
Total	$	**1,747,833**	**3,591,004**

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.

The board of directors approved the distribution of 2013 earnings on May 28, 2014 and distributed bonus to employees for $167 thousand; the difference between the actual and estimated distributed bonus shall be treated as changes in accounting estimate and recognized as profit or loss in 2014. Furthermore, the board of directors approved the distribution of 2012 earnings on May 31, 2013, and distributed bonus to employees for $210 thousand; the difference between the actual and estimated distributed bonus 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 four main share-based payment schemes for its directors and employees. For the six months period ended June 30, 2014 and 2013, 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 Group 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 AESP were as follows:

	January to June 2014 Units	January to June 2013 Units
Beginning balance	503,367	529,534
Less: exercised	5,708	51,514
lapsed	75,522	31,476
Ending balance	**422,137**	**446,544**

For the six months period ended June 30, 2014 and 2013, the costs of the AESP charged to profits or losses were $13,502 thousand and $15,164 thousand, respectively, recognized as operating expenses—employees' benefit costs.

The valuation of share options is performed using a binominal option-pricing model. The same fair value is applied to all employees including directors.

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

Restricted share awards which are made outside of the annual performance process, as additional incentive or retention mechanisms. These awards vest in equal installments on the second and the third anniversaries of the award date. In line with similar plans operated by our competitors, restricted share awards are not subject to an annual limit and do not have any performance conditions.

The option movements of the RSA were as follows:

	January to June 2014 Units	January to June 2013 Units
Beginning balance	123,112	183,108
Add: granted	34,751	30,814
Less: exercised	16,499	57,373
lapsed	3,162	5,507
Ending balance	**138,202**	**151,042**

For the six months period ended June 30, 2014 and 2013, the costs of the RSA charged to profits or losses were $10,183 thousand and $14,661 thousand, respectively, recognized as operating expenses—employee's benefit.

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

Performance shares are subject to a combination of three performance measures, Total Shareholder Return (TSR), Earnings Per Share (EPS) and Return on Risk Weighted Assets (RoRWA). The weighting between the three elements is split equally, one third of the award depending on each measure, assessed independently. Performance share awards for executive directors are currently subject to an annual limit of 400 per cent of base salary in face value terms and delivered as nil cost options.

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

	January to June 2014 Units	January to June 2013 Units
Beginning balance	83,291	73,868
Add: granted	38,043	22,854
Less: exercised	1,940	9,411
lapsed	19,110	1,149
Ending balance	**100,284**	**86,162**

For the six months period ended June 30, 2014 and 2013, the costs of the PSA (PSP) charged to profit or loss were $7,876 thousand and $3,630 thousand, respectively, recognized as operating expenses—employees' benefits.

(Continued)

(d) Supplementary Restricted Share Award (Original: Supplementary Restricted Share Scheme)

The Supplementary Restricted Share Scheme (SRSS) is now replaced by the Restricted Share Award. There remain unvested and vested awards outstanding under this plan. Awards were generally in the form of nil cost options and do not have any performance conditions. For this award half vests two years after the date of grant and the balance after three years.

	January to June 2014 Units	January to June 2013 Units
Beginning balance	16,999	20,451
Less: exercised	202	2,043
Ending balance	16,797	18,408

For the six months period ended June 30, 2014 and 2013, the costs of the SRSS reversed and charged to profit or loss were $981 thousand and $154 thousand, respectively, recognized as operating expenses—employees' benefits.

25) Earnings per share

	January to June 2014	January to June 2013
Net income attributable to common stockholders	$ 1,840,687	1,336,355
Common stock (in thousands)	$ 2,910,572	2,910,572
Basic EPS (in dollars)	$ 0.63	0.46

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 interest income

	January to June 2014	January to June 2013
Interest income		
Interest income, discounts and loans	$ 4,960,308	5,370,979
Interest income, accounts receivable factoring	123,596	160,485
Interest income, due from banks	901,428	159,956
Interest income, available-for-sale financial assets	854,709	1,029,829
Interest income, credit card recurrence	212,441	231,050
Interest income, other	164,825	172,514
Subtotal	7,217,307	7,124,813
Interest expense		
Interest expense, deposits	2,014,048	1,809,728
Interest expense, due to banks	219,956	101,401
Interest expense, due to bank notes	546,843	556,809
Interest expense, other	4,011	45,821
Subtotal	2,784,858	2,513,759
Total	$ 4,432,449	4,611,054

(Continued)

27) Net service fee income

	January to June 2014	January to June 2013
Service fee		
Service fee, loan	$ 102,173	100,014
Service fee, agency	208,655	65,180
Service fee, remittance and interbank	49,235	47,316
Service fee, guarantee, import, export and acceptance payable	55,397	51,596
Service fee, credit card	179,484	169,998
Service fee, trust	1,075,229	1,221,392
Service fee, factoring	30,189	38,050
Service fee, other	78,681	58,700
Subtotal	1,779,043	1,752,246
Service charge		
Service charge, interbank	87,510	65,427
Service charge, agency	74,265	38,486
Service charge, custodian	44,947	55,239
Service charge, other	23,853	19,371
Subtotal	230,575	178,523
Total	$ 1,548,468	1,573,723

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

	January to June 2014	January to June 2013
Gain on disposal		
Interest-rate instruments	$ 51,299	17,157
Derivative financial instruments	547,902	363,345
Subtotal	599,201	380,502
Gain (loss) on valuation		
Interest-rate instruments	(3,823)	(9,356)
Derivative financial instruments	(83,070)	476,021
Subtotal	(86,893)	466,665
Interest income	65,616	105,389
Total	$ 577,924	952,556

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

	January to June 2014	January to June 2013
Government bonds	$ 3,568	233

(Continued)

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Notes to the Financial Statements

30) Net other non-interest income

	January to June 2014	January to June 2013
Net (loss) gain on disposal of property	$ (25)	49,667
Net gain on securities brokering income	56,476	20,401
Gains on financial assets carried at cost	3,195	3,216
Rental income	7,074	8,151
Net loss on fair value hedge	(1,606)	(5,697)
Other	8,807	4,673
Total	$ 73,921	80,411

31) Bad debt expense and provision for guarantee liabilities

	January to June 2014	January to June 2013
Bad debt expenses	$ 469,964	937,062
Reversal of guarantee liabilities	(7,508)	(6,310)
Total	$ 462,456	930,752

32) Employee benefits expense

	January to June 2014	January to June 2013
Salary expenses	$ 2,228,138	2,244,727
Labor and health insurance	175,594	179,416
Pension		
Deferred contribution plan	80,763	83,273
Deferred benefits plan	83,649	87,383
Other	139,257	130,249
Total	$ 2,707,401	2,725,048

33) Depreciation and amortization expenses

	January to June 2014	January to June 2013
Depreciation expenses		
Buildings	$ 47,749	46,285
Office equipment	25,968	30,882
Leasehold improvements	42,501	59,681
Other equipment	30,881	28,086
Subtotal of depreciation	147,099	164,934
Computer software amortization	806	34,533
Total	$ 147,905	199,467

(Continued)

34) Other general and administrative expenses

	January to June 2014	January to June 2013
Rental expense	$ 280,301	283,855
Office supplies	59,968	58,132
Postage	105,975	130,324
Repairs and maintenance	72,721	81,647
Advertising expense	45,641	87,979
Utilities fee	47,940	46,341
Taxes	243,432	248,521
Professional service fee	50,322	48,334
Operational and advisory service fee	509,955	495,284
Consulting and technical support service fee	202,399	278,204
Wholesale banking business service fee	169,143	106,665
Building management fee	70,227	70,505
Computer management fee	121,414	133,923
Other	152,285	68,222
Total	$ 2,131,723	2,137,936

35) Disclosure of financial instruments

(a) Fair value of financial instruments

	June 30, 2014		December 31, 2013	
Financial assets	**Book value**	**Fair value**	**Book value**	**Fair value**
Non-derivative financial instruments				
Cash and cash equivalents	$ 59,519,278	59,519,278	49,979,231	49,979,231
Due from the Central Bank and call loans to banks	42,501,809	42,501,809	47,828,974	47,828,974
Financial assets at fair value through profit or loss－interest-rate instruments	13,269,153	13,269,153	12,655,284	12,655,284
Securities purchased under resell agreements and debt instruments	7,995,747	7,995,747	1,950,000	1,950,000
Receivables－net	25,272,161	25,272,161	32,759,448	32,759,448
Discounts and loans－net	343,377,648	343,377,648	360,762,604	360,762,604
Available-for-sale financial assets, net	185,190,182	185,190,182	230,156,830	230,156,830
Other financial assets－net	151,245	151,245	151,245	151,245
Derivative financial instruments				
Financial assets at fair value through profit or loss －derivative financial assets	6,809,806	6,809,806	7,803,603	7,803,603
Derivative financial assets for hedging －net	124,592	124,592	172,750	172,750

(Continued)

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Notes to the Financial Statements

Financial assets	June 30, 2013 Book value	June 30, 2013 Fair value
Non-derivative financial instruments		
Cash and cash equivalents	$ 17,597,661	17,597,661
Due from the Central Bank and call loans to banks	50,285,221	50,285,221
Financial assets at fair value through profit or loss－interest-rate instruments	23,154,543	23,154,543
Receivables－net	29,478,462	29,478,462
Discounts and loans－net	345,056,675	345,056,675
Available-for-sale financial assets －net	223,850,975	223,850,975
Other financial assets－net	151,455	151,455
Derivative financial instruments		
Financial assets at fair value through profit or loss －derivative financial assets	9,617,328	9,617,328
Derivative financial assets for hedging －net	265,178	265,178

Financial liabilities	June 30, 2014 Book value	June 30, 2014 Fair value	December 31, 2013 Book value	December 31, 2013 Fair value
Non-derivative financial instruments				
Deposits from the Central Bank and banks	$ 55,960,364	55,960,364	45,985,672	45,985,672
Financial liabilities at fair value through profit or loss－interest-rate instruments	448,740	448,740	-	-
Payables	4,008,564	4,008,564	4,538,856	4,538,856
Related parties payable	8,525,550	8,525,550	7,498,048	7,498,048
Deposits and remittances	526,711,720	526,711,720	577,585,845	577,585,845
Bank notes payable－net	55,362,208	55,362,208	55,559,925	55,559,925
Other financial liabilities	10,535,961	10,535,961	13,120,022	13,120,022
Derivative financial instruments				
Financial liabilities at fair value through profit or loss－derivative financial liabilities	7,060,967	7,060,967	7,533,988	7,533,988
Derivative financial liabilities for hedging －net	2,214	2,214	3,227	3,227

Financial liabilities	June 30, 2013 Book value	June 30, 2013 Fair value
Non-derivative financial instruments		
Deposits from the Central Bank and banks	$ 59,241,520	59,241,520
Payables	4,799,951	4,799,951
Related parties payable	6,688,176	6,688,176
Deposits and remittances	505,507,941	505,507,941
Bank notes payable－net	55,663,052	55,663,052
Other financial liabilities	25,530,568	25,530,568
Derivative financial instruments		
Financial liabilities at fair value through profit or loss－derivative financial liabilities	8,881,239	8,881,239
Derivative financial liabilities for hedging －net	26,757	26,757

(Continued)

(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 and debt instruments and receivables; other short-term financial liabilities include due to the Central Bank and other banks, notes and bonds issued under repurchase agreements and payables. 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, available for sale financial assets and derivative financial assets and liabilities for hedging: 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 discounts 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.

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, except some are quoted based on the information from counterparties.

(Continued)

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(c) Levels of fair value of financial instruments

i. Fair value hierarchy information of financial instruments

Financial instruments at fair value	June 30, 2014 Total	Level 1 (note1)	Level 2 (note 2)	Level 3 (note 3)
Non-derivative financial instruments:				
Assets:				
Financial assets at fair value through profit or loss				
Bond investments	$ 13,269,153	5,543,846	7,725,307	-
Available-for-sale financial assets—net				
Bond investments	185,102,764	19,932,253	165,170,511	-
Stock investments	87,418	87,418	-	-
Liabilities：				
Financial liabilities at fair value through profit or loss				
Short positions—government bond	448,740	448,740	-	-
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	6,809,806	6,413	6,803,393	-
Derivative financial assets for hedging	124,592	-	124,592	-
Liabilities:				
Financial liabilities at fair value through profit or loss	7,060,967	8,848	7,052,119	-
Derivative financial liabilities for hedging	2,214	-	2,214	-

Financial instruments at fair value	December 31, 2013 Total	Level 1 (note1)	Level 2 (note 2)	Level 3 (note 3)
Non-derivative financial instruments:				
Assets:				
Financial assets at fair value through profit or loss				
Bond investments	$ 12,655,284	4,773,205	7,882,079	-
Available-for-sale financial assets—net				
Bond investments	230,073,502	23,306,290	206,767,212	-
Stock investments	83,328	83,328	-	-
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	7,803,603	5,401	7,798,202	-
Derivative financial assets for hedging	172,750	-	172,750	-
Liabilities:				
Financial liabilities at fair value through profit or loss	7,533,988	10,838	7,523,150	-
Derivative financial liabilities for hedging	3,227	-	3,227	-

(Continued)

	June 30, 2013			
Financial instruments at fair value	**Total**	**Level 1 (note1)**	**Level 2 (note 2)**	**Level 3 (note 3)**
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	-

Note 1: Level 1 inputs are quoted prices in active markets for identical assets or liabilities. 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 of 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.

(Continued)

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 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 Bank is exposed to market risk arising principally from customer-driven transactions. The objective of the Bank'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 and Liquidity Risk Taiwan followed the regulatory of the Taiwan Financial Supervisory Commission to develop the market risk management policies and procedures, which include the banking books and trading books. The objective of the companies limits are annually reviewed by Market and Liquidity Risk 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.

Market and Liquidity Risk 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 Bank also receives strong support from SCB regional and group business and market risk management functions based outside of Taiwan.

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 Bank are interest rate risk and currency exchange rate risk linked to trading products in financial markets, as the Bank has not held any positions relating to commodities price risk and equity price risk.

The Bank 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.

The table below lists the market risk of financial instruments of the Bank as of June 30, 2014 and 2013. 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 2014			January to June 2013		
	Average	**Maximum**	**Minimum**	**Average**	**Maximum**	**Minimum**
Foreign exchange VaR	$ 4,185	8,494	1,722	4,925	8,024	2,200
Interest rate VaR	24,913	33,988	16,847	17,541	23,692	9,652
Risk rate VaR	25,312	34,406	17,728	22,466	31,716	11,852

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. Market and Liquidity Risk 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 banking 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 Bank's standard process as risk is measured, monitored, reported and controlled on a portfolio basis.

(Continued)

Market risk policies, procedures and limits are annually reviewed by Market and Liquidity Risk 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.

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, 2014			December 31, 2013		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Long position						
USD	$ 8,257,712	29.885	246,784,553	10,225,833	29.854	305,277,629
EUR	331,275	40.806	13,518,027	534,312	41.126	21,974,314
JPY	49,584,818	0.295	14,628,344	81,964,343	0.284	23,291,441
AUD	274,950	28.104	7,727,178	650,040	26.613	17,299,641
CNY	6,742,309	4.858	32,752,963	6,675,183	4.895	32,673,890
Short position						
USD	8,212,951	29.885	245,446,845	10,218,704	29.854	305,064,795
EUR	335,063	40.806	13,672,634	534,990	41.126	22,002,203
JPY	49,915,664	0.295	14,725,949	82,009,159	0.284	23,304,176
AUD	274,214	28.104	7,706,507	648,640	26.613	17,262,388
CNY	6,763,780	4.858	32,857,262	6,662,804	4.895	32,613,298

	June 30, 2013		
	Foreign currency	Exchange rate	NTD
Long position			
USD	$ 9,879,243	29.993	296,308,146
EUR	489,473	39.136	19,156,029
JPY	62,827,323	0.303	19,036,679
AUD	643,344	27.732	17,841,216
CNY	5,368,277	4.907	26,342,136
Short position			
USD	9,828,170	29.993	294,776,302
EUR	489,458	39.136	19,155,428
JPY	62,804,277	0.303	19,029,696
AUD	642,467	27.732	17,816,896
CNY	5,303,064	4.907	26,022,137

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

i) Interest rate sensitivity information

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

June 30, 2014

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	$ 341,360,448	80,338,884	55,998,160	39,534,899	517,232,391
Interest rate sensitive liabilities	326,719,850	53,625,986	29,660,911	3,951,973	413,958,720
Interest rate sensitive gap	14,640,598	26,712,898	26,337,249	35,582,926	103,273,671
Net worth					41,195,612
Ratio of interest rate sensitive assets to liabilities (%)					124.95
Ratio of interest rate sensitive gap to net equity (%)					250.69

December 31, 2013

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	$ 369,023,064	45,744,023	106,455,433	33,649,750	554,872,270
Interest rate sensitive liabilities	374,933,626	61,552,417	46,178,536	4,075,520	486,740,099
Interest rate sensitive gap	(5,910,562)	(15,808,394)	60,276,897	29,574,230	68,132,171
Net worth					40,463,980
Ratio of interest rate sensitive assets to liabilities (%)					114.00
Ratio of interest rate sensitive gap to net equity (%)					168.38

June 30, 2013

Item	Day 1 to 90 days	Day 91 to 180 days	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

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

June 30, 2014

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	$ 3,242,149	203,209	35,383	189,933	3,670,674
Interest rate sensitive liabilities	4,823,815	611,958	250,844	-	5,686,617
Interest rate sensitive gap	(1,581,666)	(408,749)	(215,461)	189,933	(2,015,943)
Net worth					70,751
Ratio of interest rate sensitive assets to liabilities (%)					64.55
Ratio of interest rate sensitive gap to net equity (%)					(2,849.35)

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

December 31, 2013

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	$ 3,730,366	153,794	115,269	183,968	4,183,397
Interest rate sensitive liabilities	4,201,222	407,914	255,616	57	4,864,809
Interest rate sensitive gap	(470,856)	(254,120)	(140,347)	183,911	(681,412)
Net worth					65,035
Ratio of interest rate sensitive assets to liabilities (%)					85.99
Ratio of interest rate sensitive gap to net equity (%)					(1,047.76)

June 30, 2013

Item	Day 1 to 90 days	Day 91 to 180 days	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)

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.

It is the Bank'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, acceptance, 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 Bank, and for ensuring that an appropriate and robust risk management framework is in place to monitor and manage operational risk.

The Bank also receives strong support from SCB regional and group business.

(Continued)

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

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

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, acceptance, control and monitoring. This four-step management process is performed at all levels across the Bank 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 Bank.

(Continued)

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.

Under 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;

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 Bank 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.

(Continued)

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.

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.

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 Bank 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 Bank 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.

(Continued)

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

Bilateral and multilateral netting agreements 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:

	Maximum exposure to credit risk		
Off-balance-sheet items	**June 30, 2014**	**December 31, 2013**	**June 30, 2013**
Unused amount of irrevocable credit commitments	$ 1,977,520	3,927,407	1,491,474
Unused amount of irrevocable letters of credit	1,902,984	2,166,243	2,127,082
Other guarantees	6,956,480	7,194,171	7,139,301
Total	$ 10,836,984	13,287,821	10,757,857

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)

A. By industry

	June 30, 2014	December 31, 2013	June 30, 2013
Individual	$ 231,831,908	247,122,625	255,673,346
Manufacturing	48,264,062	55,128,497	43,011,515
Financial industry	23,106,953	22,731,147	19,965,460
Commercial	14,100,608	14,609,759	14,836,107
Transportation and warehousing	9,499,268	7,883,966	6,562,919
Other	21,216,541	18,472,626	10,350,315
Total	$ 348,019,340	365,948,620	350,399,662

B. By area

	June 30, 2014	December 31, 2013	June 30, 2013
Domestic	$ 301,717,911	322,728,955	297,555,878
Overseas	46,301,429	43,219,665	52,843,784
Total	$ 348,019,340	365,948,620	350,399,662

C. By collateral

	June 30, 2014	December 31, 2013	June 30, 2013
Unsecured	$ 121,959,647	132,334,919	116,790,255
Secured			
—Real estate	201,689,202	210,701,761	213,053,668
—Movable asset	12,849,276	11,285,205	9,298,103
—Debt instrument	8,008,006	6,413,012	5,085,457
—Other	3,513,209	5,213,723	6,172,179
Total	$ 348,019,340	365,948,620	350,399,662

viii) Credit quality and impairment analysis on financial asset

Some of the financial assets held by the Bank, such as cash and equivalent cash, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, derivative financial assets for hedging and securities purchased under resell agreements and debt instruments 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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

A. Credit quality analysis

	June 30, 2014					
	Neither past due nor impaired	Past due but not impaired	Impaired	Allowance for bad debts: Individually impaired	Allowance for bad debts: Collectively impaired	Total
Receivables						
Credit cards accounts receivable	$ 4,481,463	135,755	935,758	276,367	48,246	5,228,363
Accounts receivable factoring	16,085,261	-	-	-	-	16,085,261
Discounts and loans						
Consumer banking	218,478,803	4,578,662	5,358,110	1,319,051	2,061,124	225,035,400
Wholesale banking	116,264,871	153,777	3,185,117	1,088,817	231,788	118,283,160
Available-for-sale financial assets	185,102,764	-	101,887	14,469	-	185,190,182
	$ 540,413,162	4,868,194	9,580,872	2,698,704	2,341,158	549,822,366

	December 31, 2013					
	Neither past due nor impaired	Past due but not impaired	Impaired	Allowance for bad debts: Individually impaired	Allowance for bad debts: Collectively impaired	Total
Receivables						
Credit cards accounts receivable	$ 4,671,389	152,554	974,624	269,605	54,773	5,474,189
Accounts receivable factoring	23,878,092	-	-	-	-	23,878,092
Discounts and loans						
Consumer banking	231,569,761	5,253,094	5,458,668	1,313,237	2,128,012	238,840,274
Wholesale banking	119,289,858	306,587	4,070,652	1,585,668	247,699	121,833,730
Available-for-sale financial assets	230,073,502	-	97,797	14,469	-	230,156,830
	$ 609,482,602	5,712,235	10,601,741	3,182,979	2,430,484	620,183,115

	June 30, 2013					
	Neither past due nor impaired	Past due but not impaired	Impaired	Allowance for bad debts: Individually impaired	Allowance for bad debts: Collectively impaired	Total
Receivables						
Credit cards accounts receivable	$ 5,159,885	223,005	675,220	253,445	55,684	5,748,981
Accounts receivable factoring	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	94,922,655	390,756	3,717,635	1,772,684	273,095	96,985,267
Available-for-sale financial assets	223,770,916	-	94,528	14,469	-	223,850,975
	$ 580,693,259	7,181,615	9,943,898	3,293,688	2,485,527	592,039,557

(Continued)

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, 2014			
	Investment grade	Sub-investment grade	High risk grade	Total
Receivables				
Credit cards accounts receivable	$ 106,268	4,365,195	10,000	4,481,463
Accounts receivable factoring	7,605,224	8,480,037	-	16,085,261
Discounts and loans				
Consumer banking	3,778,514	214,700,289	-	218,478,803
Wholesale banking	59,460,626	56,716,139	88,106	116,264,871
Total	$ 70,950,632	284,261,660	98,106	355,310,398

	December 31, 2013			
	Investment grade	Sub-investment grade	High risk grade	Total
Receivables				
Credit cards accounts receivable	$ -	4,671,389	-	4,671,389
Accounts receivable factoring	18,934,482	4,943,610	-	23,878,092
Discounts and loans				
Consumer banking	4,489,699	227,080,062	-	231,569,761
Wholesale banking	58,634,095	60,590,497	65,266	119,289,858
Total	$ 82,058,276	297,285,558	65,266	379,409,100

	June 30, 2013			
	Investment grade	Sub-investment grade	High risk grade	Total
Receivables				
Credit cards accounts receivable	$ -	5,159,885	-	5,159,885
Accounts receivable factoring	13,967,927	3,527,629	-	17,495,556
Discounts and loans				
Consumer banking	3,966,263	235,377,984	-	239,344,247
Wholesale banking	43,789,781	51,050,411	82,463	94,922,655
Total	$ 61,723,971	295,115,909	82,463	356,922,343

(Continued)

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, 2014			
	Investment grade	**Sub-investment grade**	**High risk grade**	**Total**
Receivables				
Credit cards accounts receivable	$ 2,341	33,725	99,689	135,755
Discounts and loans				
Consumer banking	1,252	2,288,549	2,288,861	4,578,662
Wholesale banking	-	130,959	22,818	153,777
Total	$ 3,593	2,453,233	2,411,368	4,868,194

	December 31, 2013			
	Investment grade	**Sub-investment grade**	**High risk grade**	**Total**
Receivables				
Credit cards accounts receivable	$ 1,849	40,650	110,055	152,554
Discounts and loans				
Consumer banking	14,141	2,385,808	2,853,145	5,253,094
Wholesale banking	-	282,909	23,678	306,587
Total	$ 15,990	2,709,367	2,986,878	5,712,235

	June 30, 2013			
	Investment grade	**Sub-investment grade**	**High risk grade**	**Total**
Receivables				
Credit cards accounts receivable	$ 3,303	50,255	169,447	223,005
Discounts and loans				
Consumer banking	22,035	2,996,535	3,549,284	6,567,854
Wholesale banking	-	371,633	19,123	390,756
Total	$ 25,338	3,418,423	3,737,854	7,181,615

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.

	June 30, 2014			
	Investment grade	**Sub-investment grade**	**High risk grade**	**Total**
Available-for-sale financial assets				
Bonds	$ 185,102,764	-	-	185,102,764

(Continued)

	December 31, 2013			
	Investment grade	Sub-investment grade	High risk grade	Total
Available-for-sale financial assets				
Bonds	$ 230,073,502	-	-	230,073,502

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

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

Customer in the early stage of delinquency due to some temporary delay or other 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.

	June 30, 2014				
	Up to 1 month	1-2 months	2-3 months	Over 3 months	Total
Receivables					
Credit cards accounts receivable	$ 63,244	33,318	14,964	24,229	135,755
Discounts and loans					
Consumer banking	3,091,223	925,095	310,922	251,422	4,578,662
Wholesale banking	102,360	19,815	15,748	15,854	153,777
Total	$ 3,256,827	978,228	341,634	291,505	4,868,194

	December 31, 2013				
	Up to 1 month	1-2 months	2-3 months	Over 3 months	Total
Receivables					
Credit cards accounts receivable	$ 70,647	29,360	22,933	29,614	152,554
Discounts and loans					
Consumer banking	3,500,795	960,447	449,473	342,379	5,253,094
Wholesale banking	235,122	39,503	14,433	17,529	306,587
Total	$ 3,806,564	1,029,310	486,839	389,522	5,712,235

	June 30, 2013				
	Up to 1 month	1-2 months	2-3 months	Over 3 months	Total
Receivables					
Credit cards accounts receivable	$ 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	$ 4,798,232	1,222,348	624,586	536,449	7,181,615

(Continued)

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

A. Asset quality of the Bank

Unit: in thousands of New Taiwan Dollars, %

Product			Non-performing loan	Loan balances	NPL ratio	Allowance for bad debts	Coverage ratio
Period			**June 30, 2014**				
Wholesale Banking	Secured		421,719	28,662,416	1.47 %	198,773	47.13 %
	Unsecured		10,983	90,941,349	0.01 %	1,121,832	10,214.26 %
Consumer Banking	Mortgage		360,142	184,111,294	0.20 %	1,367,330	379.66 %
	Personal loan		352,653	40,525,766	0.87 %	2,012,385	570.64 %
	Others	Secured	-	752,497	- %	-	- %
		Unsecured	-	3,026,018	- %	460	- %
Total			1,145,497	348,019,340	0.33 %	4,700,780	410.37 %
			Overdue	Accounts receivables	Overdue ratio	Allowance for bad debts	Coverage ratio
Credit card			31,403	5,552,976	0.57 %	324,613	1,033.70 %
Factoring loan receivable without recourse			-	16,085,261	- %	-	- %

Product			Non-performing loan	Loan balances	NPL ratio	Allowance for bad debts	Coverage ratio
Period			**December 31, 2013**				
Wholesale Banking	Secured		239,792	25,395,478	0.94 %	179,276	74.76 %
	Unsecured		721,164	98,271,619	0.73 %	1,654,091	229.36 %
Consumer Banking	Mortgage		581,428	192,323,029	0.30 %	1,367,330	235.17 %
	Personal loan		412,810	45,468,745	0.91 %	2,067,633	500.87 %
	Others	Secured	-	672,456	- %	-	- %
		Unsecured	-	3,817,293	- %	6,286	- %
Total			1,955,194	365,948,620	0.53 %	5,274,616	269.77 %
			Overdue	Accounts receivables	Overdue ratio	Allowance for bad debts	Coverage ratio
Credit card			37,939	5,798,567	0.65 %	324,378	855.00 %
Factoring loan receivable without recourse			-	23,878,092	- %	-	- %

Product			Non-performing loan	Loan balances	NPL ratio	Allowance for bad debts	Coverage ratio
Period			**June 30, 2013**				
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	- %	-	- %

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

(Continued)

Unit: in thousands of New Taiwan Dollars

	June 30, 2014		December 31, 2013	
	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	$ 13,655	48,985	15,678	57,287
The amount under debt discharge program and rehabilitation program without default by debtors	508,701	67,535	553,150	55,447
	$ 522,356	116,520	568,828	112,734

	June 30, 2013	
	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
The amount under debt discharge program and rehabilitation program without default by debtors	536,718	40,438
	$ 554,695	105,298

B. Concentration of corporate credit risk for the bank

Units: in thousands of New Taiwan Dollars, %

June 30, 2014				
Rank	Industry classification of group enterprise		Outstanding credit	% of net assets
1	A Group	Petrochemical manufacturing	3,717,746	8.59 %
2	B Group	Other weaving industry	3,637,022	8.40 %
3	C Group	Other computer peripheral manufacturing industry	3,589,681	8.29 %
4	D Group	Semiconductors packaging and testing	2,806,764	6.48 %
5	E Group	Shoes industry	2,486,175	5.74 %
6	F Company	Other chemical manufacturing	2,241,804	5.18 %
7	G Company	Other transportation vehicles leasing	2,023,714	4.67 %
8	H Group	Ocean freight industry	1,986,038	4.59 %
9	I Company	Printed circuit board manufacturing industry	1,972,432	4.56 %
10	J Company	Copper metallurgy industry	1,942,896	4.49 %

(Continued)

December 31, 2013				
Rank	**Industry classification of group enterprise**		**Outstanding credit**	**% of net assets**
1	C Group	Other computer peripheral manufacturing industry	4,925,019	11.61 %
2	A Group	Petrochemical manufacturing	3,595,451	8.48 %
3	K Group	Other computer peripheral manufacturing industry	3,403,307	8.03 %
4	B Group	Other weaving industry	3,143,766	7.41 %
5	L Group	Sheet glass and glass manufacturing products manufacturing	3,027,298	7.14 %
6	D Group	Semiconductors packaging and testing	2,790,026	6.58 %
7	E Group	Shoes industry	2,391,620	5.64 %
8	F Company	Other chemical manufacturing	2,386,828	5.63 %
9	M Group	Aviation transportation	2,032,068	4.79 %
10	N Group	Other computer peripheral manufacturing industry	2,015,117	4.75 %

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

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 Bank 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.

(Continued)

ii) Management procedure of liquidity risk

The Liquidity Risk Framework governs liquidity risk and is managed by Asset and Liability Committee. The Bank maintains a liquid portfolio of marketable securities as a liquidity buffer as required by local regulation. In total, it maintains a liquidity buffer of TWD200.2bn, which is equivalent to 27.9% of the Bank's total assets. The level of the Bank's aggregate liquid reserves is in accordance with local regulatory minimum liquidity requirements.

The asset side of the balance sheet is of equal importance to the Bank's balance sheet as the liability side. The Bank'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 Bank is of the view that capital is not a mitigant for liquidity risk; liquid reserves and a short tenured book are the appropriate mitigant. Accordingly, the Bank does not hold capital in respect of liquidity risk.

iii) Financial assets held for liquidity risk management

The Bank holds cash and high quality liquid interest earning assets to support the repay liability and the potential urgency for cash demand emerges from 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.

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, 2014				
	Within 3 months	3 months~1 year	1~5 years	Over 5 years	Total
Deposits from the Central Bank and the banks	$ 41,178,725	14,781,639	-	-	55,960,364
Financial liabilities at fair value through profit or loss	448,740	-	-	-	448,740
Payables	4,008,564	-	-	-	4,008,564
Related parties payable	8,525,550	-	-	-	8,525,550
Deposits and remittances	375,046,594	146,351,202	5,313,924	-	526,711,720
Bank notes payable	8,969,503	1,252,133	33,118,274	12,022,298	55,362,208
Other financial liabilities	7,096,695	2,025,006	1,414,260	-	10,535,961
Total	$ 445,274,371	164,409,980	39,846,458	12,022,298	661,553,107

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	December 31, 2013				
	Within 3 months	3 months~1 year	1~5 years	Over 5 years	Total
Deposits from the Central Bank and the banks	$ 37,668,206	8,317,466	-	-	45,985,672
Payables	4,538,856	-	-	-	4,538,856
Related parties payable	7,498,048	-	-	-	7,498,048
Deposits and remittances	406,509,716	165,749,484	5,326,645	-	577,585,845
Bank notes payable	16,660,044	9,803,015	17,039,669	12,057,197	55,559,925
Other financial liabilities	1,577,657	10,263,786	1,278,579	-	13,120,022
Total	$ 474,452,527	194,133,751	23,644,893	12,057,197	704,288,368

	June 30, 2013				
	Within 3 months	3 months~1 year	1~5 years	Over 5 years	Total
Deposits from the Central Bank and the banks	$ 58,153,933	1,087,587	-	-	59,241,520
Payables	4,799,951	-	-	-	4,799,951
Related parties payable	6,688,176	-	-	-	6,688,176
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	$ 434,269,699	167,021,694	43,053,910	13,085,905	657,431,208

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 in 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, 2014					
	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Derivative financial instruments at fair value through profit and loss						
— Foreign exchange derivative instruments	$ 29,500	44,093	12,531	341,805	2,750,729	3,178,658
— Interest rate derivative instruments	6,222	36,612	104,290	198,852	1,477,976	1,823,952
Derivative financial instruments — hedging						
— Interest rate derivative instruments	-	-	-	2,214	-	2,214
	$ 35,722	80,705	116,821	542,871	4,228,705	5,004,824

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	December 31, 2013					
	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Derivative financial instruments at fair value through profit and loss						
—Foreign exchange derivative instruments	$ 31,053	38,684	231,769	516,577	289,284	1,107,367
—Interest rate derivative instruments	15,998	16,015	55,239	245,992	2,345,484	2,678,728
Derivative financial instruments—hedging						
—Interest rate derivative instruments	18	-	890	49	2,270	3,227
	$ 47,069	54,699	287,898	762,618	2,637,038	3,789,322

	June 30, 2013					
	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Derivative financial instruments 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 instruments—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

B. Maturity analysis of gross settled derivatives

	June 30, 2014					
	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Derivative financial instruments at fair value through profit and loss						
—Foreign exchange derivative instruments						
—Cash outflow	$ 89,373,249	89,651,122	58,229,002	24,069,766	13,550,856	274,873,995
—Cash inflow	88,740,277	88,832,040	57,700,711	23,991,203	13,439,590	272,703,821
Net cash flow	$ (632,972)	(819,082)	(528,291)	(78,563)	(111,266)	(2,170,174)

	December 31, 2013					
	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Derivative financial instruments at fair value through profit and loss						
—Foreign exchange derivative instruments						
—Cash outflow	$ 139,928,194	94,186,357	30,984,588	38,087,214	14,456,070	317,642,423
—Cash inflow	138,684,190	93,646,354	30,653,576	37,433,299	14,345,527	314,762,946
Net cash flow	$ (1,244,004)	(540,003)	(331,012)	(653,915)	(110,543)	(2,879,477)

(Continued)

	June 30, 2013					
	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Derivative financial instruments 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	111,505,023	64,600,501	42,138,997	43,462,029	16,264,652	277,971,202
Net cash flow	$ (883,600)	(154,562)	2,438	(23,875)	(352,034)	(1,411,633)

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 individual balance sheets.

	June 30, 2014				
	0-30 days	31-90 Days	91 days-1 year	Over 1 year	Total
Other guarantees	$ 177,673	1,533,166	1,490,689	3,754,952	6,956,480
Unused amount of irrevocable loan commitment	-	-	-	1,977,520	1,977,520
Unused amount of irrevocable letter of credit	633,184	574,675	695,125	-	1,902,984
	$ 810,857	2,107,841	2,185,814	5,732,472	10,836,984

	December 31, 2013				
	0-30 days	31-90 Days	91 days-1 year	Over 1 year	Total
Other guarantees	$ 293,288	731,379	2,640,670	3,528,834	7,194,171
Unused amount of irrevocable loan commitment	150,000	-	2,609,090	1,168,317	3,927,407
Unused amount of irrevocable letter of credit	517,559	1,428,833	219,851	-	2,166,243
	$ 960,847	2,160,212	5,469,611	4,697,151	13,287,821

	June 30, 2013				
	0-30 days	31-90 Days	91 days-1 year	Over 1 year	Total
Other guarantees	$ 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	98,305	988,790	1,039,987	-	2,127,082
	$ 136,386	1,112,135	1,880,455	7,628,881	10,757,857

vii) Structure Analysis of Maturity Date New Taiwan Dollars

June 30, 2014

		Remaining period to expiration					
	Total	0~10 days	11~30 days	31~90 days	91~180 days	181 days~ Over 1 year	Over 1 year
Capital provided	$ 652,676,583	71,263,772	42,910,747	61,198,833	124,218,189	96,772,067	256,312,975
Capital used	773,011,439	41,078,176	53,197,741	121,946,985	132,331,240	89,815,295	334,642,002
Gap	(120,334,856)	30,185,596	(10,286,994)	(60,748,152)	(8,113,051)	6,956,772	(78,329,027)

December 31, 2013

		Remaining period to expiration					
	Total	0~10 days	11~30 days	31~90 days	91~180 days	181 days~ Over 1 year	Over 1 year
Capital provided	$ 764,150,784	103,922,050	53,989,266	92,366,834	78,450,819	174,376,893	261,044,922
Capital used	764,508,329	36,224,072	94,775,117	132,265,008	114,039,394	102,079,450	285,125,288
Gap	(357,545)	67,697,978	(40,785,851)	(39,898,174)	(35,588,575)	72,297,443	(24,080,366)

(Continued)

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)

viii) Structure Analysis of Maturity Date US Dollars

June 30, 2014

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	$ 12,647,452	4,346,634	3,779,785	2,159,693	1,014,318	1,347,022
Capital used	13,606,087	4,996,611	2,361,361	2,587,336	999,112	2,661,667
Gap	(958,635)	(649,977)	1,418,424	(427,643)	15,206	(1,314,645)

December 31, 2013

	Total	Remaining period to expiration				
		0~30 days	31~90 days	91~180 days	181 days~ Over 1 year	Over 1 year
Capital provided	$ 14,636,005	6,430,950	3,863,505	1,901,014	1,291,366	1,149,170
Capital used	14,747,801	5,962,576	3,438,741	1,439,953	1,956,107	1,950,424
Gap	(111,796)	468,374	424,764	461,061	(664,741)	(801,254)

June 30, 2013

	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)

(e) Capital management

i. Summary

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

i) Meeting the regulatory capital requirement and the minimum capital adequacy ratio is the Bank's basic goal for capital management. The Bank calculates qualified capital and regulatory capital requirement in accordance with rules issued by the regulator.

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 maximize resource allocation through risk management by means of capital allocation.

(Continued)

ii. Capital management procedure

The Bank maintains the capital adequacy ratio in line with the requirement made by the regulator, and report to the regulator on a quarterly basis. The Bank's capital is managed by the Asset and Liability Committee. The Bank's 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. Common equity Tier 1 capital: Consists of the common equity deducting intangible assets, the deferred tax assets due to losses from previous years, the insufficiency of operation reserves and loan loss provisions, the revaluation surplus of real estate, unamortized losses on sales of non-performing loans, and the statutory adjustment items calculated in accordance with other rules for calculation methods.

The common equity Tier 1 capital shall mean the sum of the following items:

a. Common stock and additional paid-in capital in excess of par-common stock

b. Capital collected in advance

c. Capital reserves

d. Statutory surplus reserves

e. Special reserves

f. Accumulated profit or loss

g. Non-controlling interests

h. Other items of interest

B. Additional Tier 1 capital: Consists of the aggregate amount of non cumulative perpetual preferred stock and its capital stock premium, non cumulative and non perpetual subordinated debts etc.

ii) Tier 2 capital: Consists of the aggregate amount of cumulative perpetual preferred stock and its capital stock premium, cumulative perpetual subordinated debts, convertible subordinated debts, long-term subordinated debts and non-perpetual preferred stock and its capital stock premium etc.

iii. Capital adequacy

Item		Period-end	June 30, 2014	December 31, 2013	June 30, 2013
Self-owned capital	Common stock capital		38,042,621	37,704,360	36,177,062
	Other Tier 1 capital		-	-	-
	Tier 2 capital		17,999,472	18,536,851	18,749,839
	Total self-owned capital		56,042,093	56,241,211	54,926,901
Risk-weighted assets	Credit risk	Standard approach (SA)	346,504,115	363,779,689	318,546,013
		Internal ratings-based approach (IRB)	-	-	-
		Securitization	-	-	-
	Operational risk	Basic indicator approach (BIA)	30,296,999	30,296,999	31,889,154
		Standardized approach (SA)	-	-	-
		Advanced measurement approach (AMA)	-	-	-
	Market risk	Standardized approach/alternative approach	17,075,280	19,217,874	21,425,875
		Internal model-based approach (IMA)	-	-	-
	Total risk-weighted assets		393,876,394	413,294,562	371,861,042
Total risk-based capital			14.23 %	13.61 %	14.77 %
Ratio of common stock to total risk-based assets			9.66 %	9.12 %	9.73 %
Ratio of Tier 1 capital to risk-based assets			9.66 %	9.12 %	9.73 %
Leverage ratio			4.39 %	4.21 %	4.27 %

Note: The amount as of June 30, 2014 is prepared endorsed by the amendments of Regulations Governing the Capital Adequacy and Capital Category of Banks announced on January 9, 2014.

(7) Related-Party Transactions

1) Name and relationship of related parties

Name	Relationship
Standard Chartered Bank ("SCB")	The Bank's parent company
Standard Chartered Bank Taipei Branch ("SCB Taipei")	Affiliate
Standard Chartered Bank New York ("SCB New York")	Affiliate
Standard Chartered Bank Tokyo ("SCB Tokyo")	Affiliate
Standard Chartered Bank Singapore ("SCB Singapore")	Affiliate
Standard Chartered Bank Germany ("SCB Germany")	Affiliate
Scope International Private Limited	Affiliate
Scope International (M) Sdn Bhd	Affiliate
Standard Chartered Bank Hong Kong Limited ("SCB HK")	Affiliate
Standard Chartered Bank China Limited ("SCB China")	Affiliate
Standard Chartered Bank Bangkok Limited ("SCB BKK")	Affiliate
Standard Chartered Bank Korea Limited ("SCB Korea")	Affiliate
Standard Chartered Life Insurance Agency Co., Ltd. ("Standard Chartered Life Insurance Agency")	Investee under equity method

(Continued)

Name	Relationship
Taiwan Standard Chartered Insurance Agency Co., Ltd. ("Taiwan Standard Chartered Insurance Agency")	Investee under equity method
Directors, Supervisors, President and Vice Presidents	The senior management of the Bank
Others	Families, spouses of the senior management of the Bank

2) Significant transactions with related parties

(a) Deposits

June 30, 2014			
Name	**Ending balance**	**Percentage of deposits (%)**	**Interest rate (%)**
Deposits by individual related parties not over 1% of total deposits	$ 1,032,567	0.20	0.00~5.79

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

The interest rate applied to the related parties are based on the board rate for all significant impacts, and the deposit conditions are the same as those for general deposits. 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, 2014 and 2013, interest expenses on the above deposits were $2,785 thousand and $2,611 thousand, respectively, and the interest payables on the above transaction were $241 thousand and $199 thousand, respectively.

(b) Loans

January to June 2014							
				Repayment			
Type of loan	Number of accounts or name of related party	Maximum during the period	Ending balance	On-schedule	Overdue	Collateral	Difference between terms and conditions offered to the accounts and to the general public
Employee consumer loans	8	4,834	4,490	4,490	-	Unsecured lending	None
Mortgage	22	177,938	171,290	171,290	-	House	None
Other	2	6,068	5,793	5,793	-	Overdraft on the comprehensive deposits	None

January to June 2013							
				Repayment			
Type of loan	Number of accounts or name of related party	Maximum during the period	Ending balance	On-schedule	Overdue	Collateral	Difference between terms and conditions offered to the accounts and to the general public
Employee consumer loans	10	4,599	3,737	3,737	-	Unsecured lending	None
Mortgage	19	164,077	160,358	160,358	-	House	None
Other	2	6,610	6,340	6,340	-	Overdraft on the comprehensive deposits	None

(Continued)

For the six months period ended June 30, 2014 and 2013, interest income on the above loans were $1,595 thousand and $1,343 thousand, respectively, and the interest receivables on the above transaction were $155 thousand and $140 thousand, respectively.

(c) Foreign exchange and derivative transactions

		June 30, 2014				
		Contract		Net valuation	Balance sheet	
Name	Contracts	duration period	Notional	adjustment	Account	Balance
SCB	Interest rate swap	2014.10.16~ 2017.10.11	$ 20,037,454	(57,408)	Financial assets at fair value through profit or loss	55,216
					Financial liabilities at fair value through profit or loss	(112,624)
	Interest rate option contract	2017.5.18	1,195,414	(5,553)	Financial liabilities at fair value through profit or loss	(5,553)
	Forward contract	2014.7.1~ 2015.6.16	84,374,566	121,088	Financial assets at fair value through profit or loss	363,412
					Financial liabilities at fair value through profit or loss	(242,324)
	Foreign exchange option contract	2014.7.1~ 2016.6.30	74,154,108	(3,030,350)	Financial assets at fair value through profit or loss	41,588
					Financial liabilities at fair value through profit or loss	(3,071,938)
	Commodity swap	2014.7.2~ 2015.5.5	561,631	(929)	Financial assets at fair value through profit or loss	8,301
					Financial liabilities at fair value through profit or loss	(9,230)
	Cross currency swap	2015.6.8~ 2016.3.18	2,538,382	(44,601)	Financial liabilities at fair value through profit or loss	(44,601)
	Commodity option contract	2014.7.2~ 2015.7.7	2,284,548	(7,398)	Financial liabilities at fair value through profit or loss	(7,398)
	Interest rate swap (Hedge)	2014.10.16~ 2015.4.22	6,575,358	(973)	Derivative financial assets for hedging-net	1,241
					Derivative financial liabilities for hedging-net	(2,214)
SCB Singapore	Forward contract	2014.7.1~ 2014.12.24	10,388,078	15,373	Financial assets at fair value through profit or loss	17,709
					Financial liabilities at fair value through profit or loss	(2,336)
SCB HK	Forward contract	2014.7.2~ 2014.9.17	686,412	(1,353)	Financial assets at fair value through profit or loss	486
					Financial liabilities at fair value through profit or loss	(1,839)
SCB New York	Forward contract	2015.6.9	204,031	2,091	Financial assets at fair value through profit or loss	2,091

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

		June 30, 2013				
		Contract		Net valuation	Balance sheet	
Name	Contracts	duration period	Notional	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	57,789,565	(626,953)	Financial assets at fair value through profit or loss	267,692
					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	65,544,670	(2,258,112)	Financial assets at fair value through profit or loss	47,553
					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 liabilities 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)
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

(d) Deposits with banks－affiliates

	January to June 2014		
	Balance	Interest rate %	Interest income
SCB China	$ 24,874,989	2.92	449,282
SCB New York	9,281,255	0.05	1,280
Other	1,232,514	-	-
	$ 35,388,758		450,562

	January to June 2013		
	Balance	Interest rate %	Interest income
SCB China	$ 7,967,057	5.50~8.00	8,308
SCB Germany	305,306	-	-
SCB	112,591	-	-
SCB New York	84,160	2.00	393
SCB Singapore	62,261	-	-
Other	36,589	-	-
	$ 8,567,964		8,701

(Continued)

(e) Call loans to banks — affiliates

	January to June 2014		
	Balance	Interest rate %	Interest income
SCB	$ 5,977,069	0.10	39
SCB Tokyo	2,566,644	0.03	54
SCB Taipei	8,141,857	0.37~0.75	14,933
SCB New York	-	0.25	3,294
Other	-	0.40	173
	$ 16,685,570		18,493

	January to June 2013		
	Balance	Interest rate %	Interest income
SCB Taipei	$ 21,968,662	0.27~1.38	44,732

As of June 30, 2014 and 2013, the interest receivables resulting from the above loans and advances to affiliates were $1,638 thousand and $22,123 thousand, respectively.

(f) Deposits from banks — affiliates

	January to June 2014		
	Balance	Interest rate %	Interest expense
SCB Taipei	$ 739,645	0.01	39

	January to June 2013		
	Balance	Interest rate %	Interest expense
SCB Taipei	$ 1,109	0.01	6

As of June 30, 2014 and 2013, the interest payables resulting from the above deposits and advances to affiliates were $2 thousand, and $0 thousand, respectively.

(g) Overdrafts on banks — affiliates

	January to June 2014		
	Balance	Interest rate %	Interest expense
SCB New York	$ -	0.60	81
SCB HK	-	1.91~6.25	54
SCB Germany	-	1.50	48
SCB Tokyo	-	1.50	13
Other	-	1.50	7
	$ -		203

	January to June 2013		
	Balance	Interest rate %	Interest expense
SCB New York	$ -	0.60	227
SCB Germany	-	1.50	13
SCB	-	1.50	5
	$ -		245

As of June 30, 2014 and 2013, the interest payables, resulting from the above overdrafts and advances to affiliates were both $0 thousand.

(Continued)

(h) Call loans from banks—affiliates

	January to June 2014		
	Balance	Interest rate %	Interest expense
SCB Tokyo	$ 16,436,939	0.11~0.75	49,289
SCB HK	16,059,971	0.05~2.75	23,964
SCB BKK	2,988,534	0.33~0.80	10,313
SCB Singapore	1,494,267	0.67~0.75	15,734
SCB Taipei	1,400,000	0.75~0.82	5,510
SCB Korea	1,195,414	0.68~0.70	2,342
Other	-	0.25~0.30	349
	$ 39,575,125		107,501

	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	0.45	-
SCB BKK	1,499,636	0.65	2,372
	$ 29,910,016		37,961

As of June 30, 2014 and 2013, the interest payables resulting from the above loans from affiliates were $35,649 thousand and $13,902 thousand, respectively.

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

	Fair value		
Name	June 30, 2014	December 31, 2013	June 30, 2013
SCB HK	$ 5,676,219	5,492,108	5,316,508

As of June 30, 2014 and 2013, the interest receivable resulting from the above transaction were $151,510 thousand and $131,626 thousand, respectively.

(j) Bank notes payables deriving from the issuance of financial debentures to affiliates were as follows:

Name	Bond (note)	June 30, 2014	December 31, 2013	June 30, 2013
SCB	98-2	$ 4,482,801	4,478,036	4,498,907
SCB	98-3	4,482,801	4,478,036	4,498,907
SCB HK	103-1	17,333,500	-	-

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

For the six months period ended June 30, 2014 and 2013, the interest expense on the above transaction were $233,164 thousand and $161,996 thousand, respectively, and the interest payables on the above transaction were $87,447 thousand and $18,021 thousand, respectively.

(k) For the six months period ended June 30, 2014, operational and advisory service fees, consulting and technical support service fees and wholesale banking business service fees were $509,955 thousand, $202,399 thousand, and $169,143 thousand, respectively. 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. As of June 30, 2014 and 2013, fees payables to SCB were $8,214,380 thousand and $6,534,455 thousand, respectively, recorded under accounts payables—related parties. Moreover, for the six months period ended June 30, 2014 and 2013, the royalty expenses for obtaining the right to use intellectual property of SC PLC Group amounted to $22,270 thousand and $20,968 thousand, respectively. As of June 30, 2014 and 2013, the royalty expenses payable to SCB were $112,309 thousand and $69,631 thousand, respectively, recorded under accounts payables—related parties. For the six months period ended June 30, 2014 and 2013, the group insurance expenses for entering the group insurance amounted to $20,703 thousand and $19,887 thousand, respectively. As of June 30, 2014 and 2013, the group insurance expenses payable to SCB were $20,703 thousand and $0 thousand, respectively, recorded under accounts payables—related parties.

(l) For the six months period ended June 30, 2014 and 2013, the related cost of the Executive Share Option Scheme amounted to $30,580 thousand and $33,609 thousand, respectively. As of June 30, 2014 and 2013, accounts payable to SCB for the share-based payment scheme costs amounted to $32,633 thousand and $32,154 thousand, respectively, recorded under accounts payables—related parties.

(m) For the six months period ended June 30, 2014 and 2013, expenses resulting from operating activities with affiliates were as follows:

Name		January to June 2014	January to June 2013
Technical support services:			
SCB	$	5,157	7,846
Other		249	199
Total	$	5,406	8,045
Information technology service fees:			
Scope International Private Ltd.	$	29,584	33,937
Scope International (M) Sdn. Bhd		33,366	31,837
Total	$	62,950	65,774

For the Bank, as of June 30, 2014 and 2013, technical support services and information technology service fees were $22,429 thousand and $16,759 thousand, respectively, recorded under accounts payables—related parties.

(n) As of June 30, 2014 and 2013, the deposit ending balance, related interest expense and accrued interest of SCLIA were $799,307 thousand and $621,873 thousand, $1,299 thousand and $1,446 thousand, and $104 thousand and $61 thousand, respectively; the deposit ending balance, related interest expense and accrued interest of SCIAC were $39,636 thousand and $37,544 thousand, $74 thousand and $50 thousand, and $3 thousand for both years, respectively.

(o) For the six months period ended June 30, 2014 and 2013, SCBTL signed a rental contracts with SCB Taipei, related rental were both $8 thousand.

(Continued)

(p) As of June 30, 2014 and 2013, the accounts receivable and related service income that SCBTL supported the SCLIA for its sales were $245,800 thousand and $191,000 thousand, $246,787 thousand, $202,337 thousand, respectively; the accounts receivable and related service income that SCBTL supported the SCIAC for its sales were $5,120 thousand and $5,970 thousand, and $4,883 thousand and $6,781 thousand, respectively.

(q) For the six months period ended June 30, 2014 and 2013, SCBTL signed a rental contracts with SCB Taipei. Related rental were both $1,947 thousand.

3) The salary and remuneration of directors and supervisors

	January to June 2014	January to June 2013
Salary and other short term benefits	$ 168,123	147,995
Post employment benefit	746	486
Total	$ 168,869	148,481

(8) Pledged Assets

Unit: in thousands of New Taiwan dollars

Pledged assets	Pledged for	Amount June 30, 2014	Amount December 31, 2013	Amount June 30, 2013
Bonds (recognized as other assets)	Provision seizure	$ 93,200	131,400	156,100

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

Pledged assets	Pledged for	Amount June 30, 2014	Amount December 31, 2013	Amount June 30, 2013
Negotiable certificates of deposit, government bonds (recognized as other assets)	Trust indemnity reserve	$ 150,000	150,000	150,000
	Security deposits for futures trading	35,000	35,000	35,000
	Security deposits for security brokerage	225,000	225,000	225,000
	Bid for bonds	100,000	100,000	100,000
	USD overdraft clearing deposits	15,000,000	-	-
		15,510,000	510,000	510,000
Guarantee deposits paid (recorded as other assets)	Security deposits for bond proprietary trading	171,440	173,638	173,638
Total		$ 15,681,440	683,638	683,638

1) Trust indemnity reserve and depository of trust fund reserve are deposits that the Bank placed in the Central Bank of China for its trust custodian business.

2) Provision seizures are collateral placed with the court in order to execute the Bank's right over debtors' properties.

3) Bid for bonds are deposits placed in the Central Bank of China for the Bank's bill trading business.

(Continued)

4) Security deposits for futures trading are operating deposits placed in the special account with the financial institution designated by the Securities and Futures Commission, Ministry of Finance.

5) Security deposits for security brokerage are operating deposits placed for operating business of securities commission agency, brokerage, agency, and other relevant businesses approved by the competent authority.

6) USD overdraft clearing deposits are security deposits for the overdraft facility of the Bank.

(9) Significant Contingent Liabilities and Unrecognized Contract Commitments

1) Commitments and contingent liabilities

	June 30, 2014	December 31, 2013	June 30, 2013
Consignment collection for others	$ 8,207,524	8,216,760	9,604,358
Traveler's checks held on consignment for sale	20,645	20,933	91,386
Securities, consignments and goods in custody	1,596,984,184	1,341,049,361	1,221,212,202
Trust assets	101,507,503	101,735,697	100,311,767
	$ 1,706,719,856	1,451,022,751	1,331,219,713
Other guarantees	$ 6,956,480	7,194,171	7,139,301
Unused amount of irrevocable loan commitment	$ 1,977,520	3,927,407	1,491,474
Unused amount of irrevocable letters of credit	$ 1,902,984	2,166,243	2,127,082

2) Operating leases

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

	June 30, 2014	December 31, 2013	June 30, 2013
Not later than one year	$ 419,850	474,496	509,393
Later than one year and not later than five years	400,729	522,501	869,837
Later than five years	-	-	12,548
Total	$ 820,579	996,997	1,391,778

3) Significant service agreements

The Bank entered into a bancassurance agreement with PCA Life Assurance Co., Ltd. ("PCA") to promote and sell approved insurance policies in October 2007. Pursuant to the agreement, during the contract period from October 2007 to September 2015, the Bank should establish a sales team for PCA life insurance products, maintain a customer database, and exclusively sell such life insurance products underwritten by PCA through the distribution networks in Taiwan. For the six months period ended June 30, 2014 and 2013, the amounts of $205,204 thousand and $61,561 thousand were both recognized as fee income. The Bank entered into a new agreement with PCA and Standard Chartered Life Insurance Agency on July 4, 2014 to continue the tripartite partnership.

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Notes to the Financial Statements

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, 2014

Trust assets		Trust liabilities	
Bank deposits	$ 15,658	Accounts payables	$ 10
Short-term investments	96,275,972	Tax payables	1
Structured notes	4,149,533	Payables for securities under custody	1,066,336
Securities under custody	1,066,336	Trust capital	100,441,156
Other assets	4		
Total trust assets	$ 101,507,503	Total trust liabilities and capital	$ 101,507,503

Trust balance sheet
December 31, 2013

Trust assets		Trust liabilities	
Bank deposits	$ 14,633	Accounts payables	$ 10
Short-term investments	96,455,236	Tax payables	1
Structured notes	3,981,298	Payables for securities under custody	1,284,526
Securities under custody	1,284,526	Trust capital	100,451,160
Other assets	4		
Total trust assets	$ 101,735,697	Total trust liabilities and capital	$ 101,735,697

Trust balance sheet
June 30, 2013

Trust assets		Trust liabilities	
Bank deposits	$ 15,512	Accounts payables	$ 12
Short-term investments	96,306,211	Tax 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		24
Total trust assets	$ 100,311,767	Total trust liabilities and capital	$ 100,311,767

(Continued)

Trust income statements

	January to June 2014	January to June 2013
Trust revenue:		
Interest revenue	$ 36	40
Common stock cash dividends	279	327
Unrealized gain on investments	732	28
Net gain on trading of assets	2	259
	1,049	654
Trust expenses:		
Management expenses	63	79
Realized loss on investments	137	175
Unrealized loss on investments	-	615
	200	869
Net income (loss) before income tax	849	(215)
Income tax expense	2	2
Net income (loss) after income tax	$ 847	(217)

Schedules of investment for trust business

Investment items	June 30, 2014	December 31, 2013	June 30, 2013
Bank deposits	$ 15,658	14,633	15,512
Short-term investments:			
Bonds	10,338,732	9,651,220	7,562,410
Common stock	2,952,966	2,696,351	2,472,073
Funds	82,984,274	84,107,665	86,271,728
Structured notes	4,149,533	3,981,298	2,423,794
Securities under custody	1,066,336	1,284,526	1,566,246
Other assets	4	4	4
	$ 101,507,503	101,735,697	100,311,767

Foreign currency trust business engaged by the Offshore Banking Unit (OBU) as of June 30, 2014, December 31, and June 30, 2013 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, 2014	December 31, 2013	June 30, 2013
Return on assets	Before income tax	0.59	0.37	0.43
	After income tax	0.50	0.32	0.37
Return on equity	Before income tax	10.10	6.51	7.47
	After income tax	8.59	5.60	6.34
Net profit ratio		24.18	16.44	17.66

Note 1: Return on assets = net income before / after tax ÷ average assets

Note 2: Return on equity = net income before / after tax ÷ average equity

Note 3: Net profit ratio = net income after tax ÷ net revenue

(13) Other Disclosures 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.

(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(3), (4) and (35).

(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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(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: Note 7.

(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 %	624,230	257,040	300	-	300	100.00 %	Note 1
Taiwan Standard Chartered Insurance Agency Co., Ltd.	No. 106, Chung-Yeng Road, Hsinchu, Taiwan	Property insurance agent	100.00 %	35,117	8,796	300	-	300	100.00 %	Note 1
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 %	Note 1
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 %	Note 1
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 %	Note 1
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 %	Note 1
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 %	Note 1
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 %	Note 1
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 %	Note 1

(Continued)

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	
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 %	Note 1
Taiwan Depository and Clearing Corporation	11F., No.363, Fushing N. Rd., Songshan District, Taipei City 10542, Taiwan	Securities custodian	0.17 %	9,277	-	543	-	543	0.17 %	Note 1
Taiwan Cooperative Financial Holdings	14F., No. 85, Sec 2, Nan Jing Dong Rd., Zhongshan District, Taipei City, Taiwan	Financial securities services	0.06 %	87,418	-	5,112	-	5,112	0.06 %	Note 1

Note 1: Shares held by the Bank kept the same.

3) Related information on investments in Mainland China:

1.Name, main operating item and other information of the invested company in Mainland China: None.

2.Amount limitation of investments in Mainland China: None.

(14) Operating Segment Financial Information

Please refer to the audited consolidated financial statements for the Company for six months period ended June 30, 2014.