Stock code:2807

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Interim Financial Statements

June 30, 2015 and 2014
(With Independent Auditors' Report Thereon)

安侯建業聯合會計師事務所
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Independent Auditors' Report

The Board of Directors
Standard Chartered Bank (Taiwan) Limited:

We have audited the accompanying balance sheets of Standard Chartered Bank (Taiwan) Limited as of June 30, 2015, December 31 and June 30, 2014, and the related statements of profit or loss and other comprehensive income, statements of changes in stockholders' equity, and statements of cash flows for the six months period ended June 30, 2015 and 2014. These individual interim financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these individual interim 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 individual interim financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the individual interim financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall individual interim financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the individual interim financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Standard Chartered Bank (Taiwan) Limited as of June 30, 2015, December 31 and June 30, 2014, and the results of its operations and its cash flows for the six months period ended June 30, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Statements by Reports Firms, and other related regulations.

KPMG

August 28, 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

June 30, 2015, December 31 and June 30, 2014

(expressed in thousands of New Taiwan Dollars)

Code	Assets	June 30, 2015 Amount	%	December 31, 2014 Amount	%	June 30, 2014 (Reclassified) Amount	%
11000	Cash and cash equivalents (notes 6(1) and 7)	$ 19,749,676	3	22,434,439	3	59,519,278	8
11500	Due from the Central Bank and call loans to banks (notes 6(2), 7 and 12(2))	92,475,060	13	104,417,545	14	58,216,615	8
12000	Financial assets at fair value through profit or loss (notes 6(3) and 7)	14,633,130	2	36,411,714	5	20,078,959	3
12300	Derivative financial assets for hedging—net (notes 6(4) and 7)	47,974	-	48,199	-	124,592	-
12500	Securities purchased under resell agreements and debt instruments (note 6(5))	5,218,819	1	2,556,376	-	7,995,747	1
13000	Receivables—net (notes 6(6), (7) and 7)	28,159,938	4	29,952,621	4	25,272,161	4
13200	Current tax assets (note 6(21))	42,718	-	127,143	-	22,442	-
13500	Discounts and loans—net (notes 6(4), (7), 7 and 12(2))	310,000,459	43	337,544,264	44	327,662,842	46
14000	Available-for-sale financial assets—net (notes 6(4), (8) and 7)	216,832,240	30	201,168,244	26	185,190,182	26
15000	Investments measured by equity method—net (note 6(9))	429,266	-	718,381	-	659,347	-
15500	Other financial assets—net (notes 6(9), 8 and 12(2))	10,540,766	2	15,848,624	2	15,749,118	2
18500	Property, plant and equipment—net (note 6(10))	5,139,718	1	5,406,891	1	5,496,716	1
19000	Intangible assets—net (note 6(11))	3,156,048	-	3,156,075	-	3,156,244	-
19300	Deferred tax assets (note 6(21))	2,163,442	-	2,318,677	-	2,306,289	-
19500	Other assets—net (notes 6(12), 8 and 12(2))	4,966,665	1	8,469,361	1	4,891,557	1
	Total assets	$ 713,555,919	100	770,578,554	100	716,342,089	100

Code	Liabilities and stockholders' equity	June 30, 2015 Amount	%	December 31, 2014 Amount	%	June 30, 2014 (Reclassified) Amount	%
	Liabilities:						
21000	Deposits from the Central Bank and banks (notes 6(13) and 7)	$ 32,991,556	5	25,876,934	3	55,960,364	8
22000	Financial liabilities at fair value through profit or loss (notes 6(3) and 7)	9,630,204	1	13,462,099	2	7,509,707	1
22300	Derivative financial liabilities for hedging—net (notes 6(4) and 7)	1,225	-	5,065	-	2,214	-
23000	Payables (note 6(14))	5,357,970	1	13,636,779	2	4,008,564	1
23100	Related parties payable (note 7)	10,712,647	2	10,063,624	1	8,525,550	1
23500	Deposits and remittances (notes 6(4), (15) and 7)	550,970,192	77	598,495,557	78	526,711,720	74
24000	Financial debentures—net (notes 6(4), (16) and 7)	51,187,498	7	53,202,188	7	55,362,208	8
25500	Other financial liabilities (note 6(17))	1,329,768	-	3,304,529	-	10,535,961	1
25600	Provisions (notes 6(18) and (20))	1,880,541	-	1,908,858	-	1,936,823	-
29300	Deferred tax liabilities (note 6(21))	680,182	-	706,371	-	644,561	-
29500	Other liabilities (note 6(19))	4,974,050	1	5,135,047	1	1,843,320	-
	Total liabilities	669,715,833	94	725,797,051	94	673,040,992	94
	Stockholders' equity:						
31101	Common stock (note 6(23))	29,105,720	4	29,105,720	4	29,105,720	4
31500	Capital surplus (note 6(23))	5,794,771	1	5,786,031	1	5,786,031	1
	Retained earnings:						
32001	Legal reserve (note 6(23))	5,950,095	1	4,970,169	1	4,970,169	1
32003	Special reserve (note 6(23))	347,706	-	347,706	-	347,706	-
32005	Unappropriated earnings (note 6(23))	2,003,824	-	3,708,006	-	2,360,631	-
		8,301,625	1	9,025,881	1	7,678,506	1
32500	Other equity interest (note 6(23))	637,970	-	863,871	-	730,840	-
	Total stockholders' equity	43,840,086	6	44,781,503	6	43,301,097	6
	Total liabilities and stockholders' equity	$ 713,555,919	100	770,578,554	100	716,342,089	100

See accompanying notes to interim financial statements

Standard Chartered Bank (Taiwan) Limited

Statements of Profit or Loss and Other Comprehensive Income

For the six months period ended June 30, 2015 and 2014

(expressed in thousands of New Taiwan Dollars)

		January to June 2015		January to June 2014 (Reclassified)	
		Amount	%	Amount	%
41000	**Interest income (notes 6(26) and 7)**	$ 6,401,703	86	7,217,307	92
51000	**Less：Interest expense (notes 6(26) and 7)**	2,684,120	36	2,784,858	35
	Net interest income	3,717,583	50	4,432,449	57
	Net non-interest income				
49100	Net service fee income (notes 6(27) and 9(3))	1,270,225	17	1,548,468	20
49200	Gain on financial assets or liabilities at fair value through profit or loss (note 6(28))	764,021	10	577,924	7
49300	Realized gain on available-for-sale financial assets (note 6(29))	59,715	1	3,568	-
49600	Foreign exchange gain	798,145	11	710,919	9
49750	Share of profit of associates and joint ventures accounted for using equity method (note 6(9))	358,974	5	265,836	3
49800	Net other non-interest income (notes 6(4), (9), (30), 7 and 12(3))	437,773	6	327,500	4
	Net revenue	7,406,436	100	7,866,664	100
58200	**Bad debt (reversal) expense and reversal of guarantee liability (note 6(31))**	(105,486)	(1)	462,456	6
	Operating expenses:				
58500	Employee benefits expense (notes 6(20), (24), (32) and 7)	2,615,211	35	2,707,401	34
59000	Depreciation and amortization expenses (notes 6(10), (11) and (33))	149,697	2	147,905	2
59500	Other general and administrative expenses (notes 6(34), 7 and 12(3))	2,416,830	33	2,385,302	30
	Total operating expenses	5,181,738	70	5,240,608	66
	Income from continuing operations before tax	2,330,184	31	2,163,600	28
61003	**Less: income tax expense (note 6(21))**	313,252	4	322,913	4
	Net income	2,016,932	27	1,840,687	24
65000	**Other comprehensive income:**				
65200	**Items not to be reclassified into profit or loss**				
65201	Remeasurements of defined benefit plan (note 6(20))	(15,793)	-	-	-
65220	Income tax benefit related to items not to be reclassified into profit or loss (note 6(21))	2,685	-	-	-
	Total items not to be reclassified into profit or loss	(13,108)	-	-	-
65300	**Items that may be subsequently reclassified into profit or loss**				
65302	Change in fair value of available-for-sale financial assets recognized	(126,807)	(2)	(22,597)	-
65303	Change in fair value of cash flow hedges recognized	(141,424)	(2)	173,873	2
65320	Income tax benefit (expense) related to items that may be subsequently reclassified into profit or loss (note 6(21))	42,330	1	(28,878)	-
	Total items that may be subsequently reclassified into profit or loss	(225,901)	(3)	122,398	2
65000	**Other comprehensive income, net of tax**	(239,009)	(3)	122,398	2
	Total comprehensive income for the period	$ 1,777,923	24	1,963,085	26
67500	**Basic earnings per share (NTD) (note 6(25))**	$ 0.69		0.63	

See accompanying notes to interim financial statements

Standard Chartered Bank (Taiwan) Limited

Statements of Changes in Stockholders' Equity

For the six months period ended June 30, 2015 and 2014

(expressed in thousands of New Taiwan Dollars)

	Share capital		Retained earnings			Other item in stockholders' equity		
	Ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	Total equity
Balance as of January 1, 2014	$ 29,105,720	5,786,031	4,289,836	347,706	2,267,777	728,701	(120,259)	42,405,512
Appropriation and distribution of retained earnings:								
Legal reserve appropriated (note 6(23))	-	-	680,333	-	(680,333)	-	-	-
Cash dividends of ordinary share (note 6(23))	-	-	-	-	(1,067,500)	-	-	(1,067,500)
Net income	-	-	-	-	1,840,687	-	-	1,840,687
Other comprehensive income	-	-	-	-	-	(21,916)	144,314	122,398
Total comprehensive income for the period	-	-	-	-	1,840,687	(21,916)	144,314	1,963,085
Balance as of June 30, 2014	$ 29,105,720	5,786,031	4,970,169	347,706	2,360,631	706,785	24,055	43,301,097
Balance as of January 1, 2015	$ 29,105,720	5,786,031	4,970,169	347,706	3,708,006	728,684	135,187	44,781,503
Unpresented cash dividends transferred to capital surplus (note 6(23))	-	8,740	-	-	-	-	-	8,740
Appropriation and distribution of retained earnings:								
Legal reserve appropriated (note 6(23))	-	-	979,926	-	(979,926)	-	-	-
Cash dividends of ordinary share (note 6(23))	-	-	-	-	(2,728,080)	-	-	(2,728,080)
Net income	-	-	-	-	2,016,932	-	-	2,016,932
Other comprehensive income	-	-	-	-	(13,108)	(108,519)	(117,382)	(239,009)
Total comprehensive income for the period	-	-	-	-	2,003,824	(108,519)	(117,382)	1,777,923
Balance as of June 30, 2015	$ 29,105,720	5,794,771	5,950,095	347,706	2,003,824	620,165	17,805	43,840,086

See accompanying notes to interim financial statements

Standard Chartered Bank (Taiwan) Limited

Statements of Cash Flows

For the six months period ended June 30, 2015 and 2014

(expressed in thousands of New Taiwan Dollars)

		January to June 2015	January to June 2014 (Reclassified)
Cash flow from operating activities:			
Profit before tax	$	2,330,184	2,163,600
Adjustments:			
Adjustments to reconcile profit (loss)			
Depreciation expense		149,670	147,099
Amortization expense		27	806
Bad debt (reversal) expense and reversal of guarantee liability—net		(105,486)	462,456
Interest expense		2,684,120	2,784,858
Interest income		(6,401,703)	(7,217,307)
Net change in other provisions		(5,025)	29,207
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method		(358,974)	(265,836)
(Gain) loss on disposal of property and equipment		(80,358)	25
Total adjustments to reconcile profit (loss)		(4,117,729)	(4,058,692)
Change in operating assets and liabilities:			
Change in operating assets:			
Due from the Central Bank and call loans to banks		798,828	(14,260,001)
Financial assets at fair value through profit or loss		21,778,584	379,928
Receivables		2,172,646	7,496,002
Discounts and loans		27,610,206	16,024,672
Available-for-sale financial assets		(10,500,187)	29,948,180
Total changes in operating assets		41,860,077	39,588,781
Changes in operating liabilities:			
Deposits from the Central Bank and banks		7,114,622	9,974,692
Financial liabilities at fair value through profit or loss		(3,831,895)	(24,281)
Payables		(7,586,868)	620,523
Deposits and remittances		(47,525,204)	(50,876,929)
Other financial liabilities		(1,974,761)	(2,584,061)
Other liabilities		(160,997)	(528,368)
Total changes in operating liabilities		(53,965,103)	(43,418,424)
Total changes in operating assets and liabilities		(12,105,026)	(3,829,643)
Total adjustments		(16,222,755)	(7,888,335)
Cash outflow generated from operations		(13,892,571)	(5,724,735)
Interest received		6,039,140	7,246,792
Dividend received		648,089	-
Interest paid		(2,718,298)	(2,908,171)
Income taxes paid		(54,766)	(119,133)
Net cash flows used in operating activities		(9,978,406)	(1,505,247)
Cash flows from (used in) investing activities:			
Proceeds from disposal of property, plant and equipment		299,107	-
Acquisition of property, plant and equipment		(101,246)	(80,545)
Decrease (increase) in derivatives collateral		3,242,110	(1,684,670)
Decrease (increase) in other assets		260,586	(581,033)
Net cash flows from (used in) investing activities		3,700,557	(2,346,248)
Cash flows used in financing activities:			
(Increase) decrease in derivative financial liabilities for hedging		(146,296)	265,767
Decrease in financial debentures		(2,013,752)	(238,464)
Cash dividends paid		(2,728,080)	(1,067,500)
Net cash flows used in financing activities		(4,888,128)	(1,040,197)
Net decrease in cash and cash equivalents		(11,165,977)	(4,891,692)
Cash and cash equivalents at beginning of period		86,667,010	96,586,525
Cash and cash equivalents at end of period	$	75,501,033	91,694,833
Components of cash and cash equivalents:			
Cash and cash equivalents reported in the balance sheets	$	19,749,676	59,519,278
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definitic		50,532,538	24,179,808
Securities purchased under resell agreements and debt instruments qualifying for cash and cash equivalents under the definition of IAS 7		5,218,819	7,995,747
Cash and cash equivalents at end of period	$	75,501,033	91,694,833

See accompanying notes to interim financial statements

Standard Chartered Bank (Taiwan) Limited
Notes to the Financial Statements
June 30, 2015 and 2014
(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, pursuant to approval granted by the SFC, the Bank established the securities trading business in October 1989 and established the securities broker business in July 1992. In March 1993, pursuant to approval granted by the MOF, the Bank established the International Business Department to operate the foreign exchange business, which was formally operated on August at the same year. In September 1994, pursuant to approval granted by the Taiwan provincial government MOF, the Bank started to operate the business crossing the area. 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 Financial Statements

The individual interim financial statements were authorized for issue by the Board of Directors on August 28, 2015.

(Continued)

(3) New Issuance, Amendments and Revises of Standards and Interpretations Not Yet Adopted

1) Effect on application of new version of International Financial Reporting Standards and interpretations endorsed by the Financial Supervisory Commissions R.O.C. ("FSC")

Started from 2015, the Bank's individual interim financial statements adopted 2013 version of International Financial Reporting Standards and interpretations endorsed by the FSC (excluding IFRS 9 "Financial Instruments"). The summary below shows related new issuance, amendments and revises of standards and interpretations related to the Bank:

New issuance, amendments and revises 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 (January 1, 2014 for investment entities)
Amendments to IFRS 11 "Joint Arrangements"	January 1, 2013
Amendments to IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013
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
Revised IAS 19 "Employee Benefits"	January 1, 2013
Amendments to IAS 27 "Separate Financial Statements"	January 1, 2013
Amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities"	January 1, 2014

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

(a) IAS 1 "Presentation of Financial Statements"

The Standard amended 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 amendment also mentioned that the items in OCI presented as pre-tax, the tax amount should also present separately based on the requirement shown above. The Bank has already amended the expression of OCI according to the Standard, as well as the compared period.

(Continued)

(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 new measurement does not cause significant effect on the Bank's assets and liabilities, and the Bank has already added the disclosure of fair value measurement according to the Standard, please refer to note 6(35). However, according to the new disclosure standard, the Bank does not have to provide the information of compared period.

(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 already added the related disclosure of net settlement according to the Standard, please refer to note 6(35).

(d) IAS 19 "Employee Benefits"

The standard is based on the amendments of Article 12 of Regulations Governing the Preparation of Financial Reports by Public Banks according to Jin-Guan-Yin-(Fa)-Zi No. 10310006010 as announced by FSC on October 21, 2014, banks may elect to recognize the remeasurements of defined benefit plans in retained earnings or other equity, and disclose the related accounting policy in the notes to the financial statements. Remeasurements of defined benefit plans that have been recognized in other equity may not be reclassified into profit or loss or transferred into retained earnings in the subsequent period.

2) The newly issued or amended International Financial Reporting Standards and interpretations 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 until the report date of this individual interim financial statements:

New issuance 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
Amendments to IFRS 10, 12 and IAS 28 "Investment Entities: the Application of the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "the Accounting for Acquisitions of an Interest in a Joint Operation"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2017
Amendments to IAS 1 "Presentation of Financial Statements"	January 1, 2016
Amendments to IAS 16 and 38 "the Clarification of Acceptable Methods of Depreciation and Amortisation"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contribution"	July 1, 2014
Amendments to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016

(Continued)

New issuance and amendments of standards and interpretations	Effective date per IASB
Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendments to IAS 39 "Novation of Derivatives and Continuation to Apply the Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014
Annually improvement reports of 2010-2012 and 2011-2013	July 1, 2014
Annually IFRS improvement report of 2012-2014	January 1, 2016

Currently, the Bank kept assessing and evaluating the possible impact of the individual interim financial statements, and will disclose the influence when the access is finished.

(4) Summary of Significant Accounting Policies

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

1) Statement of compliance

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

2) Basis of preparation

The individual interim 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 (including derivative financial instruments);

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

(c) Derivative financial instruments for hedging at fair value;

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

(e) 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 individual interim financial statements amounts in all foreign currencies are translated into New Taiwan Dollars at ruling exchange rates assigned on that date. The Bank's individual interim financial statements are presented in New Taiwan Dollars, the functional currency of the Bank. All financial information presented in New Taiwan Dollars is expressed in thousands of New Taiwan Dollars, unless otherwise specified. Foreign 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 statements 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) 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.

(Continued)

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.

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, qualified guarantees other legally guaranteed objects to secure credit are secured loans.

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

i) The loan cannot be recovered in full or in part because the debtors have dissolved, gone into hiding, reached a settlement, declared bankruptcy, or for other reasons;

ii) The collateral and property of the primary/subordinate debtors have been appraised at a very low value or become insufficient to repay the loan after the subtraction of senior mortgages; or the execution cost approaches or possibly exceeds the amount that the Bank might collect from the debtors where there is no financial benefit in execution;

iii) The primary/subordinate debtor's collateral has failed to sell at successive auctions where the price of such collateral has been successively lowered, and there is no financial benefit to be derived from the Bank's taking possession of such collateral;

iv) More than two years have elapsed since the maturity date of the non-performing loans or non-accrual loans, and the collection efforts have failed;

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

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

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

The objective evidence should be identified first to reveal impairment existing for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If no objective evidence of impairment exists for an individually assessed financial asset, it should be further included in a set of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment are not required to be collectively assessed because impairment is or continued to be recognized.

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 "Net other non-interest income" 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 an increase 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.

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.

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.

(Continued)

i. Financial liabilities 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.

(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 account 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.

6) 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.

7) 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.

8) 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 general and administrative expenses" and "Net other non-interest income".

9) 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 yearly 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 net other non-interest income. 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

10) 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

Goodwill under the purchasing method is the portion in excess of the identifiable net assets measured using fair value. Goodwill is carried at 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.

11) Assets held-for-sale and liabilities directly related with assets held-for-sale

Disposal groups 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.

12) Provisions

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

(a) An entity has a present obligation, legal or constructive, as a result of a past event;

(b) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

(c) A reliable estimate can be made of the amount of the obligation.

The Bank shall not recognize provisions for future operating losses.

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

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

(Continued)

13) Revenue and expense recognition

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

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

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

14) Employee benefit

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

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

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

ii. A defined benefit plan is a post-employment benefit plan under which benefit is paid to an employee on the basis of their ages, service periods and compensated salaries at the date of retirement. The Bank recognizes actuarial gains and losses which are incurred by the change of actual experience and actuarial assumption in other comprehensive income, and recognize pension asset or liability in balance sheets in which asset or liability is the amount of actuarial present value of defined benefit obligation deducting fair value of plan assets. The calculation of defined benefit obligation is performed annually by an actuary using the projected unit credit method. The actuarial present value of defined benefit obligation is calculated by discounting future cash flow at the yield rate on AA credit rated bonds that have maturity dates approximating the terms of the obligation and that are denominated in the same currency in which the benefits are expected to be paid. Pension cost for the interim period is calculated on a year-to-date basis by using actuarially determined pension cost rate at the end of the previous fiscal year. In terms of the amendment of Article 12 of Regulations Governing the Preparation of Financial Reports by Public Banks according to Jin-Guan-Yin-(Fa)-Zi No. 10310006010 as announced by FSC on October 21, 2014, the Bank elected to recognize the remeasurements of defined benefit plans in retained earnings, and will not reclassify amounts into profit or loss in the subsequent period.

(Continued)

15) Share-based payment transactions

Equity-settled share-based payments are measured at fair value at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, and the corresponding increase in owners' equity is recognized. The recognized compensation cost is expected to meet with the service conditions and the non-market vesting conditions of the reward adjustments. The final amounts recognized after meeting the service conditions and non-market vesting conditions are based on the reward measured.

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

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

16) Income tax

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

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

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

(Continued)

17) Earnings per share of common stock

Earnings per share ("EPS") are computed by dividing the amount of net income (or loss) attributable to common stock outstanding for the period by the weighted-average number of issued common shares outstanding during the period. If the number of common shares or potential common shares outstanding increases as a result of capitalization of retained earnings, additional paid-in capital, or employee bonuses, or decreases as a result of a reverse capitalization due to losses, the calculation of basic EPS and diluted EPS for all periods presented is adjusted retrospectively. If these changes occur after the balance sheet date but before the issuance date of the individual interim 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 interim financial statements in accordance with the Regulation Governing the Preparation of Financial Statements by Public Bank, Regulations Governing the Preparation of Financial Statements by Securities Firms, and other related regulations, management requires making 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.

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.

(Continued)

(6) Disclosures of Significant Accounts

1) Cash and cash equivalents

	June 30, 2015	December 31, 2014	June 30, 2014
Cash on hand	$ 5,745,143	4,422,868	4,525,806
Deposits with other banks	10,730,809	4,993,807	19,604,714
Deposits with other banks—affiliates	3,273,724	13,017,764	35,388,758
Total	$ 19,749,676	22,434,439	59,519,278

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

	June 30, 2015	December 31, 2014	June 30, 2014
Cash and cash equivalents reported in the statement of balance sheets	$ 19,749,676	22,434,439	59,519,278
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	50,532,538	61,676,195	24,179,808
Securities purchased under resell agreements and debt instruments qualifying for cash and cash equivalents under the definition of IAS 7	5,218,819	2,556,376	7,995,747
Cash and cash equivalents reported in the statement of cash flows	$ 75,501,033	86,667,010	91,694,833

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

	June 30, 2015	December 31, 2014	June 30, 2014
Required reserve—checking account	$ 9,906,440	6,832,382	6,553,874
Required reserve—demand account	14,457,901	14,449,298	14,753,008
Required reserve—foreign currency	216,730	253,349	179,312
Required reserve—settlement account	822,074	800,002	814,858
Call loans to banks	4,284,312	18,466,166	3,515,187
Call loans to banks—affiliates	54,881,858	43,948,162	16,685,570
Trade finance receivables	7,905,745	19,668,186	15,714,806
Total	$ 92,475,060	104,417,545	58,216,615

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

(Continued)

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Notes to the Financial Statements

"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.

The required reserve — settlement account is placed with the CBC for interbank settlement.

3) Financial instruments at fair value through profit or loss

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

	June 30, 2015	December 31, 2014	June 30, 2014
Interest-rate instruments			
Government bonds	$ 1,259,688	9,381,630	5,543,846
Corporate bonds	4,020,137	9,247,488	3,726,881
Negotiable certificates of deposit	-	-	3,998,426
Subtotal	5,279,825	18,629,118	13,269,153
Derivative financial assets			
Interest rate swap	1,261,882	1,483,460	1,936,749
Interest rate option	115,155	128,313	118,064
Spot/forward/swap	3,062,755	8,721,815	1,201,965
Cross currency swap	569,508	1,331,812	250,839
Foreign exchange otpion	4,237,305	5,922,746	3,278,223
Commodity swap	50,645	49,951	17,530
Commodity option	56,055	144,499	6,436
Subtotal	9,353,305	17,782,596	6,809,806
Total	$ 14,633,130	36,411,714	20,078,959

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

	June 30, 2015	December 31, 2014	June 30, 2014
Interest-rate instruments			
Short position-Government bonds	$ -	-	448,740
Derivative financial liabilities			
Interest rate swap	1,109,763	1,288,479	1,714,843
Interest rate option	69,538	66,508	109,109
Spot/forward/swap	3,589,195	4,736,663	1,548,145
Cross currency swap	518,219	1,251,834	389,067
Foreign exchange otpion	4,236,789	5,924,165	3,275,837
Commodity swap	50,645	49,951	15,231
Commodity option	56,055	144,499	8,735
Subtotal	9,630,204	13,462,099	7,060,967
Total	$ 9,630,204	13,462,099	7,509,707

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

4) Derivative financial instruments for hedging

Derivative financial assets for hedging were as follows:

	June 30, 2015	December 31, 2014	June 30, 2014
Fair value hedge:			
Interest rate swap	$ 45,087	47,490	122,559
Cash flow hedge:			
Interest rate swap	2,887	709	2,033
Total	$ 47,974	48,199	124,592

Derivative financial liabilities for hedging were as follows:

	June 30, 2015	December 31, 2014	June 30, 2014
Fair value hedge:			
Interest rate swap	$ -	161	2,214
Cash flow hedge:			
Interest rate swap	1,225	4,904	-
Total	$ 1,225	5,065	2,214

(a) Fair value hedge

A fair value hedge is the hedging of the hedged items exposure to change in fair value of recognized assets or liabilities that are attributable to particular hedged risks that could affect profit or loss. As of June 30, 2015, December 31 and June 30, 2014, 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	**June 30, 2015**	**Contract type**	**June 30, 2015**
Available-for-sale financial assets:			
Government bonds	$ (3)	Interest rate swap	$ 15
Financial debentures	(45,554)	Interest rate swap	45,072
	$ (45,557)		$ 45,087

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

(Continued)

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

For the six months period ended June 30, 2015 and 2014, net losses on the hedging derivative financial instruments listed above amounted to $2,246 thousand and $43,058 thousand, respectively, and net gains from the hedged risk of the hedged items amounted to $11,801 thousand and $41,452 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 June 30, 2015	Fair value December 31, 2014	Fair value June 30, 2014
Discounts and loan —floating interest rate	Interest rate swap	$	1,662	(4,195)	2,033

5) Securities purchased under resell agreements and debt instruments

		June 30, 2015	December 31, 2014	June 30, 2014
Securities purchased under resell agreements	$	5,218,819	2,556,376	7,995,747
Face value of securities	$	5,220,000	2,558,000	8,005,000

6) Receivables—net

		June 30, 2015	December 31, 2014	June 30, 2014
Accounts receivable factoring	$	13,438,993	21,548,111	16,085,261
Credit cards accounts receivable		5,271,094	5,352,873	5,552,976
Accounts receivable		529,369	530,571	500,290
Interest receivable		1,864,017	1,501,603	1,591,207
Acceptances receivable		380,860	374,066	642,442
Accounts receivable—related parties		713,785	811,996	468,659
Unsettled trade receivable		5,981,492	-	499,108
Other		276,522	156,396	258,064
Subtotal		28,456,132	30,275,616	25,598,007
Less: allowance for bad debts—receivables		296,194	322,995	325,846
Total	$	28,159,938	29,952,621	25,272,161

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

7) Discounts and loans—net

	June 30, 2015	December 31, 2014	June 30, 2014
Bills negotiations and bills and notes discounted	$ 723,654	985,621	1,210,612
Short-term loans and overdrafts	56,361,050	73,106,197	58,170,571
Short-term secured loans	8,866,670	7,280,178	6,658,115
Medium-term loans	40,829,109	46,080,749	51,169,668
Medium-term secured loans	7,588,664	7,781,008	5,941,172
Long-term loans	7,766,998	8,201,974	7,778,667
Long-term secured loans	191,178,373	197,874,228	200,830,524
Non-accrual loans	558,454	525,171	545,205
Subtotal	313,872,972	341,835,126	332,304,534
Premium adjustments on discounts and loans	163,964	159,725	59,088
Less: allowance for bad debts	4,036,477	4,450,587	4,700,780
Total	$ 310,000,459	337,544,264	327,662,842

As of June 30, 2015, December 31 and June 30, 2014, the Bank's long term loan with floating rate mentioned above has adopted cash flow hedge in order to reduce the impact of cash flow that was affected by interest rate fluctuation.

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

The movements of allowance for bad debts were as follows:

	January to June 2015		
	Individual assessment of impairment	Portfolio assessment of impairment	Total
Beginning balance at January 1, 2015	$ 2,084,495	2,689,087	4,773,582
Add: (reversal of) provision for bad debts	(85,065)	18,664	(66,401)
recovery from written-off loans	324,010	-	324,010
Less: charge-off and temporary payments	571,996	-	571,996
exchange rate and others	126,524	-	126,524
Ending balance at June 30, 2015	$ 1,624,920	2,707,751	4,332,671

	January to June 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 (reversal of) bad debts	554,167	(84,203)	469,964
recovery from written-off loans	403,499	-	403,499
Less: charge-off and temporary payments	1,306,543	-	1,306,543
exchange rate and others	135,398	5,741	141,139
Ending balance at June 30, 2014	$ 2,684,235	2,342,391	5,026,626

(Continued)

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

Item		June 30, 2015 Discounts and loans and receivables	June 30, 2015 Allowance for bad debts
With objective evidence of impairment	Individual assessment of impairment	$ 3,208,247	1,624,920
	Portfolio assessment of impairment	4,411,083	67,772
Without objective evidence of impairment	Portfolio assessment of impairment	334,709,774	2,639,979
Total		$ 342,329,104	4,332,671

Item		December 31, 2014 Discounts and loans and receivables	December 31, 2014 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

Item		June 30, 2014 Discounts and loans and receivables	June 30, 2014 Allowance for bad debts
With objective evidence of impairment	Individual assessment of impairment	$ 4,669,764	2,684,235
	Portfolio assessment of impairment	4,809,221	95,416
Without objective evidence of impairment	Portfolio assessment of impairment	348,423,556	2,246,975
Total		$ 357,902,541	5,026,626

As of June 30, 2015, December 31 and June 30, 2014, the amounts of outstanding loans with interest charges suspended amounted to $558,454 thousand, $525,171 thousand and $545,205 thousand, respectively. The amounts of interest not accrued derived from the aforementioned loans were $7,876 thousand, $7,969 thousand and $6,868 thousand, respectively.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

8) Available-for-sale financial assets—net

	June 30, 2015	December 31, 2014	June 30, 2014
Negotiable certificates of deposit	$ 165,830,753	164,140,930	156,995,317
Treasury bills	1,999,624	5,991,739	2,498,973
Government bonds	42,984,055	24,896,209	19,932,255
Financial debentures	6,017,808	6,051,871	5,676,219
Equity instruments	-	101,964	101,887
Less: accumulated impairments	-	14,469	14,469
Total	$ 216,832,240	201,168,244	185,190,182
Marked-to-market adjustments for hedged assets included in the above balance	$ (3)	(161)	(464)

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

	June 30, 2015			December 31, 2014		
	Percentage of ownership %	Investment cost	Book value	Percentage of ownership %	Investment cost	Book value
Investments measured by equity method:						
Standard Chartered Life Insurance Agency Co., Ltd. (SCLIA)	100.00	$ 21	414,258	100.00	21	692,275
Taiwan Standard Chartered Insurance Agency Co., Ltd. (SCIAC)	100.00	368	15,008	100.00	368	26,106
		$ 389	429,266		389	718,381
Other financial assets:						
Financial assets carried at cost:						
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	10,632	10,632
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		348,980	348,980
Less: accumulated impairment		-	202,941		-	202,941
		348,980	146,039		348,980	146,039
Restricted assets—debt instruments			10,394,727			15,702,585
			$ 10,540,766			15,848,624

(Continued)

	June 30, 2014		
	Percentage of ownership %	Investment cost	Book value
Investments measured by equity method:			
Standard Chartered Life Insurance Agency Co., Ltd.	100.00	$ 21	624,230
Taiwan Standard Chartered Insurance Agency Co., Ltd.	100.00	368	35,117
		$ 389	659,347
Other financial assets:			
Financial assets carried at cost:			
Taiwan Small and Medium Enterprises Development Corp.	4.84	$ 29,000	29,000
Financial Information Service Co., Ltd.	1.14	45,500	45,500
Taipei Forex Inc.	3.18	6,673	6,673
TSC Bio Venture Management, Inc.	5.00	15,188	15,188
Liyu Venture Investment, Inc.	4.76	8,549	8,549
Windance Co., Ltd.	2.73	188,500	188,500
Taiwan Asset Service Corporation	2.94	50,000	50,000
Yang Guang Asset management Company	1.42	849	849
Taiwan Depository and Clearing Corporation	0.17	9,277	9,277
Subtotal		353,536	353,536
Less: accumulated impairment		-	202,291
		353,536	151,245
Restricted assets—debt instruments			15,597,873
			$ 15,749,118

For the six months period ended June 30, 2015 and 2014, the Bank recognized share of profit of associates and joint ventures accounted for using equity method as $358,974 thousand and $265,836 thousand, respectively. For the six months period ended June 30, 2015, the cash dividends from associates under the equity method was $648,089 thousand, and decreased the book value of equities.

For the six months period ended June 30, 2015 and 2014, the cash dividends from financial assets carried at cost recorded under net other non-interest income were $3,264 thousand and $3,195 thousand, respectively.

On October 31, 2014, TSC Bio Venture Management Inc. bought back $4,556 thousand. In 2014, the Bank recognized impairment losses of $650 thousand from Liyu Venture Investment, Inc.

10) Property, plant and equipment—net

June 30, 2015	Cost	Accumulated depreciation	Accumulated impairment	Net
Land	$ 2,980,239	-	25,600	2,954,639
Buildings	3,071,547	1,155,309	1,169	1,915,069
Office equipment	558,700	520,801	-	37,899
Leasehold improvements	695,236	561,028	-	134,208
Other equipment	606,437	508,534	-	97,903
Total	$ 7,912,159	2,745,672	26,769	5,139,718

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

(Continued)

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Notes to the Financial Statements

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

Change in cost movement:

	January 1, 2015	Increase	Decrease	Reclassify	June 30, 2015
Land	$ 3,161,179	-	180,940	-	2,980,239
Buildings	3,126,077	-	54,530	-	3,071,547
Office equipment	610,027	1,105	52,432	-	558,700
Leasehold improvements	629,179	98,224	32,167	-	695,236
Other equipment	643,475	1,917	38,955	-	606,437
Total	$ 8,169,937	101,246	359,024	-	7,912,159

	January 1, 2014	Increase	Decrease	Reclassify	June 30, 2014
Land	$ 3,161,179	-	-	-	3,161,179
Buildings	3,111,411	2,124	30	14,329	3,127,834
Office equipment	651,104	7,458	17,793	5,512	646,281
Leasehold improvements	667,604	12,152	14,593	9,180	674,343
Other equipment	935,071	44,943	61,667	-	918,347
Work in process	15,153	13,868	-	(29,021)	-
Total	$ 8,541,522	80,545	94,083	-	8,527,984

Change in accumulated depreciation:

	January 1, 2015	Increase	Decrease	Reclassify	June 30, 2015
Buildings	$ 1,129,583	46,660	20,934	-	1,155,309
Office equipment	552,835	16,185	48,219	-	520,801
Leasehold improvements	534,490	58,705	32,167	-	561,028
Other equipment	519,369	28,120	38,955	-	508,534
Total	$ 2,736,277	149,670	140,275	-	2,745,672

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Change in accumulated impairment:

	January 1, 2015	Increase	Decrease	June 30, 2015
Land	$ 25,600	-	-	25,600
Buildings	1,169	-	-	1,169
Total	$ 26,769	-	-	26,769

	January 1, 2014	Increase	Decrease	June 30, 2014
Land	$ 19,218	-	-	19,218
Buildings	5,039	-	-	5,039
Total	$ 24,257	-	-	24,257

11) Intangible assets—net

	June 30, 2015	December 31, 2014	June 30, 2014
Goodwill	$ 3,156,048	3,156,048	3,156,048
Computer software	-	27	196
Total	$ 3,156,048	3,156,075	3,156,244

Change in intangible assets:

	January 1, 2015	Increase	Decrease	June 30, 2015
Goodwill	$ 3,156,048	-	-	3,156,048
Computer software	27	-	27	-
Total	$ 3,156,075	-	27	3,156,048

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

12) Other assets—net

	June 30, 2015	December 31, 2014	June 30, 2014
Refundable deposits	$ 449,368	451,125	473,249
Derivatives collateral	4,383,341	7,625,451	3,641,504
Prepaid fee	133,168	152,708	166,661
Assets held-for-sale	-	-	579,847
Other	788	240,077	30,296
	$ 4,966,665	8,469,361	4,891,557

(Continued)

13) Deposits from the Central Bank and banks

	June 30, 2015	December 31, 2014	June 30, 2014
Deposits from banks	$ 1,084,997	1,102,881	1,141,097
Deposits from banks—affiliates	1,832,088	2,241,325	739,645
Overdrafts on banks	21,414	46,068	63,424
Overdrafts on banks—affiliates	-	2,324,840	-
Call loans from banks	15,190,196	3,229,425	14,441,073
Call loans from banks—affiliates	14,862,861	16,932,395	39,575,125
Total	$ 32,991,556	25,876,934	55,960,364

14) Payables

	June 30, 2015	December 31, 2014	June 30, 2014
Accounts payable	$ 18,561	19,997	47,948
Accrued interest	497,145	531,542	666,391
Accrued expenses	1,153,923	1,775,092	1,116,210
Collection payable	306,911	73,602	84,422
Acceptance payable	380,860	374,066	642,442
Inter-branch check clearing payable	200,638	174,787	239,916
Temporary receipts in advance	132,749	8,923	363,980
Unsettled trade payable	1,924,247	10,000,000	50,205
Other	742,936	678,770	797,050
Total	$ 5,357,970	13,636,779	4,008,564

15) Deposits and remittances

	June 30, 2015	December 31, 2014	June 30, 2014
Checking accounts deposits	$ 4,231,659	4,482,905	4,703,668
Demand deposits:			
Demand deposits	187,158,234	211,920,451	154,260,573
Saving account deposits	126,522,656	129,274,558	129,048,197
Subtotal of demand deposits	313,680,890	341,195,009	283,308,770
Time deposits:			
Time deposits	184,723,082	197,285,428	172,895,259
Time savings deposits	48,255,274	55,417,670	65,647,484
Subtotal of time deposits	232,978,356	252,703,098	238,542,743
Remittances	79,287	114,706	159,343
Marked-to-market adjustments on hedged items	-	(161)	(2,804)
Total	$ 550,970,192	598,495,557	526,711,720

(Continued)

16) Financial debentures—net

As of June 30, 2015, December 31 and June 30, 2014, details of financial debentures issued by the Bank were as follows:

Bond	Conditions for issuance	June 30, 2015	December 31, 2014
91-1A	5 year term, interest accrued 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 accrued and paid semi annually, based on the average one year regular floating rate of the nine largest banks plus 1.493%	2,100	2,100
94-2	No maturity date, interest accrued and paid semi annually, based on the average one year regular floating rate of the nine largest banks plus 1.493%	500	500
98-2	No maturity date, USD based, interest accrued 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	4,644,214	4,750,291
98-3	No maturity date, USD based, interest accrued 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	4,644,214	4,750,291
100-1C	4 year term, interest accrued and paid quarterly, annual interest rate is 1.32%; maturity date: May 19, 2015	-	650,000
100-1D	5 year term, interest accrued 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 accrued 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 accrued 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 accrued and paid quarterly, TWD 90 day CP interest rate; maturity date: May 19, 2016	400,000	400,000
100-1I	7 year term, interest accrued 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 accrued and paid quarterly, annual interest rate is 1.451%; maturity date: June 8, 2016	500,000	500,000
100-3C	5 year term, interest accrued and paid quarterly, annual interest rate is 1.40%; maturity date: September 23, 2016	1,100,000	1,100,000
100-4D	10 year term, interest accrued 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
101-1C	3 year term, interest accrued and paid quarterly, annual interest rate is 1.09%; maturity date: January 17, 2015	-	600,000
103-1	2 year term, USD based, interest accrued quarterly, interest paid annually, annual interest rate is USD 3M LIBOR plus 0.70%; maturity date: January 27, 2016	17,957,630	18,367,792
103-2	10 year term, USD based, interest accrued and paid semi annually, annual rate is 4.50%; maturity date: December 18, 2024	6,192,286	6,333,722
		51,141,944	53,155,696
Marked-to-market adjustment on hedged items		45,554	46,492
Total		$ 51,187,498	53,202,188

(Continued)

Bond	Conditions for issuance	June 30, 2014
91-1A	5 year term, interest accrued and paid semi annually, annual interest rate for the first 3 years is 4.25%, and 4.5% for the last 2 years; maturity date: July 19, 2007	$ 1,000
94-1	No maturity date, interest accrued and paid semi annually, based on the average one year regular floating rate of the nine largest banks plus 1.493%	2,400
94-2	No maturity date, interest accrued and paid semi annually, based on the average one year regular floating rate of the nine largest banks plus 1.493%	500
98-1	10 year term, interest accrued and paid quarterly, annual interest rate for the first 5 years is 2.9%, and 3.4% for the last 5 years; maturity date: October 28, 2019	10,000,000
98-2	No maturity date, interest accrued and paid quarterly, annual interest rate from issuance date to June 11, 2015 is USD 3M LIBOR plus 3.33%, and USD 3M LIBOR plus 4.33% from June 11, 2015	4,482,801
98-3	No maturity date, interest accrued and paid quarterly, annual interest rate from issuance date to June 11, 2015 is USD 3M LIBOR plus 3.33%, and USD 3M LIBOR plus 4.33% from June 11, 2015	4,482,801
100-1C	4 year term, interest accrued and paid quarterly, annual interest rate is 1.32%; maturity date: May 19, 2015	650,000
100-1D	5 year term, interest accrued and paid quarterly, annual interest rate is 1.45%; maturity date: May 19, 2016	6,150,000
100-1E	6 year term, interest accrued and paid quarterly, annual interest rate is 1.51%; maturity date: May 19, 2017	1,000,000
100-1F	7 year term, interest accrued and paid quarterly, annual interest rate is 1.60%; maturity date: May 19, 2018	2,550,000
100-1H	5 year term, interest accrued and paid quarterly, TWD 90 day CP interest rate; maturity date: May 19, 2016	400,000
100-1I	7 year term, interest accrued and paid quarterly, TWD 90 day CP interest rate; maturity date: May 19, 2018	4,000,000
100-2	5 year term, interest accrued and paid quarterly, annual interest rate is 1.451%; maturity date: June 8, 2016	500,000
100-3C	5 year term, interest accrued and paid quarterly, annual interest rate is 1.40%; maturity date: September 23, 2016	1,100,000
100-4D	10 year term, interest accrued and paid quarterly, TWD 90 day CP interest rate plus 0.15% interest rate; maturity date: June 29, 2021	2,000,000
101-1C	3 year term, interest accrued and paid quarterly, annual interest rate is 1.09%; maturity date: January 17, 2015	600,000
103-1	2 year term, USD based, interest accrued quarterly, interest paid annually, annual interest rate is USD 3M LIBOR plus 0.70%; maturity date: January 27, 2016	17,333,500
		55,253,002
Marked-to-market adjustment on hedged items		109,206
Total		$ 55,362,208

17) Other financial liabilities

	June 30, 2015	December 31, 2014	June 30, 2014
Structured deposits	$ 1,329,768	3,304,529	10,535,961

18) Provisions

	June 30, 2015	December 31, 2014	June 30, 2014
Provision for guarantee liabilities	$ 69,950	109,035	100,903
Provision for employee benefits	1,659,972	1,705,507	1,745,263
Other miscellaneous provisions	150,619	94,316	90,657
Total	$ 1,880,541	1,908,858	1,936,823

19) Other liabilities

	June 30, 2015	December 31, 2014	June 30, 2014
Advance received from customers	$ 77,029	78,624	62,388
Deferred income	58,909	58,378	63,718
Guarantee deposits received	38,836	37,550	54,633
Tax payable	632,566	578,940	498,320
Derivatives collateral	2,137,885	3,931,816	491,704
Temporary trade receipts in advance	1,800,163	-	500,000
Liabilities directly related with assets held-for-sale	-	-	46,849
Other	228,662	449,739	125,708
	$ 4,974,050	5,135,047	1,843,320

20) Employee benefits

(a) Defined contribution plan

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

For the six months period ended June 30, 2015 and 2014, the pension expense under defined contribution plan of the Bank amounted to $82,114 thousand and $80,763 thousand, respectively.

(b) Provision for employee benefits

i) Change in defined benefit obligation

	June 30, 2015	December 31, 2014	June 30, 2014
Defined benefit plan	$ 1,659,972	1,705,507	1,745,263

The Bank adopted the defined benefit plan, which contributes 3% of eligible employees' monthly salary to the retirement reserve trust account at Bank of Taiwan. Employees' pension is calculated based on the employees' years of service under the Labor Standard Act and the employees' final average monthly salary at the time of retirement. Final average monthly salary refers to the average 6-month monthly salary preceding retirement including basic monthly salary, meal allowance, car allowance, shift allowance, transportation allowance, sales incentives, and overtime payment.

ii) Recognized as profit and loss cost

For the six months period ended June 30, 2015 and 2014, the cost charged to profit or loss were $77,595 thousand and $83,649 thousand, respectively, recognized as operating expenses—employee benefits expense.

iii) Primary actuarial assumptions

	January to June 2015	2014
Defined benefit plan discount rate	1.50 %	1.60 %
Incremental rate of future compensation levels	3.50 %	3.50 %

21) Income tax

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

For the six months period ended June 30, 2015 and 2014, the income tax expense and related accounts were as follows:

	January to June 2015	January to June 2014
Current income tax benefit	$ (8,565)	(2,101)
10% surtax on undistributed earnings	-	73,991
Deferred income tax expense	187,524	114,498
Basic income tax	134,293	136,525
Income tax expense	$ 313,252	322,913

As of June 30, 2015, December 31 and June 30, 2014, the current tax assets of the Bank amounted to $42,718 thousand $127,143 thousand and $22,442 thousand, respectively.

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

	January to June 2015	January to June 2014
Income tax from profit before tax at statutory rate	$ 396,131	367,812
Permanent difference	(257,822)	(288,796)
10% surtax on undistributed earnings	-	73,991
Prior-year income tax adjustments	(12,121)	35,482
Basic income tax	134,293	136,525
Other adjustments per tax regulation	52,771	(2,101)
Income tax expense	$ 313,252	322,913

(Continued)

For the six months period ended June 30, 2015 and 2014, the components of deferred income tax (benefits) expenses recognized as other comprehensive income were as follows:

		January to June 2015	January to June 2014
Unrealized fair value losses on available-for-sale financial assets	$	(18,288)	(680)
Fair value (losses) gains on effective portion of cash flow hedges		(24,042)	29,558
Defined benefit plan actuarial losses		(2,685)	-
Total	$	(45,015)	28,878

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

		January to June 2015	January to June 2014
Unrealized interest income from financial assets	$	2,778	(3,930)
Bad debt expense and guarantee liability provision		47,721	64,486
Depreciation expense		(5,466)	(1,662)
Amortization of goodwill		26,826	26,826
Impairment loss on assets		2,460	-
Expenses from share-based payments		(3,690)	2,333
Employee benefits		10,426	(3,505)
Provisions		5,330	(8,218)
Deferred income		30,320	97,053
Loss carryforwards		70,819	(58,885)
	$	187,524	114,498

The Bank's temporary difference of deferred tax asset components, based on the 17% tax rate for June 30, 2015, December 31 and June 30, 2014, were as follows:

		June 30, 2015	December 31, 2014	June 30, 2014
Deferred tax assets:				
Bad debt expense and guarantee liability provision	$	256,667	304,388	340,261
Depreciation expense		25,434	19,968	18,892
Impairment loss on assets		34,699	37,159	37,706
Expenses from share-based payments		31,863	28,173	28,173
Employee benefits		282,193	289,934	296,693
Provisions		16,251	21,581	20,897
Deferred income		135,533	165,853	193,525
Loss carryforwards		1,380,802	1,451,621	1,370,142
Total	$	2,163,442	2,318,677	2,306,289

(Continued)

	June 30, 2015	December 31, 2014	June 30, 2014
Deferred tax liabilities:			
Unrealized interest income on financial assets	$ 94,902	92,124	71,204
Amortization of goodwill	348,743	321,917	295,090
Land value increment tax	123,716	137,179	137,179
Unrealized gain on available-for-sale financial assets	109,174	127,462	136,161
Unrealized gain on cash flow hedge	3,647	27,689	4,927
Total	$ 680,182	706,371	644,561

The movements of deferred tax items were as follows:

	January to June 2015	January to June 2014
Beginning balance	$ 1,612,306	1,805,104
Recognized in current period profit and loss	(187,524)	(114,498)
Land value increment tax	13,463	-
Recognized in other comprehensive income	45,015	(28,878)
Ending balance	$ 1,483,260	1,661,728

The income tax returns of the prior years have been assessed up to the year 2013.

22) Information of imputation credit account

	June 30, 2015	December 31, 2014	June 30, 2014
Imputation credit account	$ 132,804	181,296	164,252

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 (actual)	2013 (actual)
Tax creditable ratios of distribution of retained earnings to R.O.C. residents	7.21 %	11.30 %

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

(Continued)

23) Stockholders' equity

(a) Capital

As of June 30, 2015, 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. In January 2015, the Bank performed checks on the unpresented shareholders dividends for the 2005 and 2006 fiscal year, prior to its acquisition of Hsinchu International Bank Co., Ltd, the unpresented dividend amounted to $8,740 thousands. The amount was transferred to capital surplus as per regulatory requirements. In accordance with Judicial Yuan Shi-Zi No. 1476, the shareholders' rights to these dividends will prescribe in 5 years should these rights not being exercised by the shareholders. Further in terms of Cai-Shui-Zi No. 820481127 published on December 22, 1993, prescribed unpresented dividend obligations should be classified as capital surpluses.

(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 2014 and 2013 earnings on June 29, 2015, and May 28, 2014, and appropriated legal reserve of $979,926 thousand and $680,333 thousand, respectively.

(Continued)

(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 Bank 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.

(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	Gains (losses) on effective portion of cash flow hedges	Total
January 1, 2015	$ 728,684	135,187	863,871
Available-for-sale financial assets—net			
—Valuation adjustment	(108,519)	-	(108,519)
Cash flow hedge			
—Unrealized loss	-	(117,382)	(117,382)
June 30, 2015	$ 620,165	17,805	637,970

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

(Continued)

(f) Dividend policy and appropriation of earnings

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

i. Shareholders' dividends and bonus: 99.99%

ii. Employee bonus: 0.01%

The appropriation of the aforementioned special reserve is required by law, or is proposed by the board of directors, depending on the needs for business operations.

The board of directors can propose to the annual shareholders' meeting a resolution regarding the proportion of employee bonus for distribution if necessary.

On June 29, 2015 and May 28, 2014, the board of directors, representing shareholders, approved the distribution of retained earnings and distributed cash dividends for 2014 and 2013 were as follows:

	2014	2013
Legal reserve appropriated	$ 979,926	680,333
Cash dividends of ordinary share	2,728,080	1,067,500
Total	$ 3,708,006	1,747,833

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 2014 earnings on June 29, 2015 and distributed bonus to employees for $229 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 2015. Furthermore, 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.

The relevant information about earnings distribution or deficit compensation can be accessed through Market Observation Post System or other sites.

In accordance with the Company Act amended in May 2015, employee bonus is excluded from the earning distribution. The articles of incorporation will be amended before the deadline set by the authority.

24) Share-based payments

Standard Chartered PLC Group (the SC PLC Group) has established four main share-based payment schemes for its directors and employees. For the six months period ended June 30, 2015 and 2014, the share-based payment schemes adopted by the Bank were as follows:

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

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

The option movements of the AESP were as follows:

	January to June 2015 Units	January to June 2014 Units
Beginning balance	466,480	503,367
Less: exercised	8,448	5,708
lapsed	119,835	75,522
Ending balance	**338,197**	**422,137**

For the six months period ended June 30, 2015 and 2014, the costs of the AESP are recognized as profits or losses were \$6,775 thousand and \$13,502 thousand, respectively, recorded under operating expenses—employee benefits expense.

Options under the Sharesave plans are valued using a binominal option-pricing model. The same fair value is applied to all employees including directors.

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

Restricted share awards which are made outside of the annual performance process, as additional incentive or retention mechanisms. These awards 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:

	January to June 2015 Units	January to June 2014 Units
Beginning balance	121,384	123,112
Add: granted	41,068	32,704
dividend	2,834	2,047
Less: exercised	17,260	16,499
lapsed	13,003	3,162
Ending balance	**135,023**	**138,202**

For the six months period ended June 30, 2015 and 2014, the costs of the RSA are recognized as profits or losses were $17,908 thousand and $10,183 thousand, respectively, recorded under operating expenses—employee benefits expense.

(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:

	January to June 2015 Units	January to June 2014 Units
Beginning balance	100,182	83,291
Add: granted	-	38,043
Less: exercised	6,371	1,940
lapsed	31,106	19,110
Ending balance	62,705	100,284

For the six months period ended June 30, 2015 and 2014, the costs of the PSA (PSP) are recognized as profit or loss were $3,873 thousand and $7,876 thousand, respectively, recorded under operating expenses—employee benefits expense.

(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.

	January to June 2015 Units	January to June 2014 Units
Beginning balance	16,797	16,999
Less: exercised	-	202
Ending balance	16,797	16,797

For the six months period ended June 30, 2014, the cost of the SRSS reversed to profit or loss was $981 thousand, recorded under operating expenses—employee benefits expense.

25) Earnings per share

	January to June 2015	January to June 2014
Net income attributable to common stockholders (after tax)	$ 2,016,932	1,840,687
Common stock (in thousands)	$ 2,910,572	2,910,572
Basic EPS (in dollars)	$ 0.69	0.63

(Continued)

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

26) Net interest income

	January to June 2015	January to June 2014
Interest income		
Interest income, discounts and loans	$ 4,337,491	4,821,068
Interest income, accounts receivable factoring	104,447	123,596
Interest income, due from banks	795,480	1,040,668
Interest income, available-for-sale financial assets	871,736	854,709
Interest income, credit card recurrence	172,589	212,441
Interest income, other	119,960	164,825
Subtotal	6,401,703	7,217,307
Interest expense		
Interest expense, deposits	1,957,179	2,014,048
Interest expense, due to banks	193,715	219,956
Interest expense, financial debentures	510,499	511,770
Interest expense, other	22,727	39,084
Subtotal	2,684,120	2,784,858
Total	$ 3,717,583	4,432,449

27) Net service fee income

	January to June 2015	January to June 2014
Service fee		
Service fee, loan	$ 85,927	102,173
Service fee, agency	3,358	208,655
Service fee, remittance and interbank	58,828	49,235
Service fee, guarantee, import, export and acceptance payable	48,129	55,397
Service fee, credit card	173,835	179,484
Service fee, trust	1,061,710	1,075,229
Service fee, factoring	40,649	30,189
Service fee, other	54,974	78,681
Subtotal	1,527,410	1,779,043
Service charge		
Service charge, interbank	104,159	87,510
Service charge, agency	55,725	74,265
Service charge, custodian	52,847	44,947
Service charge, other	44,454	23,853
Subtotal	257,185	230,575
Total	$ 1,270,225	1,548,468

(Continued)

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

	January to June 2015	January to June 2014
Gain on disposal		
Interest-rate instruments	$ 69,593	51,299
Derivative financial instruments	1,224,659	547,902
Subtotal	1,294,252	599,201
Loss on valuation		
Interest-rate instruments	(12,043)	(3,823)
Derivative financial instruments	(572,958)	(83,070)
Subtotal	(585,001)	(86,893)
Interest income	54,770	65,616
Total	$ 764,021	577,924

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

	January to June 2015	January to June 2014
Profit on sale—debt instruments	$ 53,250	3,568
Profit on sale—equity instruments	6,465	-
Total	$ 59,715	3,568

30) Net other non-interest income

	January to June 2015	January to June 2014
Administrative support service income	$ 324,699	253,579
Net gain (loss) on disposal of assets	80,358	(25)
Net gain on securities brokering income	-	56,476
Gains on financial assets carried at cost	3,264	3,195
Rental income	7,227	7,074
Net gain (loss) on fair value hedge	9,555	(1,606)
Other	12,670	8,807
Total	$ 437,773	327,500

31) Bad debt (reversal) expense and reversal of guarantee liability

	January to June 2015	January to June 2014
Bad debt (reversal) expenses	$ (66,401)	469,964
Reversal of guarantee liabilities	(39,085)	(7,508)
Total	$ (105,486)	462,456

(Continued)

32) Employee benefits expense

		January to June 2015	January to June 2014
Salary expenses	$	2,148,437	2,228,138
Employee insurance		172,911	175,594
Pension			
Defined contribution plan		82,114	80,763
Defined benefit plan		77,595	83,649
Other		134,154	139,257
Total	$	2,615,211	2,707,401

33) Depreciation and amortization expenses

		January to June 2015	January to June 2014
Depreciation expenses			
Buildings	$	46,660	47,749
Office equipment		16,185	25,968
Leasehold improvements		58,705	42,501
Other equipment		28,120	30,881
Subtotal of depreciation		149,670	147,099
Computer software amortization		27	806
Total	$	149,697	147,905

34) Other general and administrative expenses

		January to June 2015	January to June 2014
Rental expense	$	254,435	280,301
Office supplies		65,654	59,968
Postage		109,487	105,975
Repairs and maintenance		92,529	72,721
Advertising expense		41,175	45,641
Utilities fee		43,504	47,940
Taxes		367,013	243,432
Professional service fee		53,484	50,322
Operational and advisory service fee		491,975	509,955
Consulting and technical support service fee		255,348	202,399
Wholesale banking business service fee		159,443	169,143
Building management fee		63,560	70,227
Computer management fee		126,411	121,414
Other		292,812	405,864
Total	$	2,416,830	2,385,302

(Continued)

35) Disclosure of financial instruments

(a) Financial instruments measured at amortised cost

i. Valuation of financial instruments measured at amortised cost:

i) Non derivative short term financial assets and liabilities with short maturity dates, including cash and cash equivalents, receivables—net, payables, related parties payable and other financial liabilities, the fair value is their carrying amounts.

ii) Due from the Central Bank and call loans to banks and deposits from the Central Bank and banks: the fair value of floating rate placements and borrowings and overnight deposits is their carrying amounts. The estimated fair value of fixed interest bearing deposits or interest earning loans is based on discounted cash flows using the prevailing money market rates for debts with a similar credit risk and remaining maturity.

iii) Securities purchased under resell agreements and debt instruments: for investment securities that have directly observable market values available, securities are valued using inputs proxied from the same or closely related or inputs proxied from a different underlying. Certain instruments cannot be proxied as set out above, and in such cases the positions are valued using non-market observable inputs. The fair value for such instruments is usually proxied from internal assessments of the underlying cash flows.

iv) Discounts and loans: discounts and loans are presented net of provisions for impairment. The fair value of Discounts and loans to customers with a residual maturity of less than one year generally approximates the carrying value. The estimated fair value with a residual maturity of more than one year represents the discounted amount of future cash flows expected to be received, including assumptions relating to prepayment rates. Expected cash flows are discounted at current market rates or secondary syndication market pricing to determine fair value.

v) Financial assets carried at cost: for an investment in equity instruments that do not have a quoted market price in an active market, or derivatives linked to such equity instruments because its fair value cannot be measured reliably. At balance sheet date, the Bank will evaluate whether there is an objective evidence of impairment on the investee by using the net book value of the investee in its most recent financial statement and the costs of investment. Its book value after impairment will be used as its fair value.

vi) Deposits and remittances: the estimated fair value of deposits and remittances with no stated maturity and floating rate deposits is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits is based on discounting cash flows using the prevailing market rates with a similar credit risk and remaining maturity.

vii) Financial debentures: the aggregate fair values are calculated based on quoted market prices. For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current market related yield curve appropriate for the remaining term to maturity.

(Continued)

ii. Fair value of financial instruments measured at amortised cost:

Financial assets	June 30, 2015	
	Book value	Fair value
Cash and cash equivalents	$ 19,749,676	19,749,676
Due from the Central Bank and call loans to banks	92,475,060	92,475,200
Securities purchased under resell agreements and debt instruments	5,218,819	5,252,631
Receivables－net	28,159,938	28,159,938
Discounts and loans－net	310,000,459	308,698,858
Other financial assets－net		
Financial assets carried at cost	146,039	146,039

Financial assets	December 31, 2014	
	Book value	Fair value
Cash and cash equivalents	$ 22,434,439	22,434,439
Due from the Central Bank and call loans to banks	104,417,545	104,420,644
Securities purchased under resell agreements and debt instruments	2,556,376	2,571,377
Receivables－net	29,952,621	29,952,621
Discounts and loans－net	337,544,264	337,832,971
Other financial assets－net		
Financial assets carried at cost	146,039	146,039

Financial assets	June 30, 2014	
	Book value	Fair value
Cash and cash equivalents	$ 59,519,278	59,519,278
Due from the Central Bank and call loans to banks	58,216,615	58,216,656
Securities purchased under resell agreements and debt instruments	7,995,747	7,993,207
Receivables－net	25,272,161	25,272,161
Discounts and loans－net	327,662,842	328,108,891
Other financial assets－net		
Financial assets carried at cost	151,245	151,245

Financial liabilities	June 30, 2015	
	Book value	Fair value
Deposits from the Central Bank and banks	$ 32,991,556	33,028,213
Payables	5,357,970	5,357,970
Related parties payable	10,712,647	10,712,647
Deposits and remittances	550,970,192	551,034,648
Financial debentures－net	51,187,498	51,213,858
Other financial liabilities	1,329,768	1,329,768

(Continued)

Financial liabilities	December 31, 2014 Book value	Fair value
Deposits from the Central Bank and banks	$ 25,876,934	25,901,490
Payables	13,636,779	13,636,779
Related parties payable	10,063,624	10,063,624
Deposits and remittances	598,495,557	598,379,519
Financial debentures—net	53,202,188	53,226,681
Other financial liabilities	3,304,529	3,304,529

Financial liabilities	June 30, 2014 Book value	Fair value
Deposits from the Central Bank and banks	$ 55,960,364	55,987,446
Payables	4,008,564	4,008,564
Related parties payable	8,525,550	8,525,550
Deposits and remittances	526,711,720	527,540,660
Financial debentures—net	55,362,208	55,373,866
Other financial liabilities	10,535,961	10,535,961

iii. Fair value hierarchy information of financial instruments measured at amortised cost:

	June 30, 2015				
		Fair value			
Financial instruments measured at amortised cost	Book value	Level 1 (note 1)	Level 2 (note 2)	Level 3 (note 3)	Total
Non-derivative financial instruments:					
Assets:					
Cash and cash equivalents	$ 19,749,676	-	19,749,676	-	19,749,676
Due from the Central Bank and call loans to banks	92,475,060	-	92,475,200	-	92,475,200
Securities purchased under resell agreements and debt instruments	5,218,819	-	5,252,631	-	5,252,631
Receivables—net	28,159,938	-	28,159,938	-	28,159,938
Discounts and loans—net	310,000,459	-	10,000,000	298,698,858	308,698,858
Other financial assets—net					
Financial assets carried at cost	146,039	-	-	146,039	146,039
Liabilities:					
Deposits from the Central Bank and banks	32,991,556	-	33,028,213	-	33,028,213
Payables	5,357,970	-	5,357,970	-	5,357,970
Related parties payable	10,712,647	-	10,712,647	-	10,712,647
Deposits and remittances	550,970,192	-	551,034,648	-	551,034,648
Financial debentures—net	51,187,498	-	51,213,858	-	51,213,858
Other financial liabilities	1,329,768	-	1,329,768	-	1,329,768

(Continued)

(b) Financial instruments measured at fair value

i. Valuation of financial instruments measured at fair value:

i) Financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets, derivative financial assets and liabilities for hedging, and Other financial assets—debt instruments: for investment securities that have directly observable market values available, securities are valued using inputs proxied from the same or closely related or inputs proxied from a different underlying. Certain instruments cannot be proxied as set out above, and in such cases the positions are valued using non-market observable inputs. The fair value for such instruments is usually proxied from internal assessments of the underlying cash flows.

ii) Derivative financial assets and liabilities: wherever possible, fair values have been calculated using unadjusted quoted market prices in active markets, the market data used for price may include those sourced from recent trade data involving external counterparties or third parties such as Reuters, Bloomberg, and brokers. Where quoted market prices are not available, fair values have been determined using the prices sources from consensus pricing providers, to the extent possible, use market observable inputs, such as Totem or Markit or similar instruments' prices.

ii. The Bank makes a credit valuation adjustment (CVA) against derivative products. CVA is an estimate of the adjustment to fair value to account for the possibility that the counterparty may default and the bank would not receive the full market value of the transactions. CVA is determined by applying the counterparty's probability of default to counterparty's loss given default (LGD) and exposure at default (EAD), whereas, debit valuation adjustment (DVA) is calculated on its derivative liabilities and issued debt designated at fair value, including structured notes. DVA is determined by applying the Bank's PD to the Bank's negative expected exposure against the counterparty. Collateral held are taken into account for the calculation of CVA and DVA.

Internal model is used to calculate the probability of default (PD) and the loss given default (LGD); whereas exposure at default (EAD) is on simulation basis. The methodology used to determine DVA on derivative liabilities is consistent with the methodology used to determine counterparty CVA on derivative assets.

iii. The quantitative information of significant unobservable amount (level 3) at fair value

The Bank does not have level 3 financial instruments.

iv. The sensitivity analysis of the fair value against the reasonably possible alternative assumptions while measuring level 3 fair value

The Bank does not have level 3 financial instruments.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

v. Fair value hierarchy information of financial instruments measured at fair value:

Financial instruments at fair value	June 30, 2015 Total	Level 1 (note 1)	Level 2 (note 2)	Level 3 (note 3)
Non-derivative financial instruments:				
Assets:				
Financial assets at fair value through profit or loss				
Debt instruments	$ 5,279,825	1,259,688	4,020,137	-
Available-for-sale financial assets—net				
Debt instruments	216,832,240	42,984,055	173,848,185	-
Other financial assets—net				
Restricted assets—debt instruments				
Debt instruments	10,394,727	299,047	10,095,680	-
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	9,353,305	27,165	9,326,140	-
Derivative financial assets for hedging	47,974	-	47,974	-
Liabilities:				
Financial liabilities at fair value through profit or loss	9,630,204	21,076	9,609,128	-
Derivative financial liabilities for hedging	1,225	-	1,225	-

Financial instruments at fair value	December 31, 2014 Total	Level 1 (note 1)	Level 2 (note 2)	Level 3 (note 3)
Non-derivative financial instruments:				
Assets:				
Financial assets at fair value through profit or loss				
Debt instruments	$ 18,629,118	9,381,630	9,247,488	-
Available-for-sale financial assets—net				
Debt instruments	201,080,749	24,896,209	176,184,540	-
Equity instruments	87,495	87,495	-	-
Other financial assets—net				
Restricted assets—debt instruments				
Debt instruments	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	-

(Continued)

Financial instruments at fair value	June 30, 2014 Total	Level 1 (note 1)	Level 2 (note 2)	Level 3 (note 3)
Non-derivative financial instruments:				
Assets:				
Financial assets at fair value through profit or loss				
Debt instruments	$ 13,269,153	5,543,846	7,725,307	-
Available-for-sale financial assets—net				
Debt instruments	185,102,764	19,932,253	165,170,511	-
Equity instruments	87,418	87,418	-	-
Other financial assets—net				
Restricted assets—debt instruments				
Debt instruments	15,597,873	505,510	15,092,363	-
Liabilities:				
Financial liabilities at fair value through profit or loss				
Short positions—government bonds	448,740	448,740	-	-
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	6,809,806	6,413	6,803,393	-
Derivative financial assets for hedging	124,592	-	124,592	-
Liabilities:				
Financial liabilities at fair value through profit or loss	7,060,967	8,848	7,052,119	-
Derivative financial liabilities for hedging	2,214	-	2,214	-

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:

a. 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.

(Continued)

b. Quoted prices for identical or similar assets or liabilities in markets those are not active.

c. 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).

d. 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 which are unobservable).

(c) 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, and liquidity risk both on (interest rate, exchange rate, equity, and commodity) and off the balance sheets in our day-to-day operations.

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

i. Market risk

i) Strategy and procedure of market risk management

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

ii) Market risk management organization and structure

Market and Liquidity Risk Taiwan followed the regulatory of the Taiwan Financial Supervisory Commission to develop the market risk management policies and procedures, which include the banking books and trading books. The objective of the companies limits are annually reviewed by Market and Liquidity Risk Taiwan and are in line with Group Market Risk Committee guidance. The policies and procedures are presented to the Board for approval.

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

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

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

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

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

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

The table below lists the market risk (such as exchange rate or interest rate) of financial instruments of the Bank. Market risk represents potential losses that the Bank may suffer in one day when unfavorable changes occur on the Bank's position at a 97.5% confidence interval under a certain price probability distribution.

	January to June 2015			January to June 2014		
	Average	**Maximum**	**Minimum**	**Average**	**Maximum**	**Minimum**
Foreign exchange VaR	$ 3,607	6,504	1,433	4,185	8,494	1,722
Interest rate VaR	42,535	53,778	31,089	24,913	33,988	16,847
Risk rate VaR	42,701	53,978	31,246	25,312	34,406	17,728

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.

vi) Exchange rate risk exposure information

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

	June 30, 2015			December 31, 2014		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Long position						
USD	$12,021,058	30.961	372,189,138	11,065,261	31.669	350,421,408
EUR	995,946	34.577	34,436,696	617,019	38.495	23,752,142
JPY	65,802,205	0.253	16,679,290	74,479,113	0.265	19,709,328
HKD	3,276,957	3.994	13,088,059	1,581,835	4.084	6,460,350
CNY	12,305,263	5.064	62,311,572	7,436,890	5.170	38,448,442
Short position						
USD	11,999,542	30.961	371,522,974	11,057,614	31.669	350,179,239
EUR	997,990	34.577	34,507,362	618,044	38.495	23,791,577
JPY	65,802,882	0.253	16,679,462	74,518,950	0.265	19,719,870
HKD	3,278,506	3.994	13,094,246	1,580,067	4.084	6,453,126
CNY	12,257,735	5.064	62,070,901	7,401,332	5.170	38,264,612

	June 30, 2014		
	Foreign currency	Exchange rate	NTD
Long position			
USD	$ 8,257,712	29.885	246,784,553
EUR	331,275	40.806	13,518,027
JPY	49,584,818	0.295	14,628,344
AUD	274,950	28.104	7,727,178
CNY	6,742,309	4.858	32,752,963
Short position			
USD	8,212,951	29.885	245,446,845
EUR	335,063	40.806	13,672,634
JPY	49,915,664	0.295	14,725,949
AUD	274,214	28.104	7,706,507
CNY	6,763,780	4.858	32,857,262

i) Interest rate sensitivity information

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

June 30, 2015

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	$ 319,062,587	69,985,322	75,708,438	42,145,890	506,902,237
Interest rate sensitive liabilities	299,270,825	44,678,413	29,460,047	3,566,877	376,976,162
Interest rate sensitive gap	19,791,762	25,306,909	46,248,391	38,579,013	129,926,075
Net worth					42,373,446
Ratio of interest rate sensitive assets to liabilities (%)					134.47
Ratio of interest rate sensitive gap to net worth (%)					306.62

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

June 30, 2014

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

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

June 30, 2015

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	$ 3,078,113	118,995	50,386	194,384	3,441,878
Interest rate sensitive liabilities	5,112,850	744,591	364,763	5,427	6,227,631
Interest rate sensitive gap	(2,034,737)	(625,596)	(314,377)	188,957	(2,785,753)
Net worth					48,014
Ratio of interest rate sensitive assets to liabilities (%)					55.27
Ratio of interest rate sensitive gap to net worth (%)					(5,801.96)

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)

June 30, 2014

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

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, including legal risk.

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

According to nature and activities of operational risk, effectiveness of operational risk management is controlled and monitored by different expertise of second line control owners accordingly. The following risk subtype and activities fall within the scope of operational risk, including External Rules and Reputation, Liability, Legal enforceability, Damage or loss of physical assets, Safety & security, Internal fraud or dishonesty, External fraud, Information Security, Process failure, Model, People management, Vendor management, Data quality management, Business Contingency management, Financial 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.

(Continued)

v) Method used for regulatory capital calculation

Basic Indicator Approach.

iii. Legal risk

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

iv. Credit risk management

i) Credit risk strategy, goal, policy and procedure

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

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

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 tolerance.

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 tolerance;

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.

(Continued)

B. Policies and Procedures

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

ii) Credit risk management organization and structure

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

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

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.

(Continued)

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:

		Maximum exposure to credit risk		
Off-balance-sheet items		**June 30, 2015**	**December 31, 2014**	**June 30, 2014**
Other guarantees	$	6,614,153	6,903,492	6,956,480
Unused amount of irrevocable credit commitments		1,500,755	1,970,603	1,977,520
Unused amount of irrevocable letters of credit		1,732,928	2,401,702	1,902,984
Total	$	9,847,836	11,275,797	10,836,984

(Continued)

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 abilities to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Bank's concentration of credit risk are derived from assets, liabilities or off-balance sheet items, compliance or enforcement by transactions (regardless of the product or service), or arises from a combination of categories including credit, due from banks and call loans to banks, portfolio investments, and other receivables and derivatives. The Bank currently has no concentration of transaction to a single counterparty nor a single transaction with a counterparty for the Bank's discount and loans, and non-performing loans that are significant. The following table illustrates the diversification of the loan portfolio among industry sectors, geographical regions and collateral types of the Bank and its subsidiaries:

A. By industry

	June 30, 2015	December 31, 2014	June 30, 2014
Individual	$ 214,704,843	223,318,953	231,831,908
Manufacturing	46,999,706	49,962,231	48,264,062
Transportation and warehousing	14,502,567	15,767,796	9,499,268
Commercial	12,183,224	16,638,314	14,100,608
Government	10,000,000	16,950,000	7,500,000
Financial industry	4,652,319	6,626,660	7,392,147
Other	10,830,313	12,571,172	13,716,541
Total	$ 313,872,972	341,835,126	332,304,534

B. By area

	June 30, 2015	December 31, 2014	June 30, 2014
Domestic	$ 277,602,230	298,571,583	301,717,911
Overseas	36,270,742	43,263,543	30,586,623
Total	$ 313,872,972	341,835,126	332,304,534

(Continued)

C. By collateral

	June 30, 2015	December 31, 2014	June 30, 2014
Unsecured	$ 98,220,925	111,651,700	106,244,841
Secured			
— Real estate	189,159,816	195,106,107	201,689,202
— Movable asset	15,049,111	22,049,186	12,849,276
— Debt instrument	8,799,093	9,983,311	8,008,006
— Other	2,644,027	3,044,822	3,513,209
Total	$ 313,872,972	341,835,126	332,304,534

viii) Credit quality and impairment analysis on financial asset

Some of the financial assets held by the Bank, such as cash and cash equivalents, 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.

A. Credit quality analysis

	June 30, 2015					
	Neither past due nor impaired	Past due but not impaired	Impaired	Allowance for bad debts		Total
				Individually impaired	Collectively impaired	
Receivables						
Credit cards accounts receivable	$ 4,330,333	107,524	833,237	264,954	31,240	4,974,900
Accounts receivable factoring	13,438,993	-	-	-	-	13,438,993
Discounts and loans						
Consumer banking	206,424,247	3,875,850	5,037,952	1,232,187	2,520,670	211,585,192
Wholesale banking	96,669,990	116,792	1,748,141	127,779	155,841	98,251,303
Available-for-sale financial assets	216,832,240	-	-	-	-	216,832,240
	$ 537,695,803	4,100,166	7,619,330	1,624,920	2,707,751	545,082,628

	December 31, 2014					
	Neither past due nor impaired	Past due but not impaired	Impaired	Allowance for bad debts		Total
				Individually impaired	Collectively impaired	
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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

	June 30, 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	$ 4,481,463	135,755	935,758	276,367	48,246	5,228,363
Accounts receivable factoring	16,085,261	-	-	-	-	16,085,261
Discounts and loans						
Consumer banking	222,536,341	4,626,624	5,629,158	1,381,940	2,073,251	229,336,932
Wholesale banking	96,492,527	105,815	2,914,069	1,025,928	219,661	98,266,822
Available-for-sale financial assets	185,102,764	-	101,887	14,469	-	185,190,182
	$ 524,698,356	4,868,194	9,580,872	2,698,704	2,341,158	534,107,560

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

	June 30, 2015			
	Investment grade	Sub-investment grade	High risk grade	Total
Receivables				
Credit cards accounts receivable	$ 88	4,330,240	5	4,330,333
Accounts receivable factoring	12,492,769	946,224	-	13,438,993
Discounts and loans				
Consumer banking	173,844,215	32,580,032	-	206,424,247
Wholesale banking	49,509,976	47,128,928	31,086	96,669,990
Total	$ 235,847,048	84,985,424	31,091	320,863,563

	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)

	June 30, 2014			
	Investment grade	Sub-investment grade	High risk grade	Total
Receivables				
Credit cards accounts receivable	$ 106,268	4,365,195	10,000	4,481,463
Accounts receivable factoring	7,605,224	8,480,037	-	16,085,261
Discounts and loans				
Consumer banking	1,817,515	220,655,877	62,949	222,536,341
Wholesale banking	45,706,819	50,760,551	25,157	96,492,527
Total	$ 55,235,826	284,261,660	98,106	339,595,592

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

	June 30, 2015			
	Investment grade	Sub-investment grade	High risk grade	Total
Receivables				
Credit cards accounts receivable	$ 1,947	24,765	80,812	107,524
Discounts and loans				
Consumer banking	6,727	2,076,123	1,793,000	3,875,850
Wholesale banking	-	106,786	10,006	116,792
Total	$ 8,674	2,207,674	1,883,818	4,100,166

	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

	June 30, 2014			
	Investment grade	Sub-investment grade	High risk grade	Total
Receivables				
Credit cards accounts receivable	$ 2,341	33,725	99,689	135,755
Discounts and loans				
Consumer banking	1,252	2,334,334	2,291,038	4,626,624
Wholesale banking	-	87,461	18,354	105,815
Total	$ 3,593	2,455,520	2,409,081	4,868,194

(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.

	June 30, 2015			
	Investment grade	Sub-investment grade	High risk grade	Total
Available-for-sale financial assets				
Debt instruments	$ 216,832,240	-	-	216,832,240

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

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

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 reasons can result in past due. According to the internal credit risk assets impairment evaluation guideline, a less than 150-day consumer banking past due loan or less than 90-day wholesale banking past due loan is typically not to be treated as individually impairment (but treated as collectively impairment) unless there is negotiation agreements or other objective evidence showing the potential loss.

	June 30, 2015				
	Up to 1 month	1-2 months	2-3 months	Over 3 months	Total
Receivables					
Credit cards accounts receivable	$ 52,610	21,573	14,544	18,797	107,524
Discounts and loans					
Consumer banking	2,696,172	788,595	206,955	184,128	3,875,850
Wholesale banking	106,335	5,385	1,710	3,362	116,792
Total	$ 2,855,117	815,553	223,209	206,287	4,100,166

(Continued)

	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

	June 30, 2014				
	Up to 1 month	1-2 months	2-3 months	Over 3 months	Total
Receivables					
Credit cards					
accounts receivable	$ 63,244	33,318	14,964	24,229	135,755
Discounts and loans					
Consumer banking	3,128,315	927,885	314,210	256,214	4,626,624
Wholesale banking	65,267	17,025	12,460	11,063	105,815
Total	$ 3,256,826	978,228	341,634	291,506	4,868,194

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

A. Asset quality of the Bank

Unit: in thousands of New Taiwan Dollars, %

Product			Period: June 30, 2015				
			Non-performing loan	Loan balances	NPL ratio	Allowance for bad debts	Coverage ratio
Wholesale Banking	Secured		3,191	27,550,563	0.01 %	80,565	2,524.76 %
	Unsecured		428,760	70,984,360	0.60 %	203,055	47.36 %
Consumer Banking	Mortgage		218,346	154,121,654	0.14 %	2,144,508	982.16 %
	Personal loan		249,697	33,626,473	0.74 %	1,554,993	622.75 %
	Others	Secured	11,844	26,214,205	0.05 %	46,481	392.44 %
		Unsecured	17,726	1,375,717	1.29 %	6,875	38.78 %
Total			929,564	313,872,972	0.30 %	4,036,477	434.23 %
			Overdue	Accounts receivable	Overdue ratio	Allowance for bad debts	Coverage ratio
Credit card			20,480	5,271,094	0.39 %	296,194	1,446.26 %
Factoring loan receivable without recourse			-	13,438,993	- %	-	- %

(Continued)

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 receivable	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: June 30, 2014 Non-performing loan	Loan balances	NPL ratio	Allowance for bad debts	Coverage ratio
Wholesale Banking	Secured		4,714	23,131,398	0.02 %	885,221	18,778.55 %
	Unsecured		417,518	76,381,013	0.55 %	360,368	86.31 %
Consumer Banking	Mortgage		333,273	163,021,392	0.20 %	1,401,962	420.66 %
	Personal loan		346,080	39,488,189	0.88 %	1,991,148	575.34 %
	Others	Secured	19,411	27,546,068	0.07 %	35,418	182.46 %
		Unsecured	24,501	2,736,474	0.90 %	26,663	108.82 %
Total			1,145,497	332,304,534	0.34 %	4,700,780	410.37 %
			Overdue	Accounts receivable	Overdue ratio	Allowance for bad debts	Coverage ratio
Credit card			31,403	5,552,976	0.57 %	324,613	1,033.70 %
Factoring loan receivable without recourse			-	16,085,261	- %	-	- %

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

Unit: in thousands of New Taiwan Dollars

	June 30, 2015		December 31, 2014	
	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	$ 9,916	35,561	11,653	41,633
The amount under debt discharge program and rehabilitation program without default by debtors	448,914	63,933	479,170	68,561
	$ 458,830	99,494	490,823	110,194

(Continued)

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Notes to the Financial Statements

	June 30, 2014		
		Loans that may be exempted from reporting as overdue loan	Receivables that may be exempted from reporting as overdue receivables
The amount under inter-bank debt relief program without default by debtors	$	13,655	48,985
The amount under debt discharge program and rehabilitation program without default by debtors		508,701	67,535
	$	522,356	116,520

B. Concentration of corporate credit risk for the bank

Units: in thousands of New Taiwan Dollars, %

June 30, 2015				
Rank	Industry classification of group enterprise		Outstanding credit	% of net assets
1	A Group	Other computer peripheral manufacturing industry	4,543,021	10.36 %
2	B Group	Other weaving industry	3,905,959	8.91 %
3	C Company	Copper metallurgy industry	3,715,371	8.47 %
4	D Group	Petrochemicals Manufacturing	3,363,425	7.67 %
5	E Group	Industrial Plastic Products Manufacturing	2,944,966	6.72 %
6	F Group	Semiconductors packaging and testing	2,882,412	6.57 %
7	G Group	Aviation transportation	2,508,459	5.72 %
8	H Group	Ocean freight industry	2,080,995	4.75 %
9	I Group	Shoes industry	1,974,421	4.50 %
10	J Company	Other transportation vehicles leasing	1,903,465	4.34 %

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

(Continued)

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

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 221.5 billion, which is equivalent to 31% 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 wholesale banking 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.

(Continued)

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 and available-for-sale financial assets.

iv) Maturity analysis of non-derivatives liabilities

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

	June 30, 2015				
	Within 3 months	3 months~1 year	1~5 years	Over 5 years	Total
Deposits from the Central Bank and banks	$ 32,061,807	929,749	-	-	32,991,556
Payables	5,357,970	-	-	-	5,357,970
Related parties payable	10,712,647	-	-	-	10,712,647
Deposits and remittances	408,737,777	135,623,632	6,608,783	-	550,970,192
Financial debentures	9,292,029	25,007,629	8,695,554	8,192,286	51,187,498
Other financial liabilities	752,127	269,675	307,966	-	1,329,768
Total	$ 466,914,357	161,830,685	15,612,303	8,192,286	652,549,631

	December 31, 2014				
	Within 3 months	3 months~1 year	1~5 years	Over 5 years	Total
Deposits from the Central Bank and 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
Financial debentures	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

	June 30, 2014				
	Within 3 months	3 months~1 year	1~5 years	Over 5 years	Total
Deposits from the Central Bank and banks	$ 41,178,725	14,781,639	-	-	55,960,364
Financial liabilities at fair value through profit or loss	448,740	-	-	-	448,740
Payables	4,008,564	-	-	-	4,008,564
Related parties payable	8,525,550	-	-	-	8,525,550
Deposits and remittances	375,046,594	146,351,202	5,313,924	-	526,711,720
Financial debentures	8,969,503	1,252,133	33,118,274	12,022,298	55,362,208
Other financial liabilities	7,096,695	2,025,006	1,414,260	-	10,535,961
Total	$ 445,274,371	164,409,980	39,846,458	12,022,298	661,553,107

(Continued)

v) Maturity analysis of derivative financial liabilities

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

A. Maturity analysis of net settled derivatives

	June 30, 2015					
	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	$ 177,402	703,873	163,160	1,466,481	1,027,411	3,538,327
— Interest rate derivative instruments	12,903	18,736	34,042	188,845	924,775	1,179,301
Derivative financial instruments for hedging						
— Interest rate derivative instruments	-	-	-	388	837	1,225
	$ 190,305	722,609	197,202	1,655,714	1,953,023	4,718,853

	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 for 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

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

(Continued)

B. Maturity analysis of gross settled derivatives

	June 30, 2015					
	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	$ 139,382,491	53,216,470	85,774,641	47,240,900	2,160,616	327,775,118
— Cash inflow	137,658,464	51,701,865	81,699,600	41,568,904	1,009,078	313,637,911
Net cash flow	$ (1,724,027)	(1,514,605)	(4,075,041)	(5,671,996)	(1,151,538)	(14,137,207)

	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)

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

vi) Maturity analysis of off-balance-sheet items

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

	June 30, 2015				
	0-30 days	31-90 Days	91 days-1 year	Over 1 year	Total
Other guarantees	$ 311,466	1,338,112	1,529,506	3,435,069	6,614,153
Unused amount of irrevocable loan commitments	-	-	416,354	1,084,401	1,500,755
Unused amount of irrevocable letters of credit	342,656	943,777	446,495	-	1,732,928
	$ 654,122	2,281,889	2,392,355	4,519,470	9,847,836

	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 commitments	-	-	1,013,395	957,208	1,970,603
Unused amount of irrevocable letters 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

(Continued)

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

vii) Structure Analysis of Maturity Date New Taiwan Dollars

June 30, 2015

		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	$ 674,755,217	97,426,326	40,145,235	72,588,599	117,989,641	114,132,191	232,473,225
Capital used	786,968,868	77,656,047	69,253,073	152,802,453	120,316,427	94,284,562	272,656,306
Gap	(112,213,651)	19,770,279	(29,107,838)	(80,213,854)	(2,326,786)	19,847,629	(40,183,081)

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)

June 30, 2014

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

viii) Structure Analysis of Maturity Date US Dollars

June 30, 2015

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	$ 15,033,723	5,903,923	3,184,603	3,374,438	1,588,657	982,102
Capital used	15,938,094	5,770,190	2,740,700	3,396,519	1,834,808	2,195,877
Gap	(904,371)	133,733	443,903	(22,081)	(246,151)	(1,213,775)

December 31, 2014

		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)

June 30, 2014

		Remaining period to expiration				
	Total	0~30 days	31~90 days	91~180 days	181 days~ Over 1 year	Over 1 year
Capital provided	$ 12,647,452	4,346,634	3,779,785	2,159,693	1,014,318	1,347,022
Capital used	13,606,087	4,996,611	2,361,361	2,587,336	999,112	2,661,667
Gap	(958,635)	(649,977)	1,418,424	(427,643)	15,206	(1,314,645)

(d) The offsetting information for financial assets and financial liabilities

The Bank has signed total net executable settlement contracts and similar agreements. When both parties choose to conduct the settlement using the net amount, it is acceptable to use the net amount after offsetting the financial assets and financial liabilities. If not, the total value is used in the settlement. If one party defaults, the other party has the right to select the net amount during the settlement.

The table below shows the relevant offsetting information for financial assets and financial liabilities:

June 30, 2015

Financial assets under net executable settlement contracts or similar agreements				Relevant amounts not offset on balance sheet (d)		
	Total financial assets recognized (a)	Offset total financial liabilities recognized in the balance sheet (b)	Net financial assets reported in the balance sheet (c)=(a)-(b)	Financial instruments (Note)	Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial assets	$ 9,401,279	-	9,401,279	3,578,637	2,137,885	3,684,757
Securities purchased under resell agreements	5,218,819	-	5,218,819	-	5,218,819	-
Total	$ 14,620,098	-	14,620,098	3,578,637	7,356,704	3,684,757

June 30, 2015

Financial liabilities under net executable settlement contracts or similar agreements				Relevant amounts not offset on balance sheet (d)		
	Total financial liabilities recognized (a)	Offset total financial assets recognized in the balance sheet (b)	Net financial liabilities reported in the balance sheet (c)=(a)-(b)	Financial instruments (Note)	Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial liabilities	$ 9,631,429	-	9,631,429	3,578,637	4,383,341	1,669,451

December 31, 2014

Financial assets under net executable settlement contracts or similar agreements				Relevant amounts not offset on balance sheet (d)		
	Total financial assets recognized (a)	Offset total financial liabilities recognized in the balance sheet (b)	Net financial assets reported in the balance sheet (c)=(a)-(b)	Financial instruments (Note)	Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial assets	$ 17,830,795	-	17,830,795	3,505,152	3,931,816	10,393,827
Securities purchased under resell agreements	2,556,376	-	2,556,376	-	2,556,376	-
Total	$ 20,387,171	-	20,387,171	3,505,152	6,488,192	10,393,827

(Continued)

	December 31, 2014					
	Financial liabilities under net executable settlement contracts or similar agreements					
	Total financial liabilities recognized (a)	Offset total financial assets recognized in the balance sheet (b)	Net financial liabilities reported in the balance sheet (c)=(a)-(b)	Relevant amounts not offset on balance sheet (d): Financial instruments (Note)	Relevant amounts not offset on balance sheet (d): Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial liabilities	$ 13,467,164	-	13,467,164	3,505,152	7,625,451	2,336,561

	June 30, 2014					
	Financial assets under net executable settlement contracts or similar agreements					
	Total financial assets recognized (a)	Offset total financial liabilities recognized in the balance sheet (b)	Net financial assets reported in the balance sheet (c)=(a)-(b)	Relevant amounts not offset on balance sheet (d): Financial instruments (Note)	Relevant amounts not offset on balance sheet (d): Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial assets	$ 6,934,398	-	6,934,398	2,264,704	491,704	4,177,990
Securities purchased under resell agreements	7,995,747	-	7,995,747	-	7,995,747	-
Total	$ 14,930,145	-	14,930,145	2,264,704	8,487,451	4,177,990

	June 30, 2014					
	Financial liabilities under net executable settlement contracts or similar agreements					
	Total financial liabilities recognized (a)	Offset total financial assets recognized in the balance sheet (b)	Net financial liabilities reported in the balance sheet (c)=(a)-(b)	Relevant amounts not offset on balance sheet (d): Financial instruments (Note)	Relevant amounts not offset on balance sheet (d): Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial liabilities	$ 7,063,181	-	7,063,181	2,264,704	3,641,504	1,156,973

(Note) Includes net amount settlements and financial guarantees of non-cash items.

(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. 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. Ordinary share and additional paid-in capital in excess of par-ordinary share

b. Capital collected in advance

c. Capital surplus

d. Legal reserves

e. Special reserves

f. Accumulated profit or loss

g. Non-controlling interests

h. Other items in stockholders' equity

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

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

iii. Capital adequacy

Item	Period-end		June 30, 2015	December 31, 2014	June 30, 2014
Self-owned capital	Common stock capital		38,657,201	39,359,781	38,042,621
	Other Tier 1 capital		-	-	-
	Tier 2 capital		9,553,001	16,375,636	17,999,472
	Total self-owned capital		48,210,202	55,735,417	56,042,093
Risk-weighted assets	Credit risk	Standard approach (SA)	323,299,502	356,129,217	350,572,248
		Internal ratings-based approach (IRB)	-	-	-
		Securitization	-	-	-
	Operational risk	Basic indicator approach (BIA)	28,835,011	28,835,011	30,296,999
		Standardized approach (SA)	-	-	-
		Advanced measurement approach (AMA)	-	-	-
	Market risk	Standardized approach/alternative approach	14,862,361	19,491,065	17,075,280
		Internal model-based approach (IMA)	-	-	-
	Total risk-weighted assets		366,996,874	404,455,293	397,944,527
Total risk-based capital			13.14 %	13.78 %	14.08 %
Ratio of common stock to total risk-based assets			10.53 %	9.73 %	9.56 %
Ratio of Tier 1 capital to risk-based assets			10.53 %	9.73 %	9.56 %
Leverage ratio			4.45 %	4.31 %	4.50 %

Note: The amount as of June 30, 2015 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 ultimate controlling party
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

(Continued)

Name	Relationship
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
Standard Chartered Bank Macau Limited ("SCB Macau")	Affiliate
Standard Chartered Bank Indonesia ("SCB Indonesia")	Affiliate
Standard Chartered Bank Australia ("SCB Australia")	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.

2) Significant transactions with related parties

(a) Deposits

June 30, 2015			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties not over 1% of total deposits	$ 1,309,242	0.24	0.00~6.55

June 30, 2014			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties not over 1% of total deposits	$ 1,698,292	0.32	0.00~5.84

(Continued)

The interest rates applied to the related parties are based on the board rate for all significant impacts, and the deposit conditions are the same as those for general deposits. The interest rate on employee savings accounts was calculated based on the interest rate of time savings deposits with three year term offered to the general public plus 3%.

For the six months period ended June 30, 2015 and 2014, interest expenses on the above deposits were $2,782 thousand and $4,102 thousand, respectively, and the interest payables on the above transaction were $214 thousand and $495 thousand, respectively.

As of June 30, 2015 and 2014, the deposit ending balance, related interest expense and accrued interest of SCLIA were $115,342 thousand and $799,307 thousand, related interest expense were $587 thousand and $1,299 thousand, respectively; interest payable were $1 thousand and $104 thousand, respectively; the deposit ending balance, related interest expense and accrued interest of SCIAC were $17,454 thousand and $39,636 thousand, related interest expense were $30 thousand and $74 thousand, respectively; interest payable were $2 thousand and $3 thousand, respectively.

(b) Loans

January to June 2015							
				Repayment			
Type of loan	Maximum balance 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	10,487	15	7,677	7,677	-	Unsecured lending	None
Mortgage	148,557	27	141,986	141,986	-	House	None
Other	5,514	Other individuals	5,232	5,232	-	Overdraft on the comprehensive deposits	None

January to June 2014							
				Repayment			
Type of loan	Maximum balance 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	7,301	14	6,788	6,788	-	Unsecured lending	None
Mortgage	212,337	35	204,833	204,833	-	House	None
Other	6,068	Other individuals	5,793	5,793	-	Overdraft on the comprehensive deposits	None

For the six months period ended June 30, 2015 and 2014, interest income on the above loans were $1,484 thousand and $2,006 thousand, respectively, and the interest receivables on the above transaction were $149 thousand and $205 thousand, respectively.

(c) Foreign exchange and derivative transactions

Name	Contracts	Contract duration period	Notional	Net valuation adjustment	Balance sheet Account	Balance
			June 30, 2015			
SCB	Interest rate swap	2015.7.17~ 2022.7.1	$ 14,365,769	(25,256)	Financial assets at fair value through profit or loss	13,149
					Financial liabilities at fair value through profit or loss	(38,405)
	Forward contract	2015.7.1~ 2017.4.28	142,275,553	13,343	Financial assets at fair value through profit or loss	558,975
					Financial liabilities at fair value through profit or loss	(545,632)
	Foreign exchange option contract	2015.7.1~ 2017.6.29	167,115,731	(3,894,695)	Financial assets at fair value through profit or loss	183,182
					Financial liabilities at fair value through profit or loss	(4,077,877)
	Commodity swap	2015.7.22~ 2016.5.4	512,593	32,229	Financial assets at fair value through profit or loss	41,437
					Financial liabilities at fair value through profit or loss	(9,208)
	Cross currency swap	2016.3.18~ 2017.5.3	467,833	(8,698)	Financial liabilities at fair value through profit or loss	(8,698)
	Commodity option contract	2015.7.2~ 2016.6.3	4,624,178	(55,869)	Financial assets at fair value through profit or loss	93
					Financial liabilities at fair value through profit or loss	(55,962)
	Interest rate swap (Hedge)	2015.10.23~ 2018.2.20	10,423,784	1,619	Derivative financial assets for hedging	2,456
					Derivative financial liabilities for hedging	(837)
SCB Singapore	Forward contract	2015.7.1~ 2016.5.11	19,984,767	(88,619)	Financial assets at fair value through profit or loss	133,877
					Financial liabilities at fair value through profit or loss	(222,496)
SCB HK	Forward contract	2015.7.1	1,414,007	539	Financial assets at fair value through profit or loss	539
SCB New York	Forward contract	2015.7.1	543,741	893	Financial assets at fair value through profit or loss	1,455
					Financial liabilities at fair value through profit or loss	(562)

Name	Contracts	4.0~5.3 duration period	Notional	Net valuation adjustment	Balance sheet Account	Balance
			June 30, 2014			
SCB	Interest rate swap	2014.10.16~ 2017.10.11	$ 20,037,454	(57,408)	Financial assets at fair value through profit or loss	55,216
					Financial liabilities at fair value through profit or loss	(112,624)
	Interest rate option contract	2017.5.18	1,195,414	(5,553)	Financial liabilities at fair value through profit or loss	(5,553)
	Forward contract	2014.7.1~ 2015.6.16	84,374,566	121,088	Financial assets at fair value through profit or loss	363,412
					Financial liabilities at fair value through profit or loss	(242,324)
	Foreign exchange option contract	2014.7.1~ 2016.6.30	74,154,108	(3,030,350)	Financial assets at fair value through profit or loss	41,588
					Financial liabilities at fair value through profit or loss	(3,071,938)
	Commodity swap	2014.7.2~ 2015.5.5	561,631	(929)	Financial assets at fair value through profit or loss	8,301
					Financial liabilities at fair value through profit or loss	(9,230)
	Cross currency swap	2015.6.8~ 2016.3.18	2,538,382	(44,601)	Financial liabilities at fair value through profit or loss	(44,601)

(Continued)

		June 30, 2014				
		4.0~5.3		Net valuation	Balance sheet	
Name	Contracts	duration period	Notional	adjustment	Account	Balance
	Commodity option contract	2014.7.2~ 2015.7.7	$ 2,284,548	(7,398)	Financial liabilities at fair value through profit or loss	(7,398)
	Interest rate swap (Hedge)	2014.10.16~ 2015.4.22	6,575,358	(973)	Derivative financial assets for hedging	1,241
					Derivative financial liabilities for hedging	(2,214)
SCB Singapore	Forward contract	2014.7.1~ 2014.12.24	10,388,078	15,373	Financial assets at fair value through profit or loss	17,709
					Financial liabilities at fair value through profit or loss	(2,336)
SCB HK	Forward contract	2014.7.2~ 2014.9.17	686,412	(1,353)	Financial assets at fair value through profit or loss	486
					Financial liabilities at fair value through profit or loss	(1,839)
SCB New York	Forward contract	2015.6.9	204,031	2,091	Financial assets at fair value through profit or loss	2,091

(d) Deposits with banks—affiliates

	January to June 2015		
	Balance	Interest rate %	Interest income
SCB New York	$ 1,364,295	0.13	3,215
SCB Germany	764,919	1.50	(4)
SCB	500,130	-	3
SCB HK	395,423	-	-
SCB China	124,281	4.00~5.30	70,125
Other	124,676	-	-
	$ 3,273,724		73,339

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

(e) Call loans to banks—affiliates

	January to June 2015		
	Balance	Interest rate %	Interest income
SCB Taipei	$ 51,277,054	-0.20~4.25	194,989
SCB Japan	3,295,190	-0.20~0.01	(15)
SCB Vietnam	309,614	0.35~0.38	352
Other	-	0.14~0.16	10,235
	$ 54,881,858		205,561

(Continued)

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

As of June 30, 2015 and 2014, the interest receivables resulting from the above call loans to banks to affiliates were $143,237 thousand and $1,638 thousand, respectively, recorded under receivables—net.

(f) Deposits from banks—affiliates

	January to June 2015		
	Balance	Interest rate %	Interest expense
SCB Taipei	$ 1,832,088	0.01	100

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

As of June 30, 2015 and 2014, the interest payables resulting from the above deposits from banks to affiliates were $5 thousand and $2 thousand, respectively.

(g) Overdrafts on banks—affiliates

	January to June 2015		
	Balance	Interest rate %	Interest expense
SCB HK	$ -	4.87	445
SCB New York	-	0.25	203
SCB Singapore	-	5.75	16
Other	-	0.50	9
	$ -		673

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

As of June 30, 2015 and 2014, the Bank did not have the interest payables resulting from the above overdrafts on banks to affiliates.

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Notes to the Financial Statements

(h) Call loans from banks－affiliates

	January to June 2015		
	Balance	Interest rate %	Interest expense
SCB Japan	$ 6,192,286	0.33~0.70	28,884
SCB HK	3,097,518	0.15~5.40	23,575
SCB China	3,096,143	0.05~0.15	474
SCB Thailand	1,548,071	0.35~0.45	8,531
SCB Macau	928,843	0.05~0.28	2,063
SCB Taipei	-	0.48~0.51	321
	$ 14,862,861		63,848

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

As of June 30, 2015 and 2014, the interest payables resulting from the above call loans from affiliates were $19,717 thousand and $35,649 thousand, respectively, recorded under related parties payable.

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

	Fair value		
Name	June 30, 2015	December 31, 2014	June 30, 2014
SCB HK	$ 6,017,808	6,051,871	5,676,219

As of June 30, 2015 and 2014, the interest income resulting from the above transaction are $178,352 thousand and $151,510 thousand, respectively, recorded under related parties payable.

(j) The issuance of financial debentures to affiliates were as follows:

Name	Bond (note)	June 30, 2015	December 31, 2014	June 30, 2014
SCB	98-2	$ 4,644,214	4,750,291	4,482,801
SCB	98-3	4,644,214	4,750,291	4,482,801
SCB HK	103-1	17,957,630	18,367,792	17,333,500
SCB	103-2	6,192,286	6,333,722	-

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

For the six months period ended June 30, 2015 and 2014, the interest expenses on the above transactions were $402,635 thousand and $233,164 thousand, respectively. As of June 30, 2015 and 2014, the interest payable on the above transactions were $108,481 thousand and $87,447 thousand, respectively, recorded under related parties payable.

(k) Guarantee

	January to June 2015			
	Maximum balance during the period	Ending balance	Expense (per case)	Collateral
SCB Indonesia	$ 24,769	24,769	USD100	None

	January to June 2014			
	Maximum balance during the period	Ending balance	Expense (per case)	Collateral
SCB Indonesia	$ 23,908	23,908	USD100	None
SCB Singapore	1,483	1,483	USD100	None

(l) For the six months period ended June 30, 2015, operational and advisory service fees, consulting and technical support service fees and wholesale banking business service fees were $491,975 thousand, $255,348 thousand, and $159,443 thousand, respectively. For the six months period ended June 30, 2014, operational and advisory service fees, consulting and technical support service fees and wholesale banking business service fees were $509,955 thousand, $202,399 thousand, and $169,143 thousand, respectively. As of June 30, 2015 and 2014, fees payables to SCB were $10,319,207 thousand and $8,214,380 thousand, respectively, recorded under related parties payable. Moreover, for the six months period ended June 30, 2015 and 2014, the royalty expenses for obtaining the right to use intellectual property of SC PLC Group amounted to $19,809 thousand and $22,270 thousand, respectively. As of June 30, 2015 and 2014, the royalty expenses payable to SCB were $158,199 thousand and $112,309 thousand, respectively, recorded under related parties payable. For the six months period ended June 30, 2015 and 2014, the group insurance expenses for entering the group insurance amounted to $20,156 thousand and $20,703 thousand, respectively. As of June 30, 2015 and 2014, the group insurance expenses payable to SCB were $20,156 thousand and $20,703 thousand, respectively, recorded under related parties payable.

(Continued)

(m) For the six months period ended June 30, 2015 and 2014, the related cost of the Executive Share Option Scheme amounted to $28,556 thousand and $30,580 thousand, respectively. As of June 30, 2015 and 2014, accounts payable to SCB for the share-based payment scheme costs amounted to $16,615 thousand and $28,750 thousand, respectively, recorded under related parties payable, the prepaid fee to SCB for the share-based payment scheme costs amounted to $863 thousand and $833 thousand, respectively, recorded under other assets—net.

(n) For the six months period ended June 30, 2015 and 2014, expenses resulting from operating and other business related activities with affiliates are as follows:

Name		January to June 2015	January to June 2014
Consultant service income:			
SCB HK	$	8,427	18,291
Consultant service fees:			
SCB HK	$	11,817	-
Technical support service fees:			
SCB	$	5,231	5,157
Other		-	249
Total	$	5,231	5,406
Information technology service fees:			
Scope International Private Ltd.	$	38,792	29,584
Scope International (M) Sdn. Bhd		39,463	33,366
Total	$	78,255	62,950
Origination fees:			
SCB Qatar	$	30	3,717
SCB Philippines		592	739
SCB South Africa		1,981	3,341
SCB Vietnam		2,349	787
Total	$	4,952	8,584

For the Bank, as of June 30, 2015 and 2014, consultant service income receivables were $47,206 thousand and $17,931 thousand, respectively, recorded under receivables—net, consultant service fee payables were $13,443 thousand and $0 thousand, respectively, recorded as related parties payable. As of June 30, 2015 and 2014, technical support service fees, information technology service fees and origination fees were $41,948 thousand and $34,333 thousand, respectively, recorded under related parties payable.

(o) For the six months period ended June 30, 2015 and 2014, SCBTL signed rental contracts with SCLIA which were calculated by the market situation and the rental area. The rentals were received monthly. The related rental were $25 thousand and $8 thousand. As of June 30, 2015 and 2014, the guarantee deposits paid from SCLIA were $8 thousand and $3 thousand; for the usage of utility facilities and software, the related receivables from SCLIA were both $16 thousand; the related receivables from SCIAC were both $4 thousand, recorded under receivables—net.

(Continued)

(p) As of June 30, 2015 and 2014, the accounts receivable recorded under receivables—net, and related service income that SCBTL supported the SCLIA for its sales and administrative support were $308,400 thousand and $245,800 thousand, $320,032 thousand, $246,787 thousand, respectively; the accounts receivable recorded under receivables—net and related service income that SCBTL supported the SCIAC for its sales and administrative support were $3,020 thousand and $5,120 thousand, and $3,017 thousand and $4,883 thousand, respectively.

(q) The Bank has signed a rental contract with SCB Taipei which was calculated by either the main rental contract or market situation and the rental area. The rentals were received monthly. For the six months period ended June 30, 2015 and 2014, the rentals were $2,220 thousand and $1,947 thousand, respectively. As of June 30, 2015 and 2014, the utility and information system usage income receivables were $129 thousand and $207 thousand, respectively, recorded under receivables—net, and the related recharge from expense allocation were $753 thousand and $853 thousand, respectively.

(r) For the six months period ended June 30, 2015 and 2014, the administrative support service income from SCB Taipei to the Bank were $1,650 thousand and $1,909 thousand, respectively.

3) The salary and remuneration of directors and supervisors

	January to June 2015	January to June 2014
Salary and other short term benefits	$ 183,682	168,123
Post-employment benefit	693	746
Total	$ 184,375	168,869

(8) Pledged Assets

Unit: in thousands of New Taiwan Dollars

Pledged assets	Pledged for	Amount June 30, 2015	Amount December 31, 2014	Amount June 30, 2014
Bonds (recorded under other financial assets)	Provision seizure	$ 46,100	63,500	93,200
	USD overdraft clearing deposits	10,000,000	15,000,000	15,000,000
Total		$ 10,046,100	15,063,500	15,093,200

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

Pledged assets	Pledged for	Amount June 30, 2015	Amount December 31, 2014	Amount June 30, 2014
Negotiable certificates of deposit, government bonds (recorded under other financial assets)	Trust indemnity reserve	$ 150,000	300,000	150,000
	Security deposits for futures trading	-	-	35,000
	Security deposits for security brokerage	-	250,000	225,000
	Security deposits for agency on foreign bond trading	50,000	-	-
	Security deposits for security underwriting	50,000	-	-
	Security deposits for bill trading business	100,000	100,000	100,000
		350,000	650,000	510,000
Guarantee deposits paid (recorded under other assets)	Operating deposits and security deposits for bond proprietary trading	150,300	150,300	171,440
Total		$ 500,300	800,300	681,440

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

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

3) Trust indemnity reserve is 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.)

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) Security deposits for agency on foreign bond trading are operating deposits placed for operating business of securities commission agency, brokerage, agency, and other relevant businesses approved by the competent authority in accordance with the provisions of the escrow deposit business.

7) Security deposits for security underwriting are operating deposits placed for operating business of securities commission agency, brokerage, agency, and other relevant businesses approved by the competent authority of the securities underwriting and operating in accordance with the provisions of the competent authorities of the escrow deposit.

(Continued)

8) Security deposits for bill trading business are deposits placed in the Central Bank of the Republic of China for the Bank's bill trading business.

9) Operating deposits and security deposits for bond proprietary trading are comprised of the Bank's operating deposits in the securities department, self-regulatory fund deposits in Taiwan Securities Association and settlement reserve deposits placed in the Taipei Exchange's electronic bond trading system.

(9) Significant Contingent Liabilities and Unrecognized Contract Commitments

1) Commitments and contingent liabilities

	June 30, 2015	December 31, 2014	June 30, 2014
Consignment collection for others	$ 7,024,364	7,825,767	8,207,524
Traveler's checks held on consignment for sale	-	-	20,645
Securities, consignments and goods in custody	1,736,193,831	1,658,282,223	1,596,984,184
Trust assets	95,458,824	100,062,167	101,549,193
	$ 1,838,677,019	1,766,170,157	1,706,761,546
Other guarantees	$ 6,614,153	6,903,492	6,956,480
Unused amount of irrevocable loan commitments	$ 1,500,755	1,970,603	1,977,520
Unused amount of irrevocable letters of credit	$ 1,732,928	2,401,702	1,902,984

2) Operating leases

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

	June 30, 2015	December 31, 2014	June 30, 2014
Not later than one year	$ 465,433	425,380	419,850
Later than one year and not later than five years	630,759	460,787	400,729
Total	$ 1,096,192	886,167	820,579

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 six months period ended June 30, 2014, the amount of $205,204 thousand was recognized as net service fee income. The Bank entered into a new agreement with PCA and SCLIA on July 4, 2014 to continue the tripartite partnership.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

Trust balance sheet
June 30, 2015

Trust assets		Trust liabilities	
Bank deposits	$ 14,277	Accounts payables	$ 8
Short-term investments	91,000,962	Tax payables	1
Structured notes	3,396,508	Payables for securities under custody	1,047,073
Securities under custody	1,047,073	Trust capital and accumulated earnings	94,411,742
Other assets	4		
Total trust assets	$ 95,458,824	Total trust liabilities	$ 95,458,824

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 earnings	99,012,980
Other assets	4		
Total trust assets	$ 100,062,167	Total trust liabilities	$ 100,062,167

Trust balance sheet
June 30, 2014

Trust assets		Trust liabilities	
Bank deposits	$ 15,658	Accounts payables	$ 10
Short-term investments	96,275,972	Tax payables	1
Structured notes	4,149,533	Payables for securities under custody	1,108,026
Securities under custody	1,108,026	Trust capital and accumulated earnings	100,441,156
Other assets	4		
Total trust assets	$ 101,549,193	Total trust liabilities	$ 101,549,193

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Trust income statements

		January to June 2015	January to June 2014
Trust revenue:			
Interest revenue	$	1,698,930	1,436,144
Common stock cash dividends		198	279
Realized gain on investments		1,498,797	1,172,206
Unrealized gain on investments		67,644	287,572
Net gain on trading of assets		-	1
		3,265,569	2,896,202
Trust expenses:			
Management expenses		53	63
Service charges		-	1
Realized loss on investments		1,345,775	1,488,703
Unrealized loss on investments		12,034,354	7,420,655
Loss on trading of assets		15	-
		13,380,197	8,909,422
Net loss before income tax		(10,114,628)	(6,013,220)
Income tax expense		2	2
Net loss after income tax	$	(10,114,630)	(6,013,222)

Schedules of investment for trust business

Investment items		June 30, 2015	December 31, 2014	June 30, 2014
Bank deposits	$	14,277	15,104	15,658
Short-term investments:				
Bonds		12,976,418	11,210,758	10,338,732
Common stock		3,032,154	2,958,857	2,952,966
Funds		74,992,390	80,001,350	82,984,274
Structured notes		3,396,508	4,826,918	4,149,533
Securities under custody		1,047,073	1,049,176	1,108,026
Other assets		4	4	4
	$	95,458,824	100,062,167	101,549,193

Foreign currency trust business engaged by the Offshore Banking Unit (OBU) as of June 30, 2015, December 31 and June 30, 2014 were included in the trust balance sheets and schedules of investment for trust business.

(10) Significant Disaster Loss: None.

(11) Significant Subsequent Events: None.

(Continued)

(12) Others

1) Profitability

Unit: %

Items		June 30, 2015	December 31, 2014	June 30, 2014
Return on assets	Before income tax	0.63	0.48	0.59
	After income tax	0.54	0.43	0.50
Return on equity	Before income tax	10.52	8.45	10.10
	After income tax	9.10	7.49	8.59
Net profit ratio		27.23	20.97	23.40

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 the 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 June 30, 2015, the balance sheets as of June 30, 2014, have been reclassified, and the statements are summarized as below:

Balance sheet	June 30, 2014 Before reclassification	June 30, 2014 After reclassification
Due from the Central Bank and call loans to banks	$ 42,501,809	58,216,615
Discounts and loans－net	343,377,648	327,662,842
Other financial assets－net	151,245	15,749,118
Other assets－net	20,489,430	4,891,557

3) The Bank reclassified the support service income from other general and administrative expenses to net other non-interest income. To align the presentation of statements of profit or loss and other comprehensive income for the six months period ended June 30, 2015, the statements of profit or loss and other comprehensive income for the six months period ended June 30, 2014, have been reclassified, and the statements are summarized as below:

Statements of profit or loss and other comprehensive income	June 30, 2014 Before reclassification	June 30, 2014 After reclassification
Net other non-interest income	$ 73,921	327,500
Other general and administrative expenses	2,131,723	2,385,302

(Continued)

(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 (excluding investment in subsidiaries, affiliates and joint ventures): 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：

Unit: in thousand of New Taiwan Dollars

Seller	Name of the property	Trade (actual) date	Acquisition date	Net book value	Transactiona mount	Collection status	Gain (loss) on disposal	Counterparty	Relationship with counterparty	Purpose of disposal	Price reference	Other terms and conditions
Standard Chartered Bank (Taiwan) Limited	1F., No.268 and B1., No.270 Sec. 3, Nanjing E. Rd., Songshan Dist., Taipei City 105, Taiwan (R.O.C.)	February 13, 2015	December 27, 2008	200,792	308,880	Cleaned	98,315	Longsun Construction Co., Ltd	NA	Demand of property in active market	Professional appraisal report	NA

(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: please refer to Note 6(6) and 7.

(i) Information regarding trading in derivative financial instruments: please refer to Note 6(3), (4) and (35).

(j) Information regarding selling non performing loans：

i. Summary table of NPL disposal: None.

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

(k) Information on applications for handling securitized commodities according to the Regulation on Financial Asset Securitization or the Regulation on Real Estate Investment Trusts: None.

(l) Business relationship and material transaction between the parent party and subsidiaries: Please refer to Note 7.

(m) Other material transaction items which were significant to people who use the information in the individual interim financial statements to make financial decisions: None.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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 %	414,258	351,697	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 %	15,008	7,277	300	-	300	100.00 %	Note 1
Taiwan Small and Medium Enterprises Development Corp.	8F., No.181, Fushing N. Rd., Songshan District, Taipei City 10596, Taiwan	Small and medium enterprises improvement services	4.84 %	29,000	-	3,417	-	3,417	4.84 %	Note 1
Financial Information Service Co., Ltd.	No.81, Sec. 3, Kangning Rd., Neihu District, Taipei City 11485, Taiwan	Information technology services	1.14 %	45,500	-	5,119	-	5,119	1.14 %	Note 1
Taipei Forex Inc.	8F., No.400, Sec. 2, Bade Rd., Songshan District, Taipei City 10556, Taiwan	Foreign exchange and foreign currency lending services	3.18 %	6,673	-	630	-	630	3.18 %	Note 1
TSC Bio Venture Management, Inc.	11F.-1, No.176, Sec. 1, Keelung Rd., Xinyi District, Taipei City 11070, Taiwan	Venture capital services	5.00 %	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

(Continued)

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

3) Related information on investments in Mainland China:

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

   (b) Amount limitation of investments in Mainland China: None.

(14) Operating Segment Financial Information

Please refer to the audited consolidated interim financial reports for the Company for six months period ended June 30, 2015.