Stock code:2807

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Financial Statements

December 31, 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 December 31, 2014 and 2013, and January 1, 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 period ended December 31, 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 December 31, 2014 and 2013, and January 1, 2013, and the results of its performances and its cash flows for the period ended December 31, 2014 and 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

March 30, 2015

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

December 31, 2014 and 2013 and January 1, 2013

(Expressed in thousands of New Taiwan Dollars)

	Assets	December 31, 2014 Amount	%	December 31, 2013 (Reclassified) Amount	%	January 1, 2013 (Reclassified) Amount	%
11000	Cash and cash equivalents (notes 6(1) and 7)	$ 22,434,439	3	49,979,231	7	6,697,772	1
11500	Due from the Central Bank and call loans to banks (notes 6(2), 7 and 12(2))	104,417,545	14	64,434,100	9	77,822,261	11
12000	Financial assets at fair value through profit or loss (notes 6(3) and 7)	36,411,714	5	20,458,887	4	29,544,710	4
12300	Derivative financial assets for hedging—net (notes 6(4) and 7)	48,199	-	172,750	-	428,983	-
12500	Securities purchased under resell agreements and debt instruments (note 6(5))	2,556,376	-	1,950,000	-	3,402,039	-
13000	Receivable—net (notes 6(6), (7) and7)	29,952,621	4	32,759,448	4	37,741,825	6
13200	Current tax assets (note 6(21))	127,143	-	111,724	-	115,818	-
13500	Discounts and loans—net (notes 6(4), (7), 7 and 12(2))	337,544,264	44	344,157,478	45	340,637,979	46
14000	Available-for-sale financial assets—net (notes 6(4), (8) and 7)	201,168,244	26	230,156,830	30	226,363,332	31
15000	Investments measured by equity method—net (note 6(9))	718,381	-	393,511	-	369,417	-
15500	Other financial assets (notes 6(9) and 12(2))	15,848,624	2	792,645	-	826,609	-
18500	Property, plant and equipment—net (note 6(10))	5,406,891	1	5,563,295	1	6,049,665	1
19000	Intangible assets—net (note 6(11))	3,156,075	-	3,157,050	-	3,193,435	-
19300	Deferred tax assets (note 6(21))	2,318,677	-	2,397,891	-	2,639,983	-
19500	Other assets—net (notes 6(12), 8 and 12(2))	8,469,361	1	2,625,854	-	924,902	-
	Total assets	$ 770,578,554	100	759,110,694	100	736,758,730	100

	Liabilities and stockholders' equity	December 31, 2014 Amount	%	December 31, 2013 (Reclassified) Amount	%	January 1, 2013 (Reclassified) Amount	%
	Liabilities:						
21000	Deposits from the Central Bank and banks (notes 6(13) and 7)	$ 25,876,934	3	45,985,672	6	9,283,983	1
22000	Financial liabilities at fair value through profit or loss (notes 6(3) and 7)	13,462,099	2	7,533,988	1	8,357,471	1
22300	Derivative financial liabilities for hedging—net (notes 6(4) and 7)	5,065	-	3,227	-	13,523	-
23000	Payables (note 6(14))	13,636,779	2	4,538,856	1	6,016,092	1
23100	Related parties payable (note 7)	10,063,624	1	7,498,048	1	6,012,064	1
23200	Current tax liabilities	-	-	-	-	65,780	-
23500	Deposits and remittances (notes 6(4), (15) and 7)	598,495,557	78	577,585,845	76	563,071,977	78
24000	Bank notes payable—net (notes 6(4), (16) and 7)	53,202,188	7	55,559,925	7	62,014,537	8
25500	Other financial liabilities (note 6(17))	3,304,529	-	13,120,022	2	34,690,236	5
25600	Provisions (notes 6(18) and (20))	1,908,858	-	1,915,124	-	1,981,028	-
29300	Deferred tax liabilities (note 6(21))	706,371	-	592,787	-	665,364	-
29500	Other liabilities (note 6(19))	5,135,047	1	2,371,688	-	1,602,632	-
	Total liabilities	725,797,051	94	716,705,182	94	693,774,687	95
	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	3,388,832	-
32003	Special reserve (note 6(23))	347,706	-	347,706	-	136,034	-
32005	Unappropriated earnings (note 6(23))	3,708,006	-	2,267,777	-	3,582,706	-
		9,025,881	1	6,905,319	1	7,107,572	-
32500	Other equity interest (note 6(23))	863,871	-	608,442	-	984,720	-
	Total stockholders' equity	44,781,503	6	42,405,512	6	42,984,043	5
	Total liabilities and stockholders' equity	$ 770,578,554	100	759,110,694	100	736,758,730	100

See accompanying notes to financial statements

Standard Chartered Bank (Taiwan) Limited
Statements of Profit or Loss and Other Comprehensive Income
For the years ended December 31, 2014 and 2013
(expressed in thousands of New Taiwan Dollars)

		2014		2013		Change
		Amount	%	Amount	%	%
41000	**Interest income (notes 6(26) and 7)**	$ 14,060,064	94	14,391,931	99	(2)
51000	**Less：Interest expense (notes 6(26) and 7)**	5,333,749	36	5,046,491	35	6
	Net interest income	8,726,315	58	9,345,440	64	(7)
	Net non-interest income					
49100	Net service fee income (notes 6(27) and 9(3))	2,849,359	19	2,917,173	20	(2)
49200	Gain on financial assets or liabilities at fair value through profit or loss (note 6(28))	1,823,851	12	1,172,009	8	56
49300	Realized gain on available-for-sale financial assets (note 6(29))	18,491	-	(1,085)	-	1,804
49600	Foreign exchange gain	681,369	5	695,480	5	(2)
49750	Share of profit of associates and joint ventures accounted for using equity method (note 6(9))	648,089	4	323,219	2	101
49800	Net other non-interest income (notes 6(9), (30) and 7)	251,772	2	94,923	1	165
55000	Impairment losses on assets (notes 6(9) and (31))	(3,162)	-	(4,638)	-	32
	Net revenue	14,996,084	100	14,542,521	100	3
58200	**Bad debt expense and guarantee liability provision (note 6(32))**	682,630	5	1,632,146	11	(58)
	Operating expenses:					
58500	Employee benefits expense (notes 6(20), (24), (33) and 7)	5,709,753	38	5,461,436	38	5
59000	Depreciation and amortization expenses (notes 6(10), (11), and (34))	265,970	2	335,969	2	(21)
59500	Other general and administrative expenses (notes 6(35) and 7)	4,652,780	31	4,334,045	30	7
	Total operating expenses	10,628,503	71	10,131,450	70	5
	Income from continuing operations before tax	3,684,951	24	2,778,925	19	33
61003	**Less: Income tax expense (note 6(21))**	418,532	3	387,866	3	8
	Net income	3,266,419	21	2,391,059	16	37
65000	**Other comprehensive income:**					
65011	Change in fair value of available-for-sale financial assets recognized	(9,396)	-	(154,801)	(1)	94
65021	Change in fair value of cash flow hedges recognized	307,766	2	(305,944)	(2)	201
65031	Defined benefit plan actuarial (losses) gains	(94,406)	(1)	116,493	1	(181)
65091	Less: tax on other comprehensive income (note 6(21))	26,892	-	(64,662)	-	142
65000	**Other comprehensive income－net of tax**	177,072	1	(279,590)	(2)	163
	Total comprehensive income for the period	$ 3,443,491	22	2,111,469	14	63
67500	**Basic earnings per share (NTD) (note 6(25))**	$ 1.12		0.82		

See accompanying notes to financial statements

Standard Chartered Bank (Taiwan) Limited
Statements of Changes in Stockholders' Equity
For the years ended December 31, 2014 and 2013
(expressed in thousands of New Taiwan Dollars)

	Share capital		Retained earnings			Unrealized (losses) gains on	Gains (losses)	
	Ordinary Share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	available-for-sale financial assets	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 (Note 1):								
Legal reserve appropriated (note 6(23))	-	-	901,004	-	(901,004)	-	-	-
Special reserve appropriated (note 6(23))	-	-	-	239,413	(239,413)	-	-	-
Reversal of special reserve appropriated (note 6(23))	-	-	-	(27,741)	27,741	-	-	-
Cash dividends of ordinary share (note 6(23))	-	-	-	-	(2,690,000)	-	-	(2,690,000)
Net income	-	-	-	-	2,391,059	-	-	2,391,059
Other comprehensive income	-	-	-	-	96,688	(122,344)	(253,934)	(279,590)
Total comprehensive income for the period	-	-	-	-	2,487,747	(122,344)	(253,934)	2,111,469
Balance as of December 31, 2013	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 (Note 2):								
Legal reserve appropriated (note 6(23))	-	-	680,333	-	(680,333)	-	-	-
Cash dividends of ordinary share (note 6(23))	-	-	-	-	(1,067,500)	-	-	(1,067,500)
Net Income	-	-	-	-	3,266,419	-	-	3,266,419
Other comprehensive income	-	-	-	-	(78,357)	(17)	255,446	177,072
Total comprehensive income for the period	-	-	-	-	3,188,062	(17)	255,446	3,443,491
Balance as of December 31, 2014	$ 29,105,720	5,786,031	4,970,169	347,706	3,708,006	728,684	135,187	44,781,503

Note1 : Directors and supervisors reward 4,443 thousand and bonus to employees 167 thousand were deducted from statement of profit or loss and other comprehensive income.

Note2 : Directors and supervisors reward 4,130 thousand and bonus to employees 229 thousand were deducted from statement of profit or loss and other comprehensive income.

See accompanying notes to financial statements

Standard Chartered Bank (Taiwan) Limited

Statements of Cash Flows

For the years ended December 31, 2014 and 2013

(expressed in thousands of New Taiwan Dollars)

		2014	2013 (Reclassified)
Cash flow from operating activities:			
Profit before tax	$	3,684,951	2,778,925
Adjustments:			
Adjustments to reconcile profit (loss)			
Depreciation expense		264,995	299,584
Amortization expense		975	36,385
Bad debt expense and guarantee liability provision －net		682,630	1,632,146
Interest expense		5,333,749	5,046,491
Interest income		(14,060,064)	(14,391,931)
Net change in other provisions		(101,296)	11,115
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method		(648,089)	(323,219)
Loss (gain) on disposal of property and equipment		4,231	(19,553)
Impairment loss on buildings and other financial assets		3,162	4,638
Total adjustments to reconcile profit (loss)		(8,519,707)	(7,704,344)
Change in operating assets and liabilities:			
Change in operating assets:			
Due from the Central Bank and call loans to banks		(22,964,544)	23,352,701
Financial assets at fair value through profit or loss		(15,952,827)	9,085,823
Receivables		2,755,638	4,924,282
Discounts and loans		5,931,208	(5,112,171)
Available-for-sale financial assets		13,849,209	(3,950,652)
Other financial assets		4,556	-
Total changes in operating assets		(16,376,760)	28,299,983
Changes in operating liabilities：			
Deposits from the Central Bank and banks		(20,108,738)	36,701,689
Financial liabilities at fair value through profit or loss		5,928,111	(823,483)
Payables		11,921,661	426,029
Deposits and remittances		20,909,551	14,542,869
Other financial liabilities		(9,815,493)	(21,570,214)
Other liabilities		2,763,359	769,056
Total changes in operating liabilities		11,598,451	30,045,946
Total changes in operating assets and liabilities		(4,778,309)	58,345,929
Total adjustments		(13,298,016)	50,641,585
Cash inflow generated from operations		(9,613,065)	53,420,510
Interest received		14,179,153	14,483,826
Dividend received		323,219	299,125
Interest paid		(5,591,911)	(5,463,772)
Income taxes paid		(268,045)	(215,375)
Net cash flows from operating activities		(970,649)	62,524,314
Cash flows used in investing activities:			
Proceeds from disposal of property, plant and equipment		-	471,733
Acquisition of property, plant and equipment		(115,334)	(269,868)
Increase in other assets		(5,843,507)	(1,700,952)
Net cash flows used in investing activities		(5,958,841)	(1,499,087)
Cash flows used in financing activities:			
Increase (decrease) in derivative financial instruments for hedging		538,673	(235,755)
Decrease in bank notes payable		(2,461,198)	(6,305,512)
Cash dividends paid		(1,067,500)	(2,690,000)
Net cash flows used in financing activities		(2,990,025)	(9,231,267)
Net (decrease) increase in cash and cash equivalents		(9,919,515)	51,793,960
Cash and cash equivalents at beginning of period		96,586,525	44,792,565
Cash and cash equivalents at end of period	$	**86,667,010**	**96,586,525**
Components of cash and cash equivalents:			
Cash and cash equivalents reported in the statement of financial position	$	22,434,439	49,979,231
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7 endorsed by the FSC		61,676,195	44,657,294
Securities purchased under resell agreements and debt instruments qualifying for cash and cash equivalents under the definition of IAS 7 endorsed by the FSC		2,556,376	1,950,000
Cash and cash equivalents at end of period	$	**86,667,010**	**96,586,525**

See accompanying notes to financial statements

Standard Chartered Bank (Taiwan) Limited
Notes to the Financial Statements
December 31, 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.

The Bank sold the securities brokerage services on October 9, 2014, terminated trading of securities in the stock exchange market, trading of securities at the business establishment, margin purchase and short sale of securities, trading of futures and dissolved 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 March 30, 2015.

(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. 1030010325 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 relate to the Bank:

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, 2011
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 financial statements of the Bank, except for 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 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 begun 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 issuances and amendments of new International Financial Reporting Standards and interpretations related to the Bank that issued by the IASB that has not been endorsed by the FSC in the 2013 version.

New issuances and amendments of standards and interpretations	Effective date per IASB
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sales or Contributions of Assets between an investor and its Associate or Joint Venture"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendments to IAS 27 "Equity Method in Separate Financial Statements"	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 financial statements are summarized as below:

1) Statement of compliance

The individual 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.

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. Foreign exchanges differences are recognized as current period profit or loss.

4) Cash and cash equivalents

Cash and cash equivalents include cash on hand, cheques for clearing, and due from banks, but cash that is either restricted to be used only for specified purposes or by regulation or contracts is excluded. According to the statement of cash flow prepared under the definition of IAS 7, cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition and include due from the Central Bank and call loans to banks and securities purchased under resell agreements and debt instruments.

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.

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.

(Continued)

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 include 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 6 years
Leasehold improvement	Not exceed the shorter of 10 years or lease term
Other equipment	3 to 5 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.

(Continued)

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.

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.

(Continued)

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

	December 31, 2014	December 31, 2013
Cash on hand	$ 4,422,868	4,373,127
Deposits with other banks	4,993,807	19,796,089
Deposits with other banks — affiliates	13,017,764	25,810,015
Total	$ 22,434,439	49,979,231

Statement of cash flows was prepared under the definition of IAS7, cash and cash equivalents was consolidated by part of components of the items listed below:

	December 31, 2014	December 31, 2013
Cash and cash equivalents reported in the statement of financial position	$ 22,434,439	49,979,231
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	61,676,195	44,657,294
Securities purchased under resell agreements and debt instruments qualifying for cash and cash equivalents under the definition of IAS 7	2,556,376	1,950,000
Cash and cash equivalents reported in the Statement of Cash Flows	$ 86,667,010	96,586,525

(Continued)

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

	December 31, 2014	December 31, 2013
Required reserve—checking account	$ 6,832,382	9,253,599
Required reserve—demand account	14,449,298	15,961,327
Required reserve—foreign currency	253,349	179,121
Required reserve—settlement account	800,002	822,571
Call loans to banks	18,466,166	-
Call loans to banks—affiliates	43,948,162	21,612,356
Trade finance receivables	19,668,186	16,605,126
Total	$ 104,417,545	64,434,100

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:

	December 31, 2014	December 31, 2013
Interest-rate instruments	$ 18,629,118	12,655,284
Derivative financial assets	17,782,596	7,803,603
Total	$ 36,411,714	20,458,887

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

	December 31, 2014	December 31, 2013
Derivative financial liabilities	$ 13,462,099	7,533,988

4) Derivative financial instruments for hedging

Derivative financial assets for hedging were as follows:

	December 31, 2014	December 31, 2013
Fair value hedge:		
Interest rate swap	$ 47,490	164,262
Cash flow hedge:		
Interest rate swap	709	8,488
Total	$ 48,199	172,750

(Continued)

Derivative financial liabilities for hedging were as follows:

		December 31, 2014	December 31, 2013
Fair value hedge:			
Interest rate swap	$	161	1,527
Cash flow hedge:			
Interest rate swap		4,904	1,700
Total	$	5,065	3,227

(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 December 31, 2014 and 2013, marked-to-market adjustments of hedged items and the corresponding hedging instruments accounted as fair value hedge were as follows:

Hedged item			Hedging instruments		
Underlying instruments		December 31, 2014	Contract type		December 31, 2014
Available-for-sale financial assets:					
Government bonds	$	(161)	Interest rate swaps	$	163
Time deposits		161	Interest rate swaps		(161)
Financial debentures		(46,492)	Interest rate swaps		47,327
	$	(46,492)		$	47,329

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

For the years ended December 31, 2014 and 2013, net losses on the hedging derivative financial instruments listed above amounted to $69,231 thousand and $179,202 thousand, respectively, and net gains from the hedged risk of the hedged items amounted to $72,336 thousand and $157,182 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.

Hedged item	Financial instruments designated as hedging instruments		Fair value December 31, 2014	Fair value December 31, 2013
Discounts and loan －floating interest rate	Interest rate swap	$	(4,195)	6,788

5) Securities purchased under resell agreements and debt instruments

	December 31, 2014	December 31, 2013
Securities purchased under resell agreements	$ 2,556,376	1,950,000
Face value of debt instruments	$ 2,558,000	1,950,000

6) Receivables—net

	December 31, 2014	December 31, 2013
Accounts receivable factoring	$ 21,548,111	23,878,092
Credit cards accounts receivable	5,352,873	5,798,567
Accounts receivable	530,571	494,256
Interest receivable	1,501,603	1,620,692
Acceptances receivable	374,066	473,983
Accounts receivable—related parties	811,996	613,488
Other	156,396	206,599
Subtotal	30,275,616	33,085,677
Less: allowance for bad debts—accounts receivable	322,995	326,229
Total	$ 29,952,621	32,759,448

Please refer to note 6(7) for changes in allowance for bad debts of receivables listed above.

7) Discounts and loans—net

	December 31, 2014	December 31, 2013
Bills negotiations and bills and notes discounted	$ 985,621	785,434
Short-term loans and overdrafts	73,106,197	61,869,729
Short-term secured loans	7,280,178	7,165,283
Medium-term loans	46,080,749	56,867,127
Medium-term secured loans	7,781,008	6,427,053
Long-term loans	8,201,974	7,974,787
Long-term secured loans	197,874,228	207,132,660
Non-accrual loans	525,171	1,121,421
Subtotal	341,835,126	349,343,494
Premium adjustments on discount and loans	159,725	88,600
Less: allowance for bad debts	4,450,587	5,274,616
Total	$ 337,544,264	344,157,478

As of December 31, 2014 and 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.

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.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

The movements of allowance for bad debts were as follows:

	December 31, 2014		
	Individual assessment of impairment	Portfolio assessment of impairment	Total
Beginning balance at January 1, 2014	$ 3,168,510	2,432,335	5,600,845
Add: provision for bad debts	425,621	256,385	682,006
recovery from written-off loans	720,179	-	720,179
Less: charge-off and temporary payments	1,962,123	-	1,962,123
exchange rate movements and other	267,692	(367)	267,325
Ending balance at December 31, 2014	$ 2,084,495	2,689,087	4,773,582

	December 31, 2013		
	Individual assessment of impairment	Portfolio assessment of impairment	Total
Beginning balance at January 1, 2013	$ 3,201,818	2,469,908	5,671,726
Add: provision for bad debts (reversal)	1,630,227	(37,555)	1,592,672
recovery from written-off loans	779,522	-	779,522
Less: charge-off and temporary payments	2,180,164	-	2,180,164
exchange rate movements and others	262,893	18	262,911
Ending balance at December 31, 2013	$ 3,168,510	2,432,335	5,600,845

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

		December 31, 2014	
Item		Discounts and loans and receivables	Allowance for bad debts
With objective evidence of impairment	Individual assessment of impairment	$ 3,728,700	2,084,495
	Portfolio assessment of impairment	4,528,036	43,793
Without objective evidence of impairment	Portfolio assessment of impairment	363,854,006	2,645,294
Total		$ 372,110,742	4,773,582

		December 31, 2013	
Item		Discounts and loans and receivables	Allowance for bad debts
With objective evidence of impairment	Individual assessment of impairment	$ 5,457,382	3,168,510
	Portfolio assessment of impairment	4,933,163	75,875
Without objective evidence of impairment	Portfolio assessment of impairment	372,038,626	2,356,460
Total		$ 382,429,171	5,600,845

(Continued)

As of December 31, 2014 and 2013, the amounts of outstanding loans with interest charges suspended amounted to $525,171 thousand, and $1,121,421 thousand, respectively. The amounts of interest not accrued derived from the aforementioned loans were $7,969 thousand and $5,500 thousand, respectively.

8) Available-for-sale financial assets—net

	December 31, 2014	December 31, 2013
Negotiable certificates of deposit	$ 164,140,930	186,508,439
Treasury bills	5,991,739	14,666,665
Government bonds	24,896,209	23,406,290
Financial debentures	6,051,871	5,492,108
Equity instruments	101,964	97,797
Less: accumulated impairments	14,469	14,469
Total	$ 201,168,244	230,156,830
Marked-to-market adjustments for hedged assets included in the above balance	$ (161)	735

9) Investment measured by equity method and other financial assets—net

	December 31, 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	692,275	100.00	21	367,190
Taiwan Standard Chartered Insurance Agency Co., Ltd.	100.00	368	26,106	100.00	368	26,321
		$ 389	718,381		389	393,511
Other financial assets:						
Financial assets carried at cost:						
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	10,632	10,632	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		348,980	348,980		353,536	353,536
Less: accumulated impairment		-	202,941		-	202,291
		348,980	146,039		353,536	151,245
Restricted assets—bond and security investments			15,702,585			641,400
			$ 15,848,624			792,645

(Continued)

For the years ended December 31, 2014 and 2013, the Bank recognized share of profit of associates under equity method and joint ventures as $648,089 thousand and $323,219 thousand, respectively. For the years ended December 31, 2014 and 2013, the cash dividends from associates under the equity method were $323,219 thousand and $299,125 thousand, respectively, and decreased the book value of equities.

For the years ended December 31, 2014 and 2013, the cash dividends from financial assets carried at cost under net other non-interest income were $18,207 thousand and $16,548 thousand, respectively.

Fuji Enterprise Management Consulting Co., Ltd. completed the liquidation process on April 24, 2013. The distribution of remaining assets amount to $1,090 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 October 31, 2014, TSC Bio Venture Management Inc. bought back $4,556 thousand. In 2014 and 2013, the Bank recognized impairment losses of $650 thousand and $164 thousand, respectively, from Liyu Venture Investment Inc..

In 2014 and 2013, the Bank recognized impairment losses of $650 thousand and $164 thousand, respectively, recorded under impairment losses on assets.

10) Property, plant and equipment—net

December 31, 2014	Cost	Accumulated depreciation	Accumulated impairment	Net
Land	$ 3,161,179	-	25,600	3,135,579
Buildings	3,126,077	1,129,583	1,169	1,995,325
Office equipment	610,027	552,835	-	57,192
Leasehold improvements	629,179	534,490	-	94,689
Other equipment	643,475	519,369	-	124,106
Total	$ 8,169,937	2,736,277	26,769	5,406,891

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Change in cost movement:

	December 31, 2013	Increase	Decrease	Reclassify	December 31, 2014
Land	$ 3,161,179	-	-	-	3,161,179
Buildings	3,111,411	2,517	2,180	14,329	3,126,077
Office equipment	651,104	17,643	64,232	5,512	610,027
Leasehold improvements	667,604	16,174	63,779	9,180	629,179
Other equipment	935,071	65,132	356,728	-	643,475
Work in progress	15,153	13,868	-	(29,021)	-
Total	$ 8,541,522	115,334	486,919	-	8,169,937

	January 1, 2013	Increase	Decrease	Reclassify	December 31, 2013
Land	$ 3,487,245	-	326,066	-	3,161,179
Buildings	3,346,861	803	300,760	64,507	3,111,411
Office equipment	723,825	11,645	132,836	48,470	651,104
Leasehold improvements	658,602	8,145	18,105	18,962	667,604
Other equipment	980,566	102,183	147,678	-	935,071
Work in process	-	147,092	-	(131,939)	15,153
Total	$ 9,197,099	269,868	925,445	-	8,541,522

Change in accumulated depreciation:

	December 31, 2013	Increase	Decrease	Reclassify	December 31, 2014
Buildings	$ 1,033,122	98,641	2,180	-	1,129,583
Office equipment	575,050	41,208	63,423	-	552,835
Leasehold improvements	525,251	69,620	60,381	-	534,490
Other equipment	820,547	55,526	356,704	-	519,369
Total	$ 2,953,970	264,995	482,688	-	2,736,277

	January 1, 2013	Increase	Decrease	Reclassify	December 31, 2013
Buildings	$ 1,052,968	93,045	112,891	-	1,033,122
Office equipment	648,453	57,500	130,903	-	575,050
Leasehold improvements	448,894	94,135	17,778	-	525,251
Other equipment	913,127	54,904	147,484	-	820,547
Total	$ 3,063,442	299,584	409,056	-	2,953,970

Change in accumulated impairment:

	December 31, 2013	Increase	Decrease	December 31, 2014
Land	$ 19,218	6,382	-	25,600
Buildings	5,039	105	3,975	1,169
Total	$ 24,257	6,487	3,975	26,769

(Continued)

	January 1, 2013	Increase	Decrease	December 31, 2013
Land	$ 53,745	-	34,527	19,218
Buildings	30,247	4,474	29,682	5,039
Total	$ 83,992	4,474	64,209	24,257

11) Intangible assets—net

	December 31, 2014	December 31, 2013
Goodwill	$ 3,156,048	3,156,048
Computer software	27	1,002
Total	$ 3,156,075	3,157,050

Change in intangible assets:

	December 31, 2013	Increase	Decrease	December 31, 2014
Goodwill	$ 3,156,048	-	-	3,156,048
Computer software	1,002	-	975	27
Total	$ 3,157,050	-	975	3,156,075

	January 1, 2013	Increase	Decrease	December 31, 2013
Goodwill	$ 3,156,048	-	-	3,156,048
Computer software	37,387	-	36,385	1,002
Total	$ 3,193,435	-	36,385	3,157,050

12) Other assets—net

	December 31, 2014	December 31, 2013
Refundable deposits	$ 451,125	483,712
Derivatives collateral	7,625,451	1,956,834
Prepaid fee	152,708	163,696
Other	240,077	21,612
	$ 8,469,361	2,625,854

13) Deposits from the Central Bank and banks

	December 31, 2014	December 31, 2013
Deposits from banks	$ 1,102,881	1,144,345
Deposits from banks—affiliates	2,241,325	828,609
Overdrafts on banks	46,068	36,712
Overdrafts on banks—affiliates	2,324,840	-
Call loans from banks	3,229,425	20,054,226
Call loans from banks—affiliates	16,932,395	23,921,780
Total	$ 25,876,934	45,985,672

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

14) Payables

	December 31, 2014	December 31, 2013
Accounts payable	$ 19,997	36,014
Accrued interest	531,542	789,704
Accrued expenses	1,775,092	1,518,512
Collection payable	73,602	132,546
Acceptance payable	374,066	473,983
After hours trading payable	128,831	504,019
Inter-branch check clearing payable	174,787	228,130
Temporary receipts in advance	8,923	216,404
Unsettled trade payable	10,000,000	-
Other	549,939	639,544
Total	$ 13,636,779	4,538,856

15) Deposits and remittances

	December 31, 2014	December 31, 2013
Checking accounts deposits	$ 4,482,905	5,135,873
Demand deposits:		
Demand deposits	211,920,451	168,989,714
Saving account deposits	129,274,558	129,327,292
Subtotal of demand deposits	341,195,009	298,317,006
Time deposits:		
Time deposits	197,285,428	204,022,794
Time savings deposits	55,417,670	69,989,693
Subtotal of time deposits	252,703,098	274,012,487
Remittances	114,706	120,479
Marked-to-market adjustments on hedged items	(161)	-
Total	$ 598,495,557	577,585,845

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

16) Financial debentures — net

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

Bond	Conditions for issuance	December 31, 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%	2,100	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
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	4,750,291	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	4,750,291	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)

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Notes to the Financial Statements

Bond	Conditions for issuance	December 31, 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	18,367,792	-
103-2	10 year term, USD based, interest payable and paid semi annually, annual rate is 4.50%; maturity date: December 18, 2024	6,333,722	-
		53,155,696	55,409,972
Marked-to-market adjustment on hedged items		46,492	149,953
Total		$ 53,202,188	55,559,925

17) Other financial liabilities

	December 31, 2014	December 31, 2013
Structured deposits	$ 3,304,529	13,120,022

18) Provisions

	December 31, 2014	December 31, 2013
Provision for guarantee liabilities	$ 109,035	108,411
Provision for employee benefits	1,705,507	1,724,645
Other miscellaneous provisions	94,316	82,068
Total	$ 1,908,858	1,915,124

19) Other liabilities

	December 31, 2014	December 31, 2013
Advance received from customers	$ 78,624	281,196
Deferred income	58,378	70,028
Guarantee deposits received	37,550	49,254
Tax payable	578,940	435,538
Derivatives collateral	3,931,816	1,518,323
Other	449,739	17,349
	$ 5,135,047	2,371,688

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 years ended December 31, 2014 and 2013, the pension expense under defined contribution plan of the Bank amounted to $161,135 thousand and $166,538 thousand, respectively.

(b) Employee benefits provision

	December 31, 2014	December 31, 2013
Defined benefits plan	$ 1,705,507	1,724,645

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

	December 31, 2014	December 31, 2013
Present value of defined benefits obligation	$ 3,213,605	3,221,111
Less: fair value of defined benefits plan assets	1,508,098	1,496,466
Liability recognized in balance sheets	$ 1,705,507	1,724,645

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.

i) The percentage of pension assets were as follows:

Unit: %

	December 31, 2014	December 31, 2013
Cash	19.12	23.39
Stocks	52.52	39.03
Short-term notes	1.98	10.45
Bonds	26.38	27.06
Government bonds	-	0.07
Total	100.00	100.00

(Continued)

ii) Change in defined benefit obligation

The change in defined benefit obligation for the years 2014 and 2013 were as follows:

		2014	2013
DBO at January 1	$	3,221,111	3,404,040
Benefit paid from plan assets		(73,593)	(115,617)
Current service cost and interest cost		190,994	193,464
Actuarial loss (gain)		100,484	(120,294)
Benefits paid directly		(94,656)	(140,482)
Settlements		(130,735)	-
DBO at December 31	$	3,213,605	3,221,111

iii) Change in plan assets

The change in plan assets for the years 2014 and 2013 were as follows:

		2014	2013
Fair value of plan assets at January 1	$	1,496,466	1,567,871
Adjustment to beginning balance of plan assets		(11,260)	-
Contributions		107,706	24,623
Asset gain (loss)		17,338	(3,801)
Expected return on plan assets		18,349	23,390
Plan of benefit payments		(73,593)	(115,617)
Settlements		(46,908)	-
Fair value of plan assets at December 31	$	1,508,098	1,496,466

iv) Recognized as profit and loss cost

The recognized as profit and loss cost for the years 2014 and 2013 were as follows:

		2014	2013
Current service cost	$	138,059	153,865
Interest cost		52,935	39,599
Actual return on plan assets		(18,349)	(23,390)
Settlement gain		(15,764)	-
	$	156,881	170,074

v) Recognized as other comprehensive income of actuarial gain and loss

The recognized as other comprehensive income of actuarial gain and loss for the years 2014 and 2013 were as follows:

		2014	2013
Cumulated surplus at January 1	$	18,486	134,979
The experience adjustment for fair value of defined benefits plan		69,649	42,929
The experience adjustment for fair value of plan assets		(6,078)	3,801
The change of actuarial assume for plan obligations		30,835	(163,223)
Cumulated surplus at December 31	$	112,892	18,486

(Continued)

vi) Primary actuarial assumptions

	2014	2013
Defined benefits plan discount rate	1.60 %	1.70 %
Expected rate of return on plan assets	1.25 %	2.00 %
Incremental rate of future compensation levels	3.50 %	3.50 %

vii) The experience adjustment of historical information

	December 31, 2014	December 31, 2013	December 31, 2012	January 1, 2012
Defined benefit obligation	$ (3,213,605)	(3,221,111)	(3,404,040)	(3,227,856)
Fair value of plan assets	1,508,098	1,496,466	1,567,871	1,576,523
Fair value of plan obligation, net	$ (1,705,507)	(1,724,645)	(1,836,169)	(1,651,333)
The experience adjustment for fair value of defined benefits plan	$ 69,649	42,929	(2,708)	95,728
The experience adjustment for fair value of plan assets	$ (6,078)	3,801	8,588	21,872
The change of actuarial assume for plan obligations	$ 30,835	(163,223)	107,227	(29,971)

When calculating the present value of the defined benefit obligations, the Bank uses judgments and estimations to determine the actuarial assumptions, including discount rates and future salary changes, as of the financial statement date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligations.

As of December 31, 2014, the Bank's defined benefit obligation was $3,213,605 thousand. If the discount rate had increased or decreased by 0.50%, the Bank's accrued pension liabilities would have decreased by $148,378 thousand or increased by $159,169 thousand, respectively.

21) Income tax

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

In 2014 and 2013, the income tax (benefit) expense and related accounts were as follows:

	2014	2013
Current income tax benefit	$ (2,101)	(540)
10% surtax on undistributed earnings	73,991	-
Deferred income tax expense	165,906	249,373
Basic income tax	180,736	139,033
Income tax expense	$ 418,532	387,866

As of December 31, 2014, and 2013, the current tax assets of the Bank amounted to $127,143 thousand and $111,724 thousand, respectively.

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

		2014	2013
Income tax from profit before tax at statutory rate	$	626,442	472,417
Permanent difference		(496,030)	(257,614)
10% surtax on undistributed earnings		73,991	-
Prior-year income tax adjustments		(2,101)	(8,704)
Basic income tax		180,736	139,033
Other adjustments per tax regulation		35,494	42,734
Income tax expense	$	418,532	387,866

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

		2014	2013
Unrealized fair value losses on available-for-sale financial assets	$	(9,379)	(32,457)
Fair value losses on effective portion of cash flow hedges		52,320	(52,010)
Defined benefits plan actuarial gains and losses		(16,049)	19,805
Total	$	26,892	(64,662)

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

		2014	2013
Unrealized interest income from financial assets	$	16,990	(26,567)
Bad debt expense and guarantee liability provision		100,359	28,996
Depreciation expense		(2,738)	(1,733)
Amortization of goodwill		53,653	53,653
Impairment loss on assets		547	4,503
Expenses from share-based payments		2,333	8,029
Employee benefits		19,303	16,564
Provisions		(8,902)	1,257
Deferred income		124,725	67,128
Loss carryforwards		(140,364)	97,543
	$	165,906	249,373

(Continued)

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

	December 31, 2014	December 31, 2013
Deferred tax assets:		
Bad debt expense and guarantee liability provision	$ 304,388	404,747
Depreciation expense	19,968	17,230
Impairment loss on assets	37,159	37,706
Expenses from share-based payments	28,173	30,506
Employee benefits	289,934	293,188
Provisions	21,581	12,679
Deferred income	165,853	290,578
Loss carryforwards	1,451,621	1,311,257
Total	$ 2,318,677	2,397,891
Deferred tax liabilities:		
Unrealized interest revenue on financial assets	$ 92,124	75,134
Amortization of goodwill	321,917	268,264
Land value increment tax	137,179	137,179
Unrealized gain on available-for-sale financial assets	127,462	136,841
Unrealized (loss) gain on cash flow hedge	27,689	(24,631)
Total	$ 706,371	592,787

The movements of deferred tax items were as follows:

	2014	2013
Beginning balance	$ 1,805,104	1,974,619
Recognized in current period profit and loss	(165,906)	(249,373)
Land value increment tax	-	15,196
Recognized in other comprehensive income	(26,892)	64,662
Ending balance	$ 1,612,306	1,805,104

The income tax returns of the prior years have been assessed up to the year 2011.

22) Information of imputation credit account

	December 31, 2014	December 31, 2013
Imputation credit account	$ 233,843	163,464

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.

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

(Continued)

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 December 31, 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	(17)	-	(17)
Cash flow hedge			
—Unrealized gain	-	255,446	255,446
December 31, 2014	$ 728,684	135,187	863,871

	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	(142,625)	-	(142,625)
—Realized amount	20,281	-	20,281
Cash flow hedge			
—Unrealized loss	-	(253,934)	(253,934)
December 31, 2013	$ 728,701	(120,259)	608,442

(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 was 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 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 years ended December 31, 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:

	2014 Units	2013 Units
Beginning balance	503,367	529,534
Add: granted	150,581	118,208
Less: exercised	5,708	63,334
lapsed	181,760	81,041
Ending balance	466,480	503,367

For the years ended December 31, 2014 and 2013, the costs of the AESP charged to profits or losses were $24,882 thousand and $27,361 thousand, respectively, recognized as operating expenses—employees' benefit costs.

Options under the Sharesave plans are valued using a binominal option-pricing model. The same fair value is applied to all employees including directors. The fair value per option granted and the assumptions used in the calculation are as follows:

		2014
Granted date		October 8
Share price at granted date	£	11.12
Execution price	£	9.85
Vesting period (years)		3
Expected volatility (%)		25.10
Expected option life (years)		3.33
Risk free rate (%)		1.19
Expected dividend yield (%)		5.80
Fair value	£	1.61

		2013
Granted date		October 9
Share price at granted date	£	14.36
Execution price	£	11.78
Vesting period (years)		3
Expected volatility (%)		26.80
Expected option life (years)		3.33
Risk free rate (%)		0.80
Expected dividend yield (%)		4.30
Fair value	£	3.30

The expected volatility is based on historical volatility over the last three years, or three years prior to grant. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life. The expected dividend yield is based on historical dividend for three years prior to grant.

(Continued)

(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 typically 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:

	2014 Units	2013 Units
Beginning balance	123,112	183,108
Add: granted	32,704	32,900
dividend	2,047	1,845
Less: exercised	32,764	77,297
lapsed	3,715	17,444
Ending balance	121,384	123,112

For the years ended December 31, 2014 and 2013, the costs of the RSA charged to profits or losses were $16,010 thousand and $21,486 thousand, respectively, recognized as operating expenses — employee's benefit.

The expected dividend yield assumption is based on a historical average over a period commensurate with this 'average' period until vesting, or over one year if the average period until vesting is less than one year.

	2014			
Granted date	December 10	September 17	June 18	March 13
Share price at granted date	£ 9.34	£ 12.28	£ 12.83	£ 11.92
Vesting period (years)	2/3 1/2/3/4	2/3 1/2/3/4	2/3 1/2/3/4	2/3
Expected dividend yield (%)	5.50	5.70	6.10	5.80
Fair value	£ 8.17	£ 10.69	£ 11.08	£ 10.37

	2013			
Granted date	December 17	September 18	June 19	March 11
Share price at granted date	£ 13.04	£ 15.14	£ 14.62	£ 18.22
Vesting period (years)	2/3	2/3	2/3 1/2/3/4	2/3 1/2/3/4
Expected dividend yield (%)	4.90	4.60	4.60	4.60
Fair value	£ 11.59	£ 13.54	£ 13.05	£ 16.27

(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 form part of the variable compensation awarded to executive directors. In line with regulatory requirements, discretionary variable compensation for executive directors will not exceed 200 per cent of fixed pay.

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

	2014 Units	2013 Units
Beginning balance	83,291	73,868
Add: granted	38,043	22,854
Less: exercised	2,246	12,282
lapsed	18,906	1,149
Ending balance	**100,182**	**83,291**

For the years ended December 31, 2014 and 2013, the costs of the PSA (PSP) charged to profit or loss were $3,396 thousand and $5,126 thousand, respectively, recognized as operating expenses—employees' benefits.

The fair value of the TSR component is derived by discounting one-third of the award by the loss of expected dividends over the vesting period together with the probability of meeting the TSR condition, which is calculated by the area under the TSR vesting schedule curve. The EPS fair value is derived by discounting one third of the award respectively by the loss of expected dividends over the vesting period. The same approach is applied to calculate the RoRWA fair value for one-third of the award. In respect of the EPS and RoRWA components, the number of shares expected to vest is adjusted for actual performance when calculating the share-based payment charge for the year. The same fair value applies to all employees including executive directors.

	2014			
Granted date	December 10	September 17	June 18	March 13
Share price at granted date	£ 9.34	£ 12.28	£ 12.83	£ 11.92
Vesting period (years)	3	3	3	3
Expected dividend yield (%)	5.70	5.80	5.60	5.30
Fair value (EPS)	£ 2.64	£ 3.45	£ 3.63	£ 3.40
Fair value (RoRWA)	£ 2.64	£ 3.45	£ 3.63	£ 3.40
Fair value (TSR)	£ 1.07	£ 1.41	£ 1.48	£ 1.38

	2013		
Granted date	September 18	June 19	March 11
Share price at granted date	£ 15.14	£ 14.62	£ 18.22
Vesting period (years)	3	3	3
Expected dividend yield (%)	4.60	4.10	4.10
Fair value (EPS)	£ 4.43	£ 4.32	£ 5.38
Fair value (RoRWA)	£ 4.43	£ 4.32	£ 5.38
Fair value (TSR)	£ 1.80	£ 1.76	£ 2.19

The expected dividend yield assumption is based on a historical average over a period commensurate with this period until vesting or over one year if the period until vesting is less than one year.

(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 are 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.

	2014 Units	2013 Units
Beginning balance	16,999	20,451
Less: exercised	202	2,043
lapsed	-	1,409
Ending balance	16,797	16,999

For the years ended December 31, 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.

The expected dividend yield assumption is based on a historical average over a period commensurate with this 'average' period until vesting, or over one year if the average period until vesting is less than one year.

	2014			
Granted date	December 10	September 17	June 18	March 13
Share price at granted date	£ 9.34	£ 12.28	£ 12.83	£ 11.92
Vesting period (years)	2/3 1/2/3/4	2/3 1/2/3/4	2/3 1/2/3/4	2/3
Expected dividend yield (%)	5.50	5.70	6.10	5.80
Fair value	£ 8.17	£ 10.69	£ 11.08	£ 10.37

	2013			
Granted date	December 17	September 18	June 19	March 11
Share price at granted date	£ 13.04	£ 15.14	£ 14.62	£ 18.22
Vesting period (years)	2/3	2/3	2/3 1/2/3/4	2/3 1/2/3/4
Expected dividend yield (%)	4.90	4.60	4.60	4.60
Fair value	£ 11.59	£ 13.54	£ 13.05	£ 16.27

25) Earnings per share

	2014	2013
Net income attributable to common stockholders	\$ 3,266,419	2,391,059
Common stock (in thousands)	\$ 2,910,572	2,910,572
Basic EPS (in dollars)	\$ 1.12	0.82

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

		2014	2013
Interest income			
Interest income, discounts and loans	$	9,425,014	10,237,028
Interest income, accounts receivable factoring		250,182	294,778
Interest income, due from banks		1,740,450	896,272
Interest income, available-for-sale financial assets		1,656,073	1,948,396
Interest income, credit card recurrence		405,144	451,149
Interest income, import financing		311,722	308,616
Interest income, other		271,479	255,692
Subtotal		14,060,064	14,391,931
Interest expense			
Interest expense, deposits		3,863,671	3,667,859
Interest expense, due to banks		414,602	329,477
Interest expense, bank notes		980,643	1,001,426
Interest expense, other		74,833	47,729
Subtotal		5,333,749	5,046,491
Total	$	8,726,315	9,345,440

27) Net service fee income

		2014	2013
Service fee			
Service fee, loan	$	317,169	282,621
Service fee, agency		212,232	130,362
Service fee, remittance and interbank		105,520	94,411
Service fee, guarantee, import, export and acceptance payable		103,589	98,991
Service fee, credit card		359,612	345,008
Service fee, trust		2,142,543	2,215,237
Service fee, factoring		83,620	67,777
Service fee, other		47,429	118,163
Subtotal		3,371,714	3,352,570
Service charge			
Service charge, interbank		209,315	132,831
Service charge, agency		180,830	114,002
Service charge, custodian		97,140	98,783
Service charge, other		35,070	89,781
Subtotal		522,355	435,397
Total	$	2,849,359	2,917,173

(Continued)

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

		2014	2013
Gain on disposal			
Interest-rate instruments	$	60,733	29,663
Derivative financial instruments		688,084	361,514
Subtotal		748,817	391,177
Gain (loss) on valuation			
Interest-rate instruments		22,092	(2,479)
Derivative financial instruments		909,797	603,563
Subtotal		931,889	601,084
Interest income		143,145	179,748
Total	$	1,823,851	1,172,009

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

		2014	2013
Profit on sale—bond and security investments	$	15,935	(3,014)
Dividend income—equity investments		2,556	1,929
Total	$	18,491	(1,085)

30) Net other non-interest income

		2014	2013
Net gain on disposal of asset	$	113,069	19,553
Net gain on securities brokering income		84,862	54,867
Gains on financial assets carried at cost		18,207	17,661
Rental income		14,853	16,074
Net gain (loss) on fair value hedge		3,105	(22,020)
Other		17,676	8,788
Total	$	251,772	94,923

31) Impairment losses on assets

		2014	2013
Impairment loss—buildings	$	2,512	4,474
Impairment loss—other financial assets		650	164
Total	$	3,162	4,638

32) Bad debt expense and provision for guarantee liabilities

		2014	2013
Bad debt expenses	$	682,006	1,592,672
Provision for guarantee liabilities		624	39,474
Total	$	682,630	1,632,146

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

33) Employee benefits expense

	2014	2013
Salary expenses	$ 4,563,160	4,498,626
Employee insurance	338,649	344,349
Pension		
Deferred contribution plan	161,135	166,538
Deferred benefits plan	156,881	170,074
Other	489,928	281,849
Total	$ 5,709,753	5,461,436

34) Depreciation and amortization expenses

	2014	2013
Depreciation expenses		
Buildings	$ 98,641	93,045
Office equipment	41,208	57,500
Leasehold improvements	69,620	94,135
Other equipment	55,526	54,904
Subtotal of depreciation	264,995	299,584
Computer software amortization	975	36,385
Total	$ 265,970	335,969

35) Other general and administrative expenses

	2014	2013
Rental expense	$ 549,177	569,306
Office supplies	125,316	117,511
Postage	227,947	243,065
Repairs and maintenance	184,084	166,643
Advertising expense	113,421	246,807
Utilities fee	118,342	112,647
Taxes	652,161	502,907
Professional service fee	159,749	121,011
Operational and advisory service fee	989,414	903,989
Consulting and technical support service fee	489,164	507,753
Wholesale banking business service fee	326,206	263,198
Building management fee	140,959	138,300
Computer management fee	283,661	280,964
Other	293,179	159,944
Total	$ 4,652,780	4,334,045

(Continued)

36) Disclosure of financial instruments

(a) Fair value of financial instruments

		December 31, 2014		December 31, 2013	
Financial assets		**Book value**	**Fair value**	**Book value**	**Fair value**
Non-derivative financial instruments					
Cash and cash equivalents	$	22,434,439	22,434,439	49,979,231	49,979,231
Due from the Central Bank and call loans to banks		104,417,545	104,417,545	64,434,100	64,434,100
Financial assets at fair value through profit or loss－interest-rate instruments		18,629,118	18,629,118	12,655,284	12,655,284
Securities purchased under resell agreements and debt instruments		2,556,376	2,556,376	1,950,000	1,950,000
Receivables－net		29,952,621	29,952,621	32,759,448	32,759,448
Discounts and loans－net		337,544,264	337,544,264	344,157,478	344,157,478
Available-for-sale financial assets－net		201,168,244	201,168,244	230,156,830	230,156,830
Other financial assets－net		15,848,624	15,848,624	792,645	792,645
Derivative financial instruments					
Financial assets at fair value through profit or loss －derivative financial assets		17,782,596	17,782,596	7,803,603	7,803,603
Derivative financial assets for hedging －net		48,199	48,199	172,750	172,750

		December 31, 2014		December 31, 2013	
Financial liabilities		**Book value**	**Fair value**	**Book value**	**Fair value**
Non-derivative financial instruments					
Deposits from the Central Bank and banks	$	25,876,934	25,876,934	45,985,672	45,985,672
Payables		13,636,779	13,636,779	4,538,856	4,538,856
Related parties payable		10,063,624	10,063,624	7,498,048	7,498,048
Deposits and remittances		598,495,557	598,495,557	577,585,845	577,585,845
Bank notes payable－net		53,202,188	53,202,188	55,559,925	55,559,925
Other financial liabilities		3,304,529	3,304,529	13,120,022	13,120,022
Derivative financial instruments					
Financial liabilities at fair value through profit or loss－derivative financial liabilities		13,462,099	13,462,099	7,533,988	7,533,988
Derivative financial liabilities for hedging －net		5,065	5,065	3,227	3,227

(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 and account payable. 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, derivative financial assets and liabilities for hedging, and hedging derivative financial assets and liabilities: 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: other financial assets include the stocks held which is not listed on an exchange or OTC and equity instruments measured at cost, and restricted assets with fair value measurement as described under (ii); 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)

(c) Levels of fair value of financial instruments

i. Fair value hierarchy information of financial instruments

Financial instruments at fair value		December 31, 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 and security investments	$	18,629,118	9,381,630	9,247,488	-
Available-for-sale financial assets—net					
Bond and security investments		201,080,749	24,896,209	176,184,540	-
Stock investments		87,495	87,495	-	-
Restricted assets—bond and security investments:					
Bond and security investments		15,702,585	614,629	15,087,956	-
Derivative financial instruments					
Assets:					
Financial assets at fair value through profit or loss		17,782,596	3,396	17,779,200	-
Derivative financial assets for hedging		48,199	-	48,199	-
Liabilities:					
Financial liabilities at fair value through profit or loss		13,462,099	6,379	13,455,720	-
Derivative financial liabilities for hedging		5,065	-	5,065	-

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 and security investments	$	12,655,284	4,773,205	7,882,079	-
Available-for-sale financial assets—net					
Bond and security investments		230,073,502	23,406,290	206,667,212	-
Stock investments		83,328	83,328	-	-
Restricted assets—bond and security investments:					
Bond and security investments		641,400	541,400	100,000	-
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)

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.

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).

(Continued)

(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.

(Continued)

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 December 31, 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.

	2014			2013		
	Average	**Maximum**	**Minimum**	**Average**	**Maximum**	**Minimum**
Foreign exchange VaR	$ 4,714	11,365	1,722	4,538	8,024	2,064
Interest rate VaR	29,859	44,919	16,847	18,675	24,441	9,652
Risk rate VaR	30,286	45,121	17,728	19,287	25,184	10,311

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.

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

(Continued)

vi) Exchange rate risk exposure information

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

	December 31, 2014			December 31, 2013		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Long position						
USD	$11,065,261	31.669	350,421,408	10,225,833	29.854	305,277,629
EUR	617,019	38.495	23,752,142	534,312	41.126	21,974,314
JPY	74,479,113	0.265	19,709,328	81,964,343	0.284	23,291,441
HKD	1,581,835	4.084	6,460,350	640,604	3.850	2,466,535
CNY	7,436,890	5.170	38,448,442	6,675,183	4.895	32,673,890
Short position						
USD	11,057,614	31.669	350,179,239	10,218,704	29.854	305,064,795
EUR	618,044	38.495	23,791,577	534,990	41.126	22,002,203
JPY	74,518,950	0.265	19,719,870	82,009,159	0.284	23,304,176
HKD	1,580,067	4.084	6,453,126	639,421	3.850	2,461,978
CNY	7,401,332	5.170	38,264,612	6,662,804	4.895	32,613,298

i) Interest rate sensitivity information

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

December 31, 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	$ 372,771,828	38,915,157	79,830,987	51,260,523	542,778,495
Interest rate sensitive liabilities	311,243,380	43,265,215	33,804,685	4,680,204	392,993,484
Interest rate sensitive gap	61,528,448	(4,350,058)	46,026,302	46,580,319	149,785,011
Net worth					41,793,166
Ratio of interest rate sensitive assets to liabilities (%)					138.11
Ratio of interest rate sensitive gap to net worth (%)					358.40

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 worth (%)					168.38

(Continued)

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

December 31, 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	$ 4,683,334	72,594	100,083	191,100	5,047,111
Interest rate sensitive liabilities	6,941,770	695,583	426,242	5,555	8,069,150
Interest rate sensitive gap	(2,258,436)	(622,989)	(326,159)	185,545	(3,022,039)
Net worth					95,171
Ratio of interest rate sensitive assets to liabilities (%)					62.55
Ratio of interest rate sensitive gap to net worth (%)					(3,175.38)

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 worth (%)					(1,047.76)

ii. Operational risk

i) Strategy and procedure of operational risk management

Operational risk is defined as the potential for loss resulting from failure of processes, people, or technology or external events.

Operational risk management approach serves to continually improve the Bank's ability to anticipate all material risks and to increase our ability to demonstrate, with a high degree of confidence, that those material risks are well controlled. According to Operational risk frameworks, operational risks are managed through risk identification, assessment, control, acceptance, and monitoring approaches.

Responsibility for the management of operational risk rests with businesses and functions. The Framework sets out the respective responsibilities of the 3 Lines of Defence.

ii) Operational risk management organization and structure

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

The Risk committee is designed to oversee and to challenge the effectiveness of risk management and control. They may also be authorised to take certain risk acceptance and control decisions which are outside the authority of individual managers. The Risk committee has delegated country operational risk management to Country Operational Risk Committee ("CORC"), according to the Framework.

The Country Operational Risk Committee ("CORC") oversees the management of operational risks at the country (or entity) level. Their scope cuts across functional and business boundaries. CORC ensures 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 and operational risk management functions based outside of Taiwan.

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

The following risk control areas fall within the scope of operational risk, including people management, technology management, vendor management, property management, security management, regulatory compliance, legal process, accounting & financial control, tax management, corporate authorities & structure.

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 risk identification, assessment, control, acceptance and monitoring. This process is performed at all levels across the Bank and is the foundation of the management approach. Once identified risks are assessed against operational risk matrices 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 operational risk forum (s) and /or CORC.

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.

(Continued)

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.

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.

(Continued)

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

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

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.

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. Payment or Payment vs. Payment systems.

v) Method used for regulatory capital calculation

Standardized Approach.

vi) Maximum exposure to credit risk

Without taking collateral or other credit enhancement mitigation effect into account, the maximum exposure to credit risk of on-balance-sheet financial assets is equal to their carrying values. Maximum exposures of financial instruments (without taking collateral or other credit enhancement, and irrevocable maximum exposure) were as follows:

Off-balance-sheet items	Maximum exposure to credit risk December 31, 2014	Maximum exposure to credit risk December 31, 2013
Unused amount of irrevocable credit commitments	$ 1,970,603	3,927,407
Unused amount of irrevocable letters of credit	2,401,702	2,166,243
Other guarantees	6,903,492	7,194,171
Total	$ 11,275,797	13,287,821

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.

(Continued)

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:

A. By industry

	December 31, 2014	December 31, 2013
Individual	$ 223,318,953	247,122,625
Manufacturing	49,962,231	55,128,497
Financial industry	6,626,660	6,126,021
Commercial	16,638,314	14,609,759
Transportation and warehousing	15,767,796	7,883,966
Other	29,521,172	18,472,626
Total	$ 341,835,126	349,343,494

B. By area

	December 31, 2014	December 31, 2013
Domestic	$ 298,571,583	322,728,955
Overseas	43,263,543	26,614,539
Total	$ 341,835,126	349,343,494

C. By collateral

	December 31, 2014	December 31, 2013
Unsecured	$ 111,651,700	115,729,793
Secured		
—Real estate	195,106,107	210,701,761
—Movable asset	22,049,186	11,285,205
—Debt instrument	9,983,311	6,413,012
—Other	3,044,822	5,213,723
Total	$ 341,835,126	349,343,494

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.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

A. Credit quality analysis

	December 31, 2014					
				Allowance for bad debts		
	Neither past due nor impaired	Past due but not impaired	Impaired	Individually impaired	Collectively impaired	Total
Receivables						
Credit cards accounts receivable	$ 4,355,987	112,216	884,670	274,711	47,669	5,030,493
Accounts receivable factoring	21,548,111	-	-	-	-	21,548,111
Discounts and loans						
Consumer banking	214,837,268	3,903,373	5,252,909	1,313,807	2,522,925	220,156,818
Wholesale banking	115,644,419	78,000	2,119,157	495,977	117,878	117,227,721
Available-for-sale financial assets	201,080,749	-	101,964	14,469	-	201,168,244
	$ 557,466,534	4,093,589	8,358,700	2,098,964	2,688,472	565,131,387

	December 31, 2013					
				Allowance for bad debts		
	Neither past due nor impaired	Past due but not impaired	Impaired	Individually impaired	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	236,199,822	5,290,014	5,633,581	1,374,640	2,164,642	243,584,135
Wholesale banking	98,302,522	135,215	3,782,340	1,524,265	211,069	100,484,743
Available-for-sale financial assets	230,073,502	-	97,797	14,469	-	230,156,830
	$ 593,125,327	5,577,783	10,488,342	3,182,979	2,430,484	603,577,989

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.

	December 31, 2014			
	Investment grade	Sub-investment grade	High risk grade	Total
Receivables				
Credit cards accounts receivable	$ 95,699	4,252,931	7,357	4,355,987
Accounts receivable factoring	17,567,870	3,980,241	-	21,548,111
Discounts and loans				
Consumer banking	178,419,365	36,327,671	90,232	214,837,268
Wholesale banking	56,082,466	59,533,544	28,409	115,644,419
Total	$ 252,165,400	104,094,387	125,998	356,385,785

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

	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	2,290,839	233,885,906	23,077	236,199,822
Wholesale banking	44,278,651	53,979,373	44,498	98,302,522
Total	$ 65,503,972	297,480,278	67,575	363,051,825

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.

	December 31, 2014			
	Investment grade	Sub-investment grade	High risk grade	Total
Receivables				
Credit cards accounts receivable	$ 2,101	23,754	86,361	112,216
Discounts and loans				
Consumer banking	1,649	1,970,947	1,930,777	3,903,373
Wholesale banking	-	59,244	18,756	78,000
Total	$ 3,750	2,053,945	2,035,894	4,093,589

	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	50	1,824,675	3,465,289	5,290,014
Wholesale banking	-	119,453	15,762	135,215
Total	$ 1,899	1,984,778	3,591,106	5,577,783

(Continued)

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.

	December 31, 2014			
	Investment grade	Sub-investment grade	High risk grade	Total
Available-for-sale financial assets				
Bonds	$ 200,879,319	201,430	-	201,080,749

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

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.

	December 31, 2014				
	Up to 1 month	1-2 months	2-3 months	Over 3 months	Total
Receivables					
Credit cards accounts receivable	$ 48,291	23,639	17,936	22,350	112,216
Discounts and loans					
Consumer banking	2,632,528	804,480	247,373	218,992	3,903,373
Wholesale banking	29,842	26,159	14,629	7,370	78,000
Total	$ 2,710,661	854,278	279,938	248,712	4,093,589

	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	3,623,839	1,000,478	398,815	266,882	5,290,014
Wholesale banking	99,503	19,488	3,733	12,491	135,215
Total	$ 3,793,989	1,049,326	425,481	308,987	5,577,783

(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			Period: December 31, 2014 Non-performing loan	Loan balances	NPL ratio	Allowance for bad debts	Coverage ratio
Wholesale Banking	Secured		3,008	27,339,491	0.01 %	428,535	14,246.51 %
	Unsecured		425,977	90,502,085	0.47 %	185,320	43.50 %
Consumer Banking	Mortgage		207,916	158,720,469	0.13 %	2,086,131	1,003.35 %
	Personal loan		300,560	36,605,486	0.82 %	1,658,351	551.75 %
	Others	Secured	17,801	27,066,478	0.07 %	81,892	460.04 %
		Unsecured	23,470	1,601,117	1.47 %	10,358	44.13 %
Total			978,732	341,835,126	0.29 %	4,450,587	454.73 %
			Overdue	Accounts receivables	Overdue ratio	Allowance for bad debts	Coverage ratio
Credit card			25,064	5,352,873	0.47 %	322,380	1,286.23 %
Factoring loan receivable without recourse			-	21,548,111	- %	-	- %

Product			Period: December 31, 2013 Non-performing loan	Loan balances	NPL ratio	Allowance for bad debts	Coverage ratio
Wholesale Banking	Secured		-	20,017,594	- %	48,025	- %
	Unsecured		949,597	82,202,483	1.16 %	1,687,309	177.69 %
Consumer Banking	Mortgage		520,018	167,941,810	0.31 %	1,387,712	266.86 %
	Personal loan		403,937	43,919,391	0.92 %	2,036,386	504.13 %
	Others	Secured	45,023	31,906,500	0.14 %	77,280	171.65 %
		Unsecured	36,619	3,355,716	1.09 %	37,904	103.51 %
Total			1,955,194	349,343,494	0.56 %	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	- %	-	- %

(Continued)

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

Unit: in thousands of New Taiwan Dollars

	December 31, 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	$ 11,653	41,633	15,678	57,287
The amount under debt discharge program and rehabilitation program without default by debtors	479,170	68,561	553,150	55,447
	$ 490,823	110,194	568,828	112,734

B. Concentration of corporate credit risk for the bank

Units: in thousands of New Taiwan Dollars, %

December 31, 2014				
Rank	Industry classification of group enterprise		Outstanding credit	% of net assets
1	A Company	Copper metallurgy industry	5,858,692	13.08 %
2	B Group	Other weaving industry	4,688,347	10.47 %
3	C Group	Petrochemicals Manufacturing	3,831,409	8.56 %
4	D Group	Semiconductors packaging and testing	3,705,322	8.27 %
5	E Group	Aviation transportation	2,855,542	6.38 %
6	F Group	Shoes industry	2,576,290	5.75 %
7	G Group	Industrial Plastic Products Manufacturing	2,431,133	5.43 %
8	H Group	Computers Manufacturing	2,281,836	5.10 %
9	I Group	Ocean freight industry	2,243,326	5.01 %
10	J Company	Wholesale of Electronic Materials	2,153,465	4.81 %

(Continued)

December 31, 2013				
Rank	**Industry classification of group enterprise**		**Outstanding credit**	**% of net assets**
1	K Group	Other computer peripheral manufacturing industry	4,925,019	11.61 %
2	C Group	Petrochemical manufacturing	3,595,451	8.48 %
3	L Group	Other computer peripheral manufacturing industry	3,403,307	8.03 %
4	B Group	Other weaving industry	3,143,766	7.41 %
5	M 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	F Group	Shoes industry	2,391,620	5.64 %
8	N Company	Other chemical manufacturing	2,386,828	5.63 %
9	O Group	Aviation transportation	2,032,068	4.79 %
10	P Group	Other computer peripheral manufacturing industry	2,015,117	4.75 %

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.

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 TWD 2,204 bn, which is equivalent to 28.6% 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.

	December 31, 2014				
	Within 3 months	3 months~1 year	1~5 years	Over 5 years	Total
Deposits from the Central Bank and the banks	$ 20,276,493	5,600,441	-	-	25,876,934
Payables	13,636,779	-	-	-	13,636,779
Related parties payable	10,063,624	-	-	-	10,063,624
Deposits and remittances	460,858,067	130,335,053	7,302,437	-	598,495,557
Bank notes payable	10,150,675	650,000	34,067,792	8,333,721	53,202,188
Other financial liabilities	1,160,984	562,065	1,581,480	-	3,304,529
Total	$ 516,146,622	137,147,559	42,951,709	8,333,721	704,579,611

	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

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:

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

A. Maturity analysis of net settled derivatives

	December 31, 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	$ 5,616	48,114	197,682	1,616,995	3,533,498	5,401,905
—Interest rate derivative instruments	4,724	17,282	73,439	118,200	1,141,342	1,354,987
Derivative financial instruments—hedging						
—Interest rate derivative instruments	161	-	-	-	4,904	5,065
	$ 10,501	65,396	271,121	1,735,195	4,679,744	6,761,957

	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

B. Maturity analysis of gross settled derivatives

	December 31, 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	$ 124,434,729	34,493,065	28,344,017	48,203,631	4,059,715	239,535,157
—Cash inflow	121,752,092	32,987,782	26,789,724	46,254,599	3,447,660	231,231,857
Net cash flow	$ (2,682,637)	(1,505,283)	(1,554,293)	(1,949,032)	(612,055)	(8,303,300)

	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)

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.

	December 31, 2014				
	0-30 days	31-90 Days	91 days-1 year	Over 1 year	Total
Other guarantees	$ 230,173	514,645	2,631,975	3,526,699	6,903,492
Unused amount of irrevocable loan commitment	-	-	1,013,395	957,208	1,970,603
Unused amount of irrevocable letter of credit	722,707	983,410	695,585	-	2,401,702
	$ 952,880	1,498,055	4,340,955	4,483,907	11,275,797

	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

vii) Structure Analysis of Maturity Date New Taiwan Dollars

December 31, 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	$ 692,304,927	109,823,508	50,465,201	67,833,527	69,943,169	142,294,744	251,944,778
Capital used	809,564,922	67,167,514	78,007,743	154,950,514	110,968,332	114,719,496	283,751,323
Gap	(117,259,995)	42,655,994	(27,542,542)	(87,116,987)	(41,025,163)	27,575,248	(31,806,545)

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)

viii) Structure Analysis of Maturity Date US Dollars

December 31, 2014

Units: in thousands of US Dollars

		Remaining period to expiration				
	Total	0~30 days	31~90 days	91~180 days	181 days~ Over 1 year	Over 1 year
Capital provided	$ 15,224,115	6,884,536	2,934,710	2,113,311	2,244,099	1,047,459
Capital used	16,042,765	6,290,022	3,516,479	1,294,392	1,981,272	2,960,600
Gap	(818,650)	594,514	(581,769)	818,919	262,827	(1,913,141)

(Continued)

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)

(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.

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	December 31, 2014	December 31, 2013
Self-owned capital	Common stock capital		39,359,781	37,704,360
	Other Tier 1 capital		-	-
	Tier 2 capital		16,375,636	18,536,851
	Total self-owned capital		55,735,417	56,241,211
Risk-weighted assets	Credit risk	Standard approach (SA)	345,468,200	363,779,689
		Internal ratings-based approach (IRB)	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach (BIA)	28,835,011	30,296,999
		Standardized approach (SA)	-	-
		Advanced measurement approach (AMA)	-	-
	Market risk	Standardized approach/alternative approach	19,491,065	19,217,874
		Internal model-based approach (IMA)	-	-
	Total risk-weighted assets		393,794,276	413,294,562
Total risk-based capital			14.15 %	13.61 %
Ratio of common stock to total risk-based assets			10.00 %	9.12 %
Ratio of Tier 1 capital to risk-based assets			10.00 %	9.12 %
Leverage ratio			4.46 %	4.21 %

Note: The amount as of December 31, 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 Japan ("SCB Japan")	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 Thailand Limited ("SCB Thailand)	Affiliate
Standard Chartered Bank Korea Limited ("SCB Korea")	Affiliate
Standard Chartered Bank India Limited ("SCB India")	Affiliate
Standard Chartered Bank Vietnam Limited ("SCB Vietnam")	Affiliate
Standard Chartered Bank Qatar Limited ("SCB Qatar")	Affiliate
Standard Chartered Bank Philippines Limited ("SCB Philippines")	Affiliate
Standard Chartered Bank South Africa Limited ("SCB South Africa")	Affiliate
Standared Chartered Bank Macau Limited ("SCB Macau")	Affiliate
Ying Ji Li Asset Management Company Limited ("YJL")	Affiliate
Standard Chartered Life Insurance Agency Co., Ltd. ("Standard Chartered Life Insurance Agency")	Investee under equity method
Taiwan Standard Chartered Insurance Agency Co., Ltd. ("Taiwan Standard Chartered Insurance Agency")	Investee under equity method
Directors, Supervisors, President and Vice Presidents	The senior management of the Bank
Others	According to IAS No. 24, "Related—Party Disclosure", related party should include : 1) Families, spouses or close relatives within the second degree of relationship with senior management. 2) Senior management and entities with people listed above as their directors, supervisors or president.

(Continued)

2) Significant transactions with related parties

(a) Deposits

December 31, 2014			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties not over 1% of total deposits	$ 1,410,137	0.24	0.00~6.55

December 31, 2013			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties not over 1% of total deposits	$ 1,511,683	0.26	0.00~5.84

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 years ended December 31, 2014 and 2013, interest expenses on the above deposits were $6,837 thousand and $8,580 thousand, respectively, and the interest payables on the above transaction were $437 thousand and $700 thousand, respectively.

(b) Loans

2014							
				Repayment			
Type of loan	Maximum during the period	Number of accounts or name of related party	Ending balance	On-schedule	Overdue	Collateral	Difference between terms and conditions offered to the accounts and to the general public
Employee consumer loans	12,881	18	9,871	9,871	-	Unsecured lending	None
Mortgage	153,600	27	124,744	124,744	-	House	None
Other	6,068	Other individual	5,514	5,514	-	Overdraft on the comprehensive deposits	None

2013							
				Repayment			
Type of loan	Maximum during the period	Number of accounts or name of related party	Ending balance	On-schedule	Overdue	Collateral	Difference between terms and conditions offered to the accounts and to the general public
Employee consumer loans	4,287	10	3,527	3,527	-	Unsecured lending	None
Mortgage	197,509	33	190,627	190,627	-	House	None
Other	6,610	Other individual	6,068	6,068	-	Overdraft on the comprehensive deposits	None

For the years ended December 31, 2014 and 2013, interest income on the above loans were $3,363 thousand and $2,926 thousand, respectively, and the interest receivables on the above transaction were $148 thousand and $180 thousand, respectively.

(Continued)

(c) Foreign exchange and derivative transactions

December 31, 2014

Name	Contracts	Contract duration period	Notional	Net valuation adjustment	Balance sheet Account	Balance
SCB	Interest rate swap	2015.5.13~ 2017.10.11	$ 17,210,047	(34,058)	Financial assets at fair value through profit or loss	61,106
					Financial liabilities at fair value through profit or loss	(95,164)
	Interest rate option contract	2017.5.15~ 2017.5.18	1,266,744	(7,213)	Financial liabilities at fair value through profit or loss	(7,213)
	Forward contract	2015.1.2~ 2015.11.23	87,841,090	(761,610)	Financial assets at fair value through profit or loss	283,450
					Financial liabilities at fair value through profit or loss	(1,045,060)
	Foreign exchange option contract	2015.1.1~ 2016.12.22	98,772,795	(5,157,174)	Financial assets at fair value through profit or loss	380,049
					Financial liabilities at fair value through profit or loss	(5,537,223)
	Commodity swap	2015.1.5~ 2015.12.2	824,060	19,249	Financial assets at fair value through profit or loss	34,600
					Financial liabilities at fair value through profit or loss	(15,351)
	Cross currency swap	2015.6.8~ 2016.10.11	2,849,235	(85,836)	Financial liabilities at fair value through profit or loss	(85,836)
	Commodity option contract	2015.1.5~ 2015.12.7	3,434,491	(143,944)	Financial assets at fair value through profit or loss	277
					Financial liabilities at fair value through profit or loss	(144,221)
	Interest rate swap (Hedge)	2015.1.5~ 2019.2.12	11,453,762	(4,356)	Derivative financial assets for hedging	709
					Derivative financial liabilities for hedging	(5,065)
SCB Singapore	Forward contract	2015.1.2~ 2015.12.22	28,060,930	212,964	Financial assets at fair value through profit or loss	314,792
					Financial liabilities at fair value through profit or loss	(101,828)
SCB New York	Forward contract	2015.1.2~ 2015.6.9	218,443	(21,520)	Financial assets at fair value through profit or loss	26
					Financial liabilities at fair value through profit or loss	(21,546)

December 31, 2013

Name	Contracts	Contract duration period	Notional	Net valuation adjustment	Balance sheet Account	Balance
SCB	Interest rate swap	2014.1.17~ 2017.10.11	$ 25,105,084	(59,195)	Financial assets at fair value through profit or loss	98,387
					Financial liabilities at fair value through profit or loss	(157,582)
	Interest rate option contract	2017.5.15~ 2017.8.22	1,194,143	(10,760)	Financial liabilities at fair value through profit or loss	(10,760)
	Forward contract	2014.1.2~ 2014.11.20	100,319,785	(532,298)	Financial assets at fair value through profit or loss	343,306
					Financial liabilities at fair value through profit or loss	(875,604)
	Foreign exchange option contract	2014.1.2~ 2016.3.24	51,785,359	(827,474)	Financial assets at fair value through profit or loss	186,696
					Financial liabilities at fair value through profit or loss	(1,014,170)
	Commodity swap	2014.1.3~ 2014.8.4	362,610	(5,979)	Financial assets at fair value through profit or loss	8,637
					Financial liabilities at fair value through profit or loss	(14,616)

(Continued)

			December 31, 2013			
		Contract		Net valuation	Balance sheet	
Name	Contracts	duration period	Notional	adjustment	Account	Balance
	Interest rate swap (Hedge)	2014.10.16~ 2015.4.22	$ 4,352,420	(2,199)	Derivative financial assets for hedging	120
					Derivative financial liabilities for hedging	(2,319)
SCB Singapore	Forward contract	2014.1.2~ 2014.12.17	32,370,238	(368,086)	Financial assets at fair value through profit or loss	102,013
					Financial liabilities at fair value through profit or loss	(470,099)
SCB HK	Forward contract	2014.1.6~ 2014.9.17	7,775,282	34,072	Financial assets at fair value through profit or loss	152,974
					Financial liabilities at fair value through profit or loss	(118,902)
SCB Japan	Forward contract	2014.1.16	795,663	1,807	Financial assets at fair value through profit or loss	1,807

(d) Deposits with banks—affiliates

	2014		
	Balance	Interest rate %	Interest income
SCB China	$ 11,923,812	2.53	839,665
SCB Germany	397,333	-	-
SCB HK	385,100	-	-
SCB Japan	116,764	-	-
Other	194,755	0.25	3,667
	$ 13,017,764		843,332

	2013		
	Balance	Interest rate %	Interest income
SCB HK	$ 1,959,535	-	-
SCB China	22,182,067	3.50~8.00	296,781
SCB New York	846,312	2.00	931
SCB	482,100	-	-
Other	340,001	-	-
	$ 25,810,015		297,712

As of December 31, 2014 and 2013, the interest receivables resulting from the above deposits with banks to affiliates were $32,855 thousand and $57,706 thousand, respectively.

(e) Call loans to banks—affiliates

	2014		
	Balance	Interest rate %	Interest income
SCB	$ 20,901,281	0.09~0.10	2,591
SCB Taipei	23,046,881	0.00~0.30	65,183
Other	-	0.03~3.50	4,256
	$ 43,948,162		72,030

(Continued)

	2013		
	Balance	Interest rate %	Interest income
SCB New York	$ 13,135,571	0.25	5,508
SCB Taipei	8,476,785	0.06~1.38	84,510
Other	-	0.03~0.15	761
	$ 21,612,356		90,779

As of December 31, 2014 and 2013, the interest receivables resulting from the above call loans to banks to affiliates were $32,821 thousand and $4,424 thousand, respectively.

(f) Deposits from banks—affiliates

	2014		
	Balance	Interest rate %	Interest expense
SCB Taipei	$ 2,241,325	0.01	122

	2013		
	Balance	Interest rate %	Interest expense
SCB Taipei	$ 828,609	0.01	24

As of December 31, 2014 and 2013, the interest payables resulting from the above deposits from banks to affiliates were $7 thousand and $3 thousand, respectively.

(g) Overdrafts on banks—affiliates

	2014		
	Balance	Interest rate %	Interest expense
SCB New York	$ 2,324,840	0.25	185
SCB HK	-	6.25	211
SCB China	-	2.53	872
Other	-	1.00~5.75	118
	$ 2,324,840		1,386

	2013		
	Balance	Interest rate %	Interest expense
SCB New York	$ -	0.60	277
SCB HK	-	6.25	185
SCB Germany	-	1.50	54
Other	-	1.50	5
	$ -		521

As of December 31, 2014 and 2013, the interest payables resulting from the above overdrafts on banks to affiliates were both $0 thousand.

(h) Call loans from banks—affiliates

	2014			
		Balance	Interest rate %	Interest expense
SCB Japan	$	7,917,152	0.11~0.75	110,063
SCB HK		7,166,408	0.05~5.40	50,824
SCB Macau		1,848,835	0.09~2.70	1,608
SCB Singapore		-	0.67~0.75	16,549
SCB Thailand		-	0.33~0.80	15,721
SCB Taipei		-	0.75~0.82	8,143
SCB Korea		-	0.63~0.70	6,162
Other		-	0.20~0.40	1,991
	$	16,932,395		211,061

	2013			
		Balance	Interest rate %	Interest expense
SCB Japan	$	10,448,750	0.20~0.67	50,554
SCB HK		6,102,316	0.10~6.25	102,730
SCB Thailand		4,478,036	0.65~0.75	17,342
SCB Singapore		1,492,678	0.67	1,597
SCB Taipei		1,400,000	0.45~0.82	2,908
Other		-	0.22~0.24	145
	$	23,921,780		175,276

As of December 31, 2014 and 2013, the interest payables resulting from the above call loans from affiliates were $22,779 thousand and $24,070 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		December 31, 2014	December 31, 2013
SCB HK	$	6,051,871	5,492,108

For the years ended December 31, 2014 and 2013, the interest income resulting from the above transaction were $314,282 thousand and $271,755 thousand, respectively.

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

Name	Bond (note)		December 31, 2014	December 31, 2013
SCB	98-2	$	4,750,291	4,478,036
SCB	98-3		4,750,291	4,478,036
SCB HK	103-1		18,367,792	-
SCB	103-2		6,333,722	-

Note: The issuance conditions and details of financial debentures are stated in note 6(16).

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Notes to the Financial Statements

For the years ended December 31, 2014 and 2013, the interest expense on the above transactions were $494,741 thousand and $325,801 thousand, respectively; As of December 31, 2014 and 2013, the interest payable on the above transactions were $192,253 thousand and $18,665 thousand, respectively.

(k) For the years ended December 31, 2014, operational and advisory service fees, consulting and technical support service fees and wholesale banking business service fees were $989,414 thousand, $489,164 thousand, and $326,206 thousand, respectively. For the years ended December 31, 2013, operational and advisory service fees, consulting and technical support service fees and wholesale banking business service fees were $903,989 thousand, $507,753 thousand, and $263,198 thousand, respectively. As of December 31, 2014 and 2013, fees payables to SCB were $9,630,604 thousand and $7,302,507 thousand, respectively, recorded under related parties payable. Moreover, for the years ended December 31, 2014 and 2013, the royalty expenses for obtaining the right to use intellectual property of SC PLC Group amounted to $45,092 thousand and $40,786 thousand, respectively. As of December 31, 2014 and 2013, the royalty expenses payable to SCB were $140,532 thousand and $90,156 thousand, respectively, recorded under related parties payable.

(l) For the years ended December 31, 2014 and 2013, the related cost of the Executive Share Option Scheme amounted to $43,307 thousand and $54,127 thousand, respectively. As of December 31, 2014 and 2013, accounts payable to SCB for the share-based payment scheme costs amounted to $43,071 thousand and $55,063 thousand, respectively, recorded under related parties payable.

(m) For the years ended December 31, 2014 and 2013, expenses resulting from operating and other business related activities with affiliates were as follows:

Name	2014	2013
Consultant service revenue:		
SCB HK	$ 38,109	-
Technical support service fees:		
SCB	$ 49,246	55,097
SCB India	1,390	-
SCB China	249	-
Total	$ 50,885	55,097
Information technology service fees:		
Scope International Private Ltd.	$ 73,433	70,302
Scope International (M) Sdn. Bhd	99,123	84,550
Total	$ 172,556	154,852
Origination fees:		
SCB Qatar	$ 7,315	4,695
SCB Philippines	1,516	-
SCB South Africa	6,853	5,482
SCB Vietnam	1,724	3,376
Total	$ 17,408	13,553

(Continued)

As of December 31, 2014 and 2013, consultant service revenue receivables were $38,109 thousand and $0 thousand, recorded as receivables—net. For the Bank, as of December 31, 2014 and 2013, technical support service fees, information technology service fees and origination fees were $31,841 thousand and $17,981 thousand, respectively, recorded under related parties payables.

(n) As of December 31 2014 and 2013, the deposit ending balance, related interest expense and accrued interest of SCLIA were $941,923 thousand and $645,157, related interest expense are $1,989 thousand and $2,409 thousand, respectively; interest payable are $116 thousand and $88 thousand, respectively; the deposit ending balance, related interest expense and accrued interest of SCIAC were $33,990 thousand and $37,980 thousand, related interest expense were $102 thousand and $129 thousand, respectively; interest payable were $4 thousand and $9 thousand, respectively.

(o) For the year ended December 31, 2014 and 2013, SCBTL signed rental contracts with SCLIA. The related rental were both $15 thousand. As of December 31, 2014 and 2013, the guarantee deposits paid from SCLIA were both $3 thousand; for the usage of utility facilities and software, the related receivables from SCLIA were $16 thousand and $18 thousand, respectively; the related receivables from SCIAC were $6 thousand and $2 thousand, respectively.

(p) As of December 31, 2014 and 2013 the accounts receivable and related service income that SCBTL supported the SCLIA for its sales were $566,130 thousand and $420,370 thousand, $567,417 thousand, $432,007 thousand, respectively; the accounts receivable and related service income that SCBTL supported the SCIAC for its sales were $7,010 thousand and $11,230 thousand, and $6,923 thousand and $12,191 thousand, respectively.

(q) For the year ended December 31, 2014 and 2013, SCBTL signed a rental contracts with SCB Taipei. Related rental were $4,460 thousand and $4,358 thousand, respectively.

3) The salary and remuneration of directors and supervisors

	2014	2013
Salary and other short term benefits	$ 272,344	218,228
Post employment benefit	1,518	1,003
Total	$ 273,862	219,231

(8) Pledged Assets

Unit: in thousands of New Taiwan dollars

Pledged assets	Pledged for	Amount December 31, 2014	Amount December 31, 2013
Bonds (recognized as other financial assets)	Provision seizure	$ 63,500	131,400
	USD overdraft clearing deposits	15,000,000	-
Total		$ 15,063,500	131,400

Refundable security deposits set as pledged assets made in accordance with the relevant regulations governing bank operations:

Pledged assets	Pledged for	Amount December 31, 2014	Amount December 31, 2013
Negotiable certificates of deposit, government bonds (recognized as other financial assets)	Trust indemnity reserve	$ 300,000	150,000
	Security deposits for futures trading	-	35,000
	Security deposits for security brokerage	250,000	225,000
	Bid for bonds	100,000	100,000
		650,000	510,000
Guarantee deposits paid (recorded as other assets)	Operating deposits and security deposits for bond proprietary trading	150,300	173,638
Total		$ 800,300	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. (Trust indemnity reserve in accordance with relevant regulations was $150,000 thousand.)

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.

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, FSC.

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. (Security deposits in accordance with relevant regulations for security brokerage was $50,000 thousand.)

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

(Continued)

(9) Significant Contingent Liabilities and Unrecognized Contract Commitments

1) Commitments and contingent liabilities

	December 31, 2014	December 31, 2013
Consignment collection for others	$ 7,825,767	8,216,760
Traveler's checks held on consignment for sale	-	20,933
Securities, consignments and goods in custody	1,658,282,223	1,341,049,361
Trust assets	100,062,167	101,938,709
	$ 1,766,170,157	1,451,225,763
Other guarantees	$ 6,903,492	7,194,171
Unused amount of irrevocable loan commitment	$ 1,970,603	3,927,407
Unused amount of irrevocable letters	$ 2,401,702	2,166,243

2) Operating leases

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

	December 31, 2014	December 31, 2013
Not later than one year	$ 425,380	474,496
Later than one year and not later than five years	460,787	522,501
Total	$ 886,167	996,997

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. 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 years ended December 31, 2014 and 2013, the amounts of $205,204 thousand and $123,122 thousand were both recognized as net service 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.

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
December 31, 2014

Trust assets		Trust liabilities	
Bank deposits	$ 15,104	Accounts payables	$ 10
Short-term investments	94,170,965	Tax payables	1
Structured notes	4,826,918	Payables for securities under custody	1,049,176
Securities under custody	1,049,176	Trust capital and accumulated	
Other assets	4	earnings	99,012,980
Total trust assets	$ 100,062,167	Total trust liabilities and capital	$ 100,062,167

(Continued)

Trust balance sheet
December 31, 2013

Trust assets		Trust liabilities	
Bank deposits	$ 14,633	Accounts payables	$ 10
Short-term investments	96,455,237	Tax payables	1
Structured notes	3,981,298	Payables for securities under custody	1,487,537
Securities under custody	1,487,537	Trust capital and accumulated earnings	100,451,161
Other assets	4		
Total trust assets	$ 101,938,709	Total trust liabilities and capital	$ 101,938,709

Trust income statements

	2014	2013
Trust revenue:		
Interest revenue	$ 3,163,835	2,875,434
Common stock cash dividends	552	652
Realized gain on investments	2,174,739	2,574,414
Unrealized gain on investments	162,286	72,425
Net gain on trading of assets	36	17
	5,501,448	5,522,942
Trust expenses:		
Management expenses	126	135
Service charges	1	1
Realized loss on investments	2,752,076	4,105,346
Unrealized loss on investments	1,710,701	331,852
	4,462,904	4,437,334
Net income before income tax	1,038,544	1,085,608
Income tax expense	5	5
Net income after income tax	$ 1,038,539	1,085,603

Schedules of investment for trust business

Investment items	December 31, 2014	December 31, 2013
Bank deposits	$ 15,104	14,633
Short-term investments:		
Bonds	11,210,758	9,651,219
Common stock	2,958,857	2,696,351
Funds	80,001,350	84,107,667
Structured notes	4,826,918	3,981,298
Securities under custody	1,049,176	1,487,537
Other assets	4	4
	$ 100,062,167	101,938,709

Foreign currency trust business engaged by the Offshore Banking Unit (OBU) as of December 31, 2014 and 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

1) Profitability

Unit: %

Items		December 31, 2014	December 31, 2013
Return on assets	Before income tax	0.48	0.37
	After income tax	0.43	0.32
Return on equity	Before income tax	8.45	6.51
	After income tax	7.49	5.60
Net profit ratio		21.78	16.44

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

2) According to Jin-Guan-Yin-(Fa)-zi No. 10310002640 announced by FSC on May 7, 2014, receivables from transactions on import finance to banks should be recorded under "due from central bank and call loans to banks"; further, restricted assets should be recorded under "other financial assets" due to the nature of the transaction. To align the presentation of balance sheet as of December 31, 2014, the balance sheets as of December 31, and January 1, 2013, have been reclassified, and the statements are summarized as below:

	December 31, 2013		January 1, 2013	
Balance sheet	Before reclassification	After reclassification	Before reclassification	After reclassification
Due from the Central Bank and call loans to benks	$ 47,828,974	64,434,100	68,073,194	77,822,261
Discounts and loans－net	360,762,604	344,157,478	350,387,046	340,637,979
Other financial assets	151,245	792,645	151,409	826,609
Other assets	3,267,254	2,625,854	1,600,102	924,902

(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 (36).

(j) Information regarding selling non performing loans :

i. Summary table of NPL disposal: None.

ii Disposal of a single batch of NPL up to 1 billion and information on each transactions: None.

(k) Information on applications for handling securitized commodities according to the Regulation on Financial Asset Securitization or the Regulation on Real Estate Investment Trusts: Please refer to 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: Number of shares	Holdings: Pro forma number of shares	Holdings: Total Shares	Holdings: Total Percentage	Remark
Standard Chartered Life Insurance Agency Co., Ltd.	No. 106, Chung-Yeng Road, Hsinchu, Taiwan	Life insurance agent	100.00 %	692,275	629,714	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 %	26,106	18,375	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

(Continued)

Name of investee	Investee's location	Investee's operation	Percentage of ownership	Book value of investments	Gain (loss) recognized during the period	Holdings: Number of shares	Holdings: Pro forma number of shares	Holdings: Total Shares	Holdings: Total Percentage	Remark
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 %	10,632	-	1,063	-	1,063	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
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	-	557	-	557	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 %	87,495	-	5,368	-	5,368	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 reports for the Company for year ended 2014.