

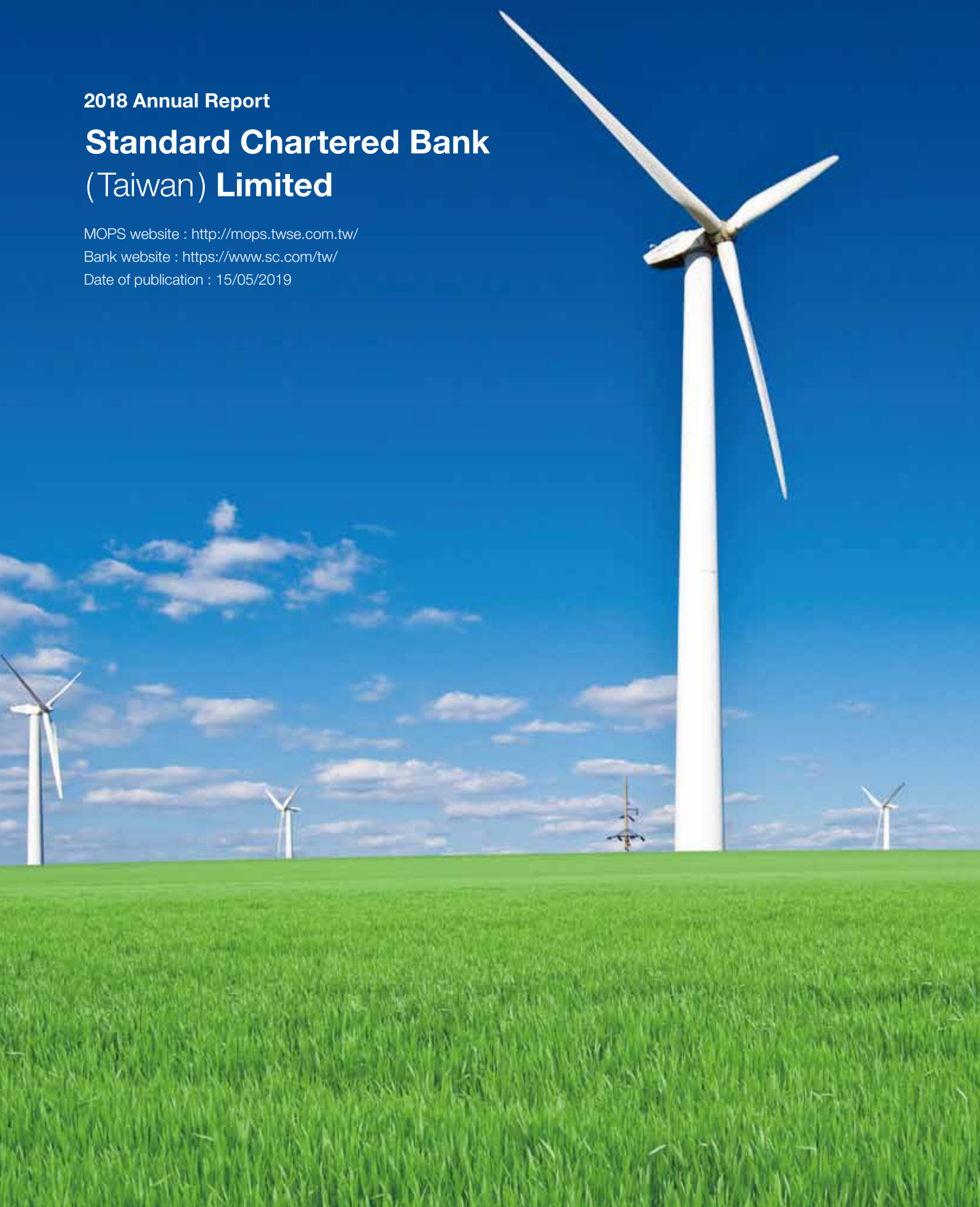
2018 Annual Report

Standard Chartered Bank (Taiwan) Limited

MOPS website : <http://mops.twse.com.tw/>

Bank website : <https://www.sc.com/tw/>

Date of publication : 15/05/2019



**Spokesperson :**

Anthony Lin, Chief Executive Officer
Tel. No. : 886-2-2716-6261

**Deputy spokesperson :**

Gillian Chen, Head of Corporate Affairs & Brand and Marketing
Tel. No. : 886-2-2716-6261
Email address : Gillian.Chen@sc.com

**Addresses and phone numbers of the head office and branches**

For detailed information, refer to Appendix 2 "Directory of Branches and Offices".

**Stock registration agent**

Yuanta Securities, Registrar & Transfer Department
Address : B1, No. 210, Sec. 3, Cheng De Rd., Taipei City, Taiwan (R.O.C.)
Tel. No. : 886-2-2586-5859
Website : <http://www.yuanta.com.tw/>

**Credit rating institutions**

Fitch Australia Pty Ltd, Taiwan Branch
Address : Suite 1306, 13F, No. 205, Dunhua North Rd., Taipei City, Taiwan (R.O.C.)
Tel. No. : 886-2-8175-7600

Taiwan Ratings Corporation
Address : 49F, No.7, Sec. 5, Xinyi Rd., Taipei City, Taiwan (R.O.C.)
Tel. No. : 886-2-8722-5800

**Names of CPAs certifying financial statements of the most recent year**

Yung-Sheng Wang (Victor Wang) and Yuan-Sheng Yin (Jason Yin)
Company Name : Klynveld Peat Marwick Goerdeler (KPMG)
Address : 68F, No.7, Sec. 5, Xinyi Rd., Taipei City, Taiwan (R.O.C.)
Website : <http://www.kpmg.com.tw/>
Tel. No. : 886-2-8101-6666

Name of the stock exchange where the overseas securities are listed for trading and the enquiry method : None.



Bank website : <https://www.sc.com/tw/>

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Painting by Ru-Ting Yang, Down Syndrome Foundation R.O.C. / Love _ Being Affectionate (Oil Painting)
I can't resist of loving a pure adorable dream.



Looking forward in 2019, Mr. Bill Winters, Group Chief Executive of Standard Chartered PLC and Mr. Anthony Lin, CEO of Standard Chartered Bank (Taiwan) Limited encourage employees to continue provide customer-centric & innovative products and services while living up to a diverse and inclusive culture, as well as to care for the visually impaired, women, children, and the minorities.

Letter to Shareholders

The Bank's employees have volunteered to participate charitable activities by the Down Syndrome Foundation R.O.C. for three years. All the paintings displayed in the Annual Report have been authorized for use by the Foundation.

Taiwan Economic Overview

Taiwan's real GDP growth in 2018 remained stable at 2.6%. Domestic spending remained as an important growth driver; which partially offset the slow down in export growth. Indeed, unemployment rate remained at near two-decade low of 3.7%, while monthly wages registered the fastest annual growth since 2010. Rising income, coupled with relatively buoyant equity market and improving residential property market sentiment, supported private consumption in 2018.

In 2019, the Bank expects real GDP growth to slow moderately to 2.5%. Notably, rising external headwinds pose downside risks to overall growth outlook. Indeed, the tide is going out for the global economy. We expect world growth to ease to 3.6% in 2019 from 3.8% in 2018. While this is not a sharp downturn, multiple risks could slow growth more aggressively; such as the US-China trade war, European politics, China's tough balancing act, and oil price volatility.

Strong support from domestic demand, however, should mitigate external risks. We believe overall fiscal policy to remain expansionary ahead of legislative and presidential elections in 2020; providing support for growth in 2019. Consumer spending is also likely to remain a strong growth pillar. The government has also introduced various initiatives to bolster domestic demand; including amendments to income tax laws and increases to the minimum and hourly wage. China is the largest offshore manufacturing base for many Taiwan export producers; escalating US-China trade tensions could potentially prompt them to relocate production to Taiwan.

Monetary policy is also expected to be supportive of growth in 2019. We believe Taiwan central bank (CBC) is likely to keep a pro-growth stance amid global trade uncertainty and rising volatility in emerging markets. Several board members cited the negative output gap, as well as expectations of a slowdown in domestic growth and inflation in 2019. They further indicated that future policy decisions will be partly shaped by global financial and economic conditions and monetary policy in major economies. We therefore expect the central bank to keep policy rates stable in 2019.

Taiwan's strong external balances, in our view, should provide a cushion against rising market volatility and unexpected risk events. We expect a strong current account surplus of GDP in 2019, supported by a sizeable trade surplus. Taiwan's public debt, which stood at 36% of GDP in 2017, is among the lowest in the region; while overall leverage in the household sector is also manageable.

Financial Performance

Learnt from previous successful experience, the Bank has set a substantial set of actions to unlock the value of this franchise and kept us moving on track. In 2018, we delivered another year of profitable growth where Net Income was up 24%. The overall net revenue in 2018 was flattish to 2017. If excluding the one-off disposal gain and impairment loss from properties, the Bank this year demonstrated a growth for client income across all segments compared with last year. Through process streamline, branch and channel optimization as well as productivity and efficiency enhancement, the Bank was able to utilize part of cost savings for talent development and system/infrastructure upgrade. Loan impairment was down by 18% attributed to good control on assets' portfolio quality and related management action. As a result, the Bank's Return on Equity (after income tax) increased by 100 basis points. The Bank continues to focus on optimising branch network and diversifying income source for more sustainable returns as a whole in the long run.

The Bank's balance sheet remained liquid and healthy with the capital adequacy ratio at 15.8%. Driven by the strong momentum in Mortgage business, the loan outstanding balance turned around in the second half of 2017 and continued to boost in 2018 by 6%. Deposits increased in pace to match with lending business growth. The Bank dedicates to optimise deposit mix and improve funding cost's efficiency.

The Bank maintained satisfactory level of loan quality and bad debt coverage. Non-performing loan ratio significantly improved from 0.4% a year ago to 0.2% in 2018 and the loan coverage ratio enhanced from 480.2% in 2017 to 734.1% in 2018. All compliance ratios were above regulatory requirements.

The Bank's credit rating remains unchanged as last year. The summary is listed as below.

Rating Agency		Outlook	Long-term	Short-term	Date
Standard & Poor's	Counterparty Credit	Stable	A-	A-2	29 Aug 2018
Taiwan Ratings	Taiwan National Scale	Stable	twAA	twA-1+	30 Aug 2018
Fitch Ratings	Foreign currency IDR	Stable	A	F1	21 Sep 2018
	National Rating	Stable	AA+(tw)	F1+(tw)	

By adopting and implementing prudent business strategies, the Bank is confident to deliver strong financial performance and maintain good asset quality with adequate capital levels in 2019.

Achievements and Awards

"Here for good" incorporates the Bank's past, present, and future. It is a deep commitment to the markets where we are: We are here for the long run, applying our knowledge and experience to create profits for our shareholders and clients. We are here for progress, committed to be a responsible company, and devoted to community service. The Bank has been widely recognized for its commitment to enhancing services and brand reputation in Taiwan. In 2018, Standard Chartered awarded as "Best Wealth Management, International Bank Category", "Best Relationship Management Team, International Bank Category", "Best Service, International Bank Category" and "Best Print Marketing, International Bank Category" by 2018 Wealth Management Award; the Bank has won the first three awards for three consecutive years. Awarded as "Best Supporting to Regional Business Development Award" and "Best Loan Balance Growth Award" from Small and Medium Enterprise Credit Guarantee Fund of Taiwan. Won the "Best RMB Bank" and "Best Supply Chain Management" and Standard Chartered Bank won as "Best Treasury & Cash Management" in North Asia and by the Asset. And rewarded as the Gold Award of "2018 The Best Service in Taiwan" in the foreign bank category by Commercial Times newspaper.

On the Corporate Social Responsibility front, 2018 Standard Chartered Taipei Charity Marathon was held with a huge success to celebrate its 5th anniversary, the race became the largest marathon with the most visually impaired runners' participation in Taiwan. Moreover, in November 2018, a 10-hours Visually Impaired Relay event was held as an activation event to deepen the Bank's charity good cause to empower young people with disabilities to chase their dream jobs. The Relay accumulated 999.3 km in total, which is a new record and successfully raised public awareness on the employment of the visually impaired. The Bank's commitments and contributions in social responsibilities was recognized by the public that the Bank received the '2018 Sports Promoter Awards' from Ministry of Education, this was the 4th consecutive time that Standard Chartered won the annual awards. In addition, the Bank was awarded as "People Development Award", "Social Inclusion Award", "Gender Equality Award" and the Grand Award of "Corporate Comprehensive Performance-International Enterprises" from TCSA (Taiwan Corporate Sustainability Awards); for which, the Bank is the only international bank awarded.

Prospects and Strategies

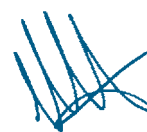
Looking forward in 2019, the Bank will continue to focus on executing our refined strategy to enable franchise growth in the three client businesses and providing clients with complete financial solutions. In 2018, the Bank has demonstrated our ability to innovate through the various first-in-the-market banking solutions and this momentum will continue in 2019. New technologies are rapidly changing the playing field, to stay ahead of the curve, the Bank will focus on driving new opportunities and improving our day-to-day operations through better use of technology. By leveraging our global network, the Bank is well positioned to become clients' most trusted partner to explore opportunities in "New Southbound Policy", supply chain re-configuration in Asia, RMB Internationalization and green energy development in Taiwan.

Retail Banking : The Bank has made good progress in Priority segment and key cities. Our refined strategic transformation remains on growing client sub-segment value proposition, key cities strategy, building and strengthening corporate partnerships and alliances and uplifting productivity and efficiency through continuous investment in digitisation and wealth management. We will continue to innovate and invest for the future.

Commercial Banking : The Bank will focus on deepening client relationship, acquiring new clients by targeted sectors and tailored solutions, and driving eco-system initiatives.

Corporate & Institutional Banking : With China and ASEAN countries being major trading partners of Taiwan and our unique position, the Bank will focus on our strategic priorities to capture network opportunities and capitalise our product edge of Financial Institution.

The banking sector is facing various challenges and undergoing a major transformation with more stringent regulatory and capital requirements as well as increasing competitions from FinTech players. However, opportunities are also significantly greater through adoption of new technologies. With robust capital, more diversified business, embedment of the right culture, deep rooted franchise and largest branch network among foreign banks, we are in a unique position as a lead innovator to provide customer-centric services at all levels. Our long-term commitment to Taiwan, to customers, to shareholders and to employees is a strong reflection of living up to the Bank's mission "Driving Commerce and Prosperity through our Unique Diversity".



Gregory John Powell
Chairman



Painting by Ru-Ting Yang, Down Syndrome Foundation R.O.C. / Go to the Market (Oil Painting)
The ground used to be a canvas, allowing me to freely paint my dreams on it.



The Bank established the 3rd iWealth Centre in Taoyuan to provide the first-in-market foreign exchange services to the public.

Bank Profile

I. History

Standard Chartered PLC ("the Group") is a leading international banking group. Our heritage and values are expressed in our brand promise-Here for good. With a presence in 60 of the world's most dynamic markets, we make the most of our deep roots in four territories-Greater China and North Asia, Europe & America, Africa and Middle East, as well as the ASEAN and South Asia. Our purpose is to drive commerce and prosperity through our unique diversity.

Standard Chartered PLC is listed on the London and Hong Kong Stock Exchanges as well as the Bombay and National Stock Exchanges in India.

With over 3,000 Mandarin speaking talents across Taiwan, Standard Chartered Bank (Taiwan) Limited ("the Bank"), is capable of offering individuals and corporate clients full-scale banking services and innovative products and aspires to become the Bank of Choice in Taiwan. Standard Chartered opened its first branch ("the Bank") in Taiwan in 1985. Between 2006 and 2008, the Bank grew with a great leap in this robust market. The acquisition of Hsinchu International Bank in November 2006 marked a milestone in Standard Chartered's course of development in Taiwan. The completion of integration of the two banks in July 2007 made Standard Chartered an international bank with the largest network in Taiwan. The amalgamation with American Express Bank and the "Good Bank" part of Asia Trust and Investment Corporation in August and December 2008, respectively, further enhanced Standard Chartered Group's footprint in Taiwan and demonstrated the Bank's strong commitment to the Taiwan market.

The Bank has been widely recognized for its commitment to enhancing services and brand reputation in Taiwan. In 2018, Standard Chartered was credited 2018 Wealth Management Awards including "Best Wealth Management, International Bank Category", "Best Relationship Management Team, International Bank Category", "Best Service, International Bank Category" and "Best Print Marketing, International Bank Category" by Wealth Magazine. We are the first foreign bank received the 2018 "Best Supporting to Regional Business Development Award" and "Best Loan Balance Growth Award" from Small and Medium Enterprise Credit Guarantee Fund of Taiwan. The Bank also won the "Best Formosa Bond Issuer" by Collaborative Market Data ("CMD") for three consecutive years. Standard Chartered Bank was awarded the "Best RMB Bank", "Best Treasury & Cash Management" and "Best Supply Chain Management" by the Asset; and crowned as the Gold Award of "2018 The Best Service in Taiwan" in Foreign Bank Category by the Commercial Times.

On the Corporate Social Responsibility front, the Bank received the "2018 Sports Promoter Awards" from Ministry of Education, this was the 4th consecutive time that Standard Chartered won the annual award. In addition, the Bank won the Grand Award of "Corporate Comprehensive Performance – International Enterprises" in the category of "People Development Award", "Social Inclusion Award", as well as "Gender Equality Award" from Taiwan Corporate Sustainability Awards ("TCSA"); for which, the Bank is the only foreign bank awarded.

II. Information on mergers, acquisitions, reinvestment in affiliated enterprises and company restructure for the most recent fiscal year and up to the printing date of the annual report : None

III. Information on a major transfer or change in ownership of shares belonging to Directors, Supervisors or a concerned party requiring to declare any change in shareholding pursuant to Paragraph 3, Article 25 of the Banking Act : None



Painting by Ru-Man Liu, Down Syndrome Foundation R.O.C. / Sunset in Bali (Watercolor Pigment)
We stay in a Villa of Bali Swing. The sunset reddened the mountains with shadow of coconut trees.

3 Corporate Governance



Standard Chartered Taiwan was crowned as the Gold Award of "2018 The Best Service in Taiwan" in Foreign Bank Category by the Commercial Times.



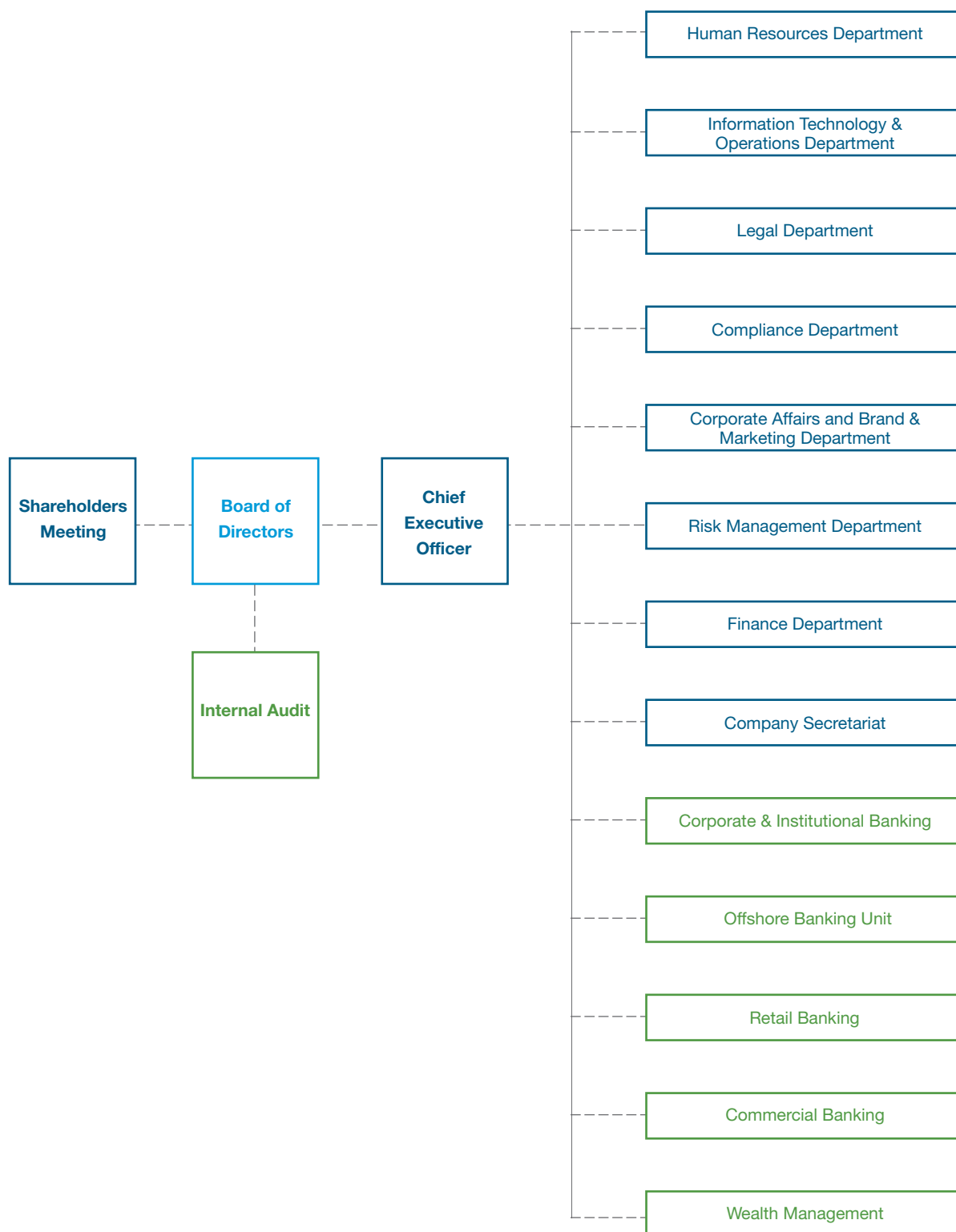
It is the 2nd time that the Bank was crowned as the "Most Prestigious Sustainability Award - Top Three Corporate".

Corporate Governance

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I. Organization Structure

(I) Organizational Chart



(II) Responsibilities of Major Departments

Internal Audit Department	In charge of audits of business, finance, asset management, IT and other functions; any other audit assignment required by Board of Directors and the regulator, etc.
Human Resources Department	Responsible for establishing, executing and governing human resources policies and procedures in related to recruiting and hiring, compensations, benefits and rewards, employee development, succession plan and employee relations including managing a collaborative relationship with the union and employee welfare committee.
Information Technology & Operations Department	In charge of overall banking operations; re-engineering, information security and system development, risk control and governance over technology and operations, technical support to software and hardware, etc. Wealth Management Operations; Risk & Controls; Country Technology Management; and Change Management. Each section has one supervisor.
Legal Department	Responsible for providing legal opinions for banking-related legal matters or litigations; interpreting banking-related laws and regulations; and investigating employee fraud or other materially misconduct acts.
Compliance Department	Responsible for planning, managing, and implementing the compliance framework; issuing compliance opinions and pre-launch sign-off for new products, services, and businesses; communicating with the regulators; interpreting banking-related laws and regulations and managing financial crime risks.
Corporate Affairs and Brand & Marketing Department	In charge of the planning and execution of internal communication, media relations, government relations, sustainability, community engagement, sponsorship policies, branding, marketing, and reputation risk management, etc.
Risk Management Department	Responsible for the Risk Management of the entire Bank. The main areas are credit risk, market risk, and operational risk, etc. It is also in charge of credit limits approval, risk monitoring, control of credit documents and the formulation of credit policies & procedures.
Finance Department	Responsible for the forecast and execution of budget planning; tax returns filing and accounting; annual reporting; capital & balance sheet management; consultation, management, evaluation and analysis of operational businesses, properties and facilities management; and supply chain, sourcing and vendors related management.
Company Secretariat	Provide company secretarial, governance advisory and administrative support services for SCBTL and its directors, etc.
Corporate & Institutional Banking	Engaging in the on-boarding and maintenance of client relationship, credit analysis, client due diligence, risk management, sales of lending, transaction banking products and service, and financial markets product and services (including securities business) to Financial Institutions clients, International Corporates clients and Global Subsidiaries clients.
Offshore Banking Unit	In charge of the management and supervision of offshore banking businesses; serve as the contact window with local regulators, etc.
Retail Banking	In charge of developing a long-term sustainable customer-focused strategy and building a high performance culture through robust execution. Responsible for retail clients segment development in customer value propositions, product development, and operating the Bank's businesses pursuant to the Banking Act and approved by the competent authorities, etc.
Commercial Banking	In charge of developing a sustainable customer-focused strategy by engaging in the development, promotion, credit analysis, risk management, client on-boarding, client due diligence, and sale of commercial clients products and services. Responsible for business development and maintenance, sales channel management, operation process and risk management, enhancement of customer experience and service quality, analysis of business operations, evaluation of product performance, and project execution, etc.
Wealth Management	In charge of establishing customer-focused wealth management and trust business through planning and implementation to execute investment and trust business service, and responsible for Taiwan wealth management products and enacting the business authorized by authorities.

II. Information on Directors (Including Independent Non-executive Directors, INEDs), Executive Officers and Branch Managers

(I) Directors (Including INEDs) Information

1. Directors (Including INEDs)

15 May 2019

Title	Nationality	Name	Gender	Date elected	Term	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse & minors		Shareholding in other's name		Experience / Education	Also serve concurrently as	Other executives, directors or supervisors are spouse or within second-degree relative of consanguinity to each other		
							Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
Chairman	Britain	Standard Chartered Bank Representative: Gregory John Powell	Male	27/06/2018	1 yr 9.5 mths	30/08/2017	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Chief Financial Officer, Standard Chartered Bank (Korea) Limited Group Head, Business Performance, Standard Chartered Bank Chief Financial Officer, Standard Chartered Bank (Taiwan) Limited Associate, Institute of Chartered Accountants in England and Wales (ACA) Bachelor of Science (B.Sc) first class honours, University of Sussex, England	Regional CFO, Greater China and North Asia, Standard Chartered Bank Director, Standard Chartered Private Equity Limited	N/A	N/A	N/A
Director	Hong Kong	Standard Chartered Bank Representative: Yuen Tung Anthony Lin	Male	24/03/2017	2 yrs 1.5mtns	24/03/2017	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	President and Head of Corporate Banking, Bank of America N.A., China Executive Vice President and Head of Corporate Banking Coverage and Head of Trade Finance and Corporate Cash Management, Deutsche Bank (China) Co. Ltd. Head of Transaction Banking, Standard Chartered Bank (China) Ltd. Head of Origination and Client Coverage, East China and General Manager of Shanghai Branch, Standard Chartered Bank (China) Ltd. MBA, Chinese University of Hong Kong	CEO, Standard Chartered Bank (Taiwan) Limited Chairman of British Chamber of Commerce in Taipei Director of Taiwan India Business Association Supervisor of the Bankers Association of the Republic of China Co-Chair of ECCT/AmCham Joint Banking Committee	N/A	N/A	N/A
Director	Ireland	Standard Chartered Bank Representative: Norman Lyle	Male	24/11/2015	3 yrs 5.5 mtns	24/11/2015	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Supervisor, Standard Chartered Bank (Taiwan) Limited Supervisor, Standard Chartered Bank (China) Limited Group Finance Director, Jardine Matheson Holdings Limited Fellow of the Chartered Institute of Management Accountants Fellow of the Association of Corporate Treasurers Harvard Business School, Senior Management Programme UK Cabinet Top Office Management Programme	INED, Standard Chartered Bank (China) Limited INED, Lei Shing Hong Ltd, Hong Kong Director, Chace Warren Limited Director, Chace Warren Management Limited	N/A	N/A	N/A
Director	R.O.C.	Standard Chartered Bank Representative: Wei-Chih Chen	Female	24/11/2015	3 yrs 5.5 mtns	10/12/2012	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Head of Learning & Talent Development, Standard Chartered Bank (Taiwan) Limited General Manager, Shared Distribution and Priority Banking, Standard Chartered Bank Taiwan MBA, Lehigh University, Pennsylvania, USA	Head of Human Resources, Standard Chartered Bank (Taiwan) Limited	N/A	N/A	N/A

 (Continued)

Title	Nationality	Name	Gender	Date elected	Term	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse & minors		Shareholding in other's name		Experience / Education	Also serve concurrently as	Other executives, directors or supervisors are spouse or within second-degree relative of consanguinity to each other		
							Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
Director	Australia	Standard Chartered Bank Representative: Rangus Hok Hoi Tse	Male	31/03/2016	3 yrs 1.5 mths	31/03/2016	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Regional Finance Head, Retail and Private Client and Products, Hong Kong and Greater China, Standard Chartered Bank (Hong Kong) Limited Chief Financial Officer, Consumer Banking, Standard Chartered Bank (Hong Kong) Limited Certified Practising Accountant ("CPA") Australian Society of Certified Practicing Accountants Master degree in Applied Finance and Master of Business Administration in Australian Graduate School of Management (which co-run by both The University of Sydney and The University of New South Wales)	Chief Financial Officer, Standard Chartered Bank (Taiwan) Limited Director, Celebration Limited	N/A	N/A	N/A
INED	R.O.C.	Standard Chartered Bank Representative: Nei-Ping Yin	Male	24/11/2015	3 yrs 5.5mnts	10/12/2009	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Counselor of Executive Yuan, Taiwan Member of Economic Advisory Group, Office of the President, Taiwan Chief of Asia-Pacific Financial Research Center, Business School, National Cheng Chi University , Taiwan 5 th term of Legislator Consultant of Ministry of Economic Affairs Master of Economics, Washington University in St. Louis, USA	Professor, Department of Money and Banking, National Cheng-chi University Member of National Financial Stabilization Fund Management Committee	N/A	N/A	N/A
INED	R.O.C.	Standard Chartered Bank Representative: Man-Jung Chan	Female	24/11/2015	3 yrs 5.5mnts	01/03/2013	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Legislator-at-Large & Chair of the Judicial Committee, Legislative Yuan, Republic of China Senior Advisor to the President, National Security Council, Republic of China Director General, International Secretariat, Pacific Economic Cooperation Council Director (Research & Analysis), International Secretariat, Asia-Pacific Economic Cooperation Executive Director, Chinese Taipei APEC Study Center Chief of Staff, APEC Business Advisory Associate-in-Research, Harvard Business School Adjunct Associate Professor, International Doctorate on Asian Studies (IDAS) & International Master Program on International Studies Programs (IMPIS), National Cheng-chi University Assistant Professor, Graduate School of American Studies, Tamkang University Ph.D., Political Economy, Boston University, USA	Founder & CEO, Out-of-the-Box Consultancy Board Member, Chinese Taipei Pacific Economic Cooperation Council Board Member & Commissioner on Economic Development, National Policy Foundation Advisor, Taiwan Institute of Economic Research Advisor, Taiwan Research Institute Research Committee Member, 21st Century Foundation Executive Board Member, Association of Emerging Market Studies Board Member, Sino-American Cultural & Economic Association Honorable Advisor, Legislative Yuan	N/A	N/A	N/A

(Continued)

Title	Nationality	Name	Gender	Date elected	Term	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse & minors		Shareholding in other's name		Experience / Education	Also serve concurrently as	Other executives, directors or supervisors are spouse or within second-degree relative of consanguinity to each other		
							Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
INED	R.O.C.	Standard Chartered Bank Representative: Ban-Ren Chen	Male	25/03/2017	2yrs 1.5 mths	25/03/2017	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Fubon Group Fubon Financial holdings • Group Business Manager, Senior Executive VP Wealth Management Group • Chairman, Fubon Securities Co., Ltd Taiwan Mobile Company • Managing Director • Chief Business Officer • Chairman, Taipei New Horizon Citi Group, China Country Business Manager, Consumer Banking Chinatrust Financial Holdings Deputy President, Consumer Banking Citi Group Taiwan Country Business Manager, Investment and Branch Banking Farestone Mobile Company Chief Business & Strategy Officer SEVP and CFO, McDonald's Taiwan MBA, Southern Illinois University	Nil	N/A	N/A	N/A

Note 1 : The Bank is a subsidiary wholly owned by Standard Chartered Bank. Directors and supervisors are appointed as legal representatives by the Bank's parent company.

2. Major Shareholder of Institutional Shareholders

15 May 2019

Name of Institutional Shareholders	Major Shareholder of Institutional Shareholders
Standard Chartered Bank	Standard Chartered Holdings Limited (100% shareholding)

3. Major Shareholder of Principal Institutional Shareholders

15 May 2019

Name of Institutional Shareholders	Major Shareholder of Institutional Shareholders
Standard Chartered Holdings Limited	Standard Chartered PLC (100% shareholding)

4. Professional Knowledge and Independence of Directors (Including INEDs)

Qualification	Over five years of experience in related fields and the following professional qualifications			Independence Status (Note)										The number of public companies in which the director or supervisor also serves concurrently as an Independent Director
	At least lecturer of business, law, finance or accounting departments or other relevant business departments/divisions of public and private colleges/universities as required by corporate business needs	Judge, prosecutor, attorney, certified public accountant, or other professionally qualified and technical person who possesses certificates of national examinations	Experience in business, law, finance, accounting or other work as required by corporate business needs	1	2	3	4	5	6	7	8	9	10	
Name														
Standard Chartered Bank Representative: Gregory John Powell		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Standard Chartered Bank Representative: Yuen Tung Anthony Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Standard Chartered Bank Representative: Norman Lyle		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Standard Chartered Bank Representative: Wei-Chih Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Standard Chartered Bank Representative: Rangus Hok Hoi Tse		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Standard Chartered Bank Representative: Nei-Ping Yin	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	

 (Continued)

Name	Qualification	Over five years of experience in related fields and the following professional qualifications			Independence Status (Note)										The number of public companies in which the director or supervisor also serves concurrently as an Independent Director
		At least lecturer of business, law, finance or accounting departments or other relevant business departments/divisions of public and private colleges/universities as required by corporate business needs	Judge, prosecutor, attorney, certified public accountant, or other professionally qualified and technical person who possesses certificates of national examinations	Experience in business, law, finance, accounting or other work as required by corporate business needs	1	2	3	4	5	6	7	8	9	10	
Standard Chartered Bank Representative: Man-Jung Chan		√		√	√	√	√	√	√	√	√	√	√	√	
Standard Chartered Bank Representative: Ban-Ren Chen				√	√	√	√	√	√	√	√	√	√	√	

Note : Mark "√" in the appropriate space where any director or supervisor qualifies the following criteria within two years prior to being elected and while serving office.

- (1) Neither an employee of the Bank, nor an employee of its affiliated enterprises.
- (2) Neither a director, supervisor of the Bank, nor a director, supervisor of its affiliated enterprises.
- (3) Shareholder who is any natural person other than the director/supervisor, and the director's/supervisor's spouse or minor possessing more than 1% of the Bank's total issued shares, or the shareholder of natural person who possesses more than 1% of the Bank's total issued shares in the name of another person, or a top-ten shareholder of natural person.
- (4) Neither a spouse, nor a relative within 2nd degree relationship or lineal relative within 3rd degree relationship to any person specified in the preceding three criteria.
- (5) Neither a director, supervisor, or employee of an institutional shareholder who directly owns more than 5% of the Bank's issued shares, nor a director, supervisor or employee of the top five institutional shareholders who are owners of the Bank's issued shares.
- (6) Neither a director, supervisor, manager of a company/institution doing business or having a financial relationship with the Bank, nor a shareholder who owns more than 5% of such a company.
- (7) Not an owner, partner, director, supervisor, manager or spouse of any sole proprietor business, partnership, company or institution which has provided the Bank and its affiliates with business, legal, financial, accounting or counseling services. However, this restriction does not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies Whose Stock is Listed on the TWSE or Traded on the GTSM..
- (8) Not a spouse or relative within 2nd degree relationship to other directors.
- (9) Not a person under the circumstances specified in Article 30 of the Company Act.
- (10) Not a government agency, juridical person or its representative pursuant to Article 27 of the Company Act.

(II) Information on the Executive Officers and Branch Managers

15 May 2019

Title (Note 1)	Nationality	Name	Gender	Date appointed	Shareholding		Shareholding of spouse & minor		Shareholding in other's name		Education & Work Experience (Note 2)	Also serve concurrently as	Managers are spouse or within second-degree relative of consanguinity to each other		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Chief Executive Officer	Hong Kong	Yuen Tung Anthony Lin	Male	2017/03/01	0	0	0	0	0	0	Master of Business Administration Chinese University of Hong Kong	N/A	N/A	N/A	N/A
Chief Auditor	R.O.C	Vicki Yang	Female	2014/01/08	0	0	0	0	0	0	MBA, Syracuse University, USA	N/A	N/A	N/A	N/A
Head of Human Resources Department	R.O.C	Vickie Chen	Female	2010/02/12	0	0	0	0	0	0	MBA, Lehigh University, USA	N/A	N/A	N/A	N/A
Chief Information Officer	R.O.C	Wen Shu	Female	2014/08/01	0	0	0	0	0	0	MBA, University of Florida	N/A	N/A	N/A	N/A
Head of Legal	R.O.C	Erick Chao Yin	Male	2015/12/02	0	0	0	0	0	0	LL.M., New York University	N/A	N/A	N/A	N/A
Head of Compliance	R.O.C	Miranda Liaw	Female	2018/11/15	0	0	0	0	0	0	MBA, Carnegie Mellon University	N/A	N/A	N/A	N/A
Head of Corporate Affairs and Brand & Marketing Department	R.O.C	Gillian Chen	Female	2018/04/02	0	0	0	0	0	0	Master of Arts (Asian Studies), St. John's University, N.Y., USA	N/A	N/A	N/A	N/A
Chief Risk Officer	R.O.C	Etta Lin	Female	2015/12/01	0	0	0	0	0	0	Master of Business Administration Kellogg School of Management, Northwestern University	N/A	N/A	N/A	N/A
Chief Financial Officer	Australia	Rangus Hok Hoi Tse	Male	2016/03/01	0	0	0	0	0	0	MBA, Australian Graduate School of Management	N/A	N/A	N/A	N/A
Head of CoSec	R.O.C	Cathy Li	Female	2008/05/22	0	0	0	0	0	0	Banking and Financial Law, LL.M. Boston University, USA	N/A	N/A	N/A	N/A
Head of Global Banking	R.O.C	Michael Huang	Male	2018/10/01	0	0	0	0	0	0	Graduate Institute of Banking & Finance, Tamkang University	N/A	N/A	N/A	N/A
Offshore Banking Unit Manager	R.O.C	Michael Huang	Male	2018/10/01	0	0	0	0	0	0	Graduate Institute of Banking & Finance, Tamkang University	N/A	N/A	N/A	N/A
Head of Retail Banking	R.O.C	Kate Lin	Female	2015/08/31	0	0	0	0	0	0	Mass Communication, Fu Jen University	N/A	N/A	N/A	N/A
Acting Head of Commercial Banking	R.O.C	Connie Chu	Female	2019/02/01	0	0	0	0	0	0	MBA ,Yale University	N/A	N/A	N/A	N/A
Head of Wealth Management	Hong Kong	Cindy Man Yee Fu	Female	2013/10/21	0	0	0	0	0	0	Arts in Psychology and Economics/ The University of Manitoba	N/A	N/A	N/A	N/A
Head of Securities	R.O.C	Michelle Lai	Female	2015/05/28	0	0	0	0	0	0	MBA, National Taiwan University	N/A	N/A	N/A	N/A
Head of WM-Trust Services	R.O.C	Hubert Wang	Male	2013/07/26	0	0	0	0	0	0	Master of Information Management, Chang Gung University	N/A	N/A	N/A	N/A
Head of Bancassurance, WM	R.O.C	Amos Chao	Male	2016/10/01	0	0	0	0	0	0	MBA, Long Island University, USA	N/A	N/A	N/A	N/A
Branch Manager, Guangfu Branch	R.O.C	Nuan Lin	Female	2013/01/24	0	0	0	0	0	0	MA in Insurance, Feng Chia University	N/A	N/A	N/A	N/A
Branch Manager, Zhongzheng Branch	R.O.C	Jack Shou-Hui Chao	Male	2018/11/14	0	0	0	0	0	0	Dept. of Secretary, Shih Chien College	N/A	N/A	N/A	N/A
Branch Manager, Zhudong Branch	R.O.C	Johnson Chin-Jen Ho	Male	2016/06/28	0	0	0	0	0	0	Dept. of Accounting and Statistics, Tamsui Oxford College	N/A	N/A	N/A	N/A
Branch Manager, Hukou Branch	R.O.C	Jr-Lian Li	Female	2016/06/28	0	0	0	0	0	0	Dept. of Electronic Engineering, Ta Hwa College of Technology	N/A	N/A	N/A	N/A
Branch Manager, Zhubei Branch	R.O.C	Vilan Shu-Ching Chiu	Female	2018/02/13	0	0	0	0	0	0	Dept. of Finance, Yu Da College of Business	N/A	N/A	N/A	N/A
Branch Manager, Xinfeng Branch	R.O.C	Peter Pin-Nien Chang	Male	2016/06/28	0	0	0	0	0	0	Dept. of Business Administration, National Chung-Hsing University	N/A	N/A	N/A	N/A

(Continued)

Title (Note 1)	Nationality	Name	Gender	Date appointed	Shareholding		Shareholding of spouse & minor		Shareholding in other's name		Education & Work Experience (Note 2)	Also serve concurrently as	Managers are spouse or within second-degree relative of consanguinity to each other		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Branch Manager, Xinxing Branch	R.O.C	Serena Mei-Hui Chen	Female	2018/11/14	0	0	0	0	0	0	Dept. of Information, Open Jr. College under Taichung College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Xinshe Branch	R.O.C	Geoff Kuo-Chi Hsu	Male	2018/11/14	0	0	0	0	0	0	General Executive Master's Program of Business Administration, Feng Chia University	N/A	N/A	N/A	N/A
Branch Manager, Science Park Branch	R.O.C	Claire Hui-Chi Cheng	Female	2017/03/24	0	0	0	0	0	0	Graduate School of Business Administration, Chung Hua University	N/A	N/A	N/A	N/A
Branch Manager, North Hsinchu Branch	R.O.C	Rita Shu-Hui Wu	Female	2018/11/14	0	0	0	0	0	0	Dept. of industry management, Oriental institute of technology	N/A	N/A	N/A	N/A
Branch Manager, Sanmin Branch	R.O.C	Lillian Meng-Hua Chen	Female	2017/08/29	0	0	0	0	0	0	Dept. of Business Administration, Chihlee College of Business	N/A	N/A	N/A	N/A
Branch Manager, Zhongli Branch	R.O.C	Eric Chi-Cheng Huang	Male	2015/01/30	0	0	0	0	0	0	Dept. of Accounting and Statistics, National Taipei College of Business	N/A	N/A	N/A	N/A
Branch Manager, Yangmei Branch	R.O.C	Yoyo Liang	Female	2016/01/28	0	0	0	0	0	0	Dept. of Banking and Insurance, Hsing Wu Junior College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Xinwu Branch	R.O.C	Angel Su-Yueh Kang	Female	2018/06/26	0	0	0	0	0	0	Dept. of Accounting, Hsing Wu Junior College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Longtan Branch	R.O.C	Sally Pei-Chin Chung	Female	2016/01/28	0	0	0	0	0	0	Dept. of Industrial Engineering and Management, Nan Tai College	N/A	N/A	N/A	N/A
Branch Manager, Neili Branch	R.O.C	Tiffany Yu-Fang Chang	Female	2018/11/14	0	0	0	0	0	0	Dept. of Business Administration, Chihlee College of Business	N/A	N/A	N/A	N/A
Branch Manager, Bade Branch	R.O.C	Anita Yang	Female	2016/08/29	0	0	0	0	0	0	Associate degree in Business Management, Taoyuan Innovation Institute of Technology	N/A	N/A	N/A	N/A
Branch Manager, Xinming Branch	R.O.C	Bonny Hsiu-Ling Liu	Female	2018/11/14	0	0	0	0	0	0	Dept. of International Trade, Takming Junior College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Guishan Branch	R.O.C	Daisy Tang	Female	2016/03/31	0	0	0	0	0	0	MBA, University of Michigan, USA	N/A	N/A	N/A	N/A
Branch Manager, Nankan Branch	R.O.C	Tommy Cheng-Lung Yu	Male	2018/11/14	0	0	0	0	0	0	Dept. of Economics, Fu Jen Catholic University	N/A	N/A	N/A	N/A
Branch Manager, Dashulin Branch	R.O.C	Eric Cheng	Male	2017/06/28	0	0	0	0	0	0	Dept. of Statistics, Fu Jen Catholic University	N/A	N/A	N/A	N/A
Branch Manager, Longgang Branch	R.O.C	Tony Wei-Lung Tu	Male	2018/06/26	0	0	0	0	0	0	Dept. of Economics, Chinese Culture University	N/A	N/A	N/A	N/A
Branch Manager, Shanziding Branch	R.O.C	Marie Mei-Tsun Chen	Female	2015/11/24	0	0	0	0	0	0	Dept. of Accounting, Open Jr. College under National Taipei College of Business	N/A	N/A	N/A	N/A
Branch Manager, Puxin Branch	R.O.C	Rita Chih-Fen Yang	Female	2016/08/29	0	0	0	0	0	0	Dept. of Applied Business National Open College of Continuing Education Affiliated to National Taichung University of Science and Technology	N/A	N/A	N/A	N/A
Branch Manager, Huanbei Branch	R.O.C	Steven Lin	Male	2019/03/25	0	0	0	0	0	0	MBA, Chung Yuan Christian University	N/A	N/A	N/A	N/A
Branch Manager, Pingzhen Branch	R.O.C	Jerdon Chin-Fu Teng	Male	2016/06/28	0	0	0	0	0	0	Dept. of International Trade, Tamsui Oxford College	N/A	N/A	N/A	N/A
Branch Manager, Miaoli Branch	R.O.C	Sandy Hui-O Su	Female	2015/11/24	0	0	0	0	0	0	Dept. of Accounting, Open Jr. College under Taichung College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Zhunan Branch	R.O.C	Linda Shih-Ling Lai	Female	2015/11/24	0	0	0	0	0	0	Dept. of Accounting, Ling Tung College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Toufen Branch	R.O.C	Sayuri Chiu-Ying Hsieh	Female	2018/11/14	0	0	0	0	0	0	Dept. of Industrial Engineering and Management, Van Nung Institute of Technology & Commerce	N/A	N/A	N/A	N/A
Branch Manager, Yuanli Branch	R.O.C	Jerry Wen-Chung Su	Male	2017/03/24	0	0	0	0	0	0	Dept. of Business Administration, Feng Chia University	N/A	N/A	N/A	N/A

(Continued)

Title (Note 1)	Nationality	Name	Gender	Date appointed	Shareholding		Shareholding of spouse & minor		Shareholding in other's name		Education & Work Experience (Note 2)	Also serve concurrently as	Managers are spouse or within second-degree relative of consanguinity to each other		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Branch Manager, Gongguan Branch	R.O.C	Tom Chun-Te Tu	Male	2017/03/24	0	0	0	0	0	0	Dept. of Business Administration, Minghsin University of Science and Technology	N/A	N/A	N/A	N/A
Branch Manager, Houlong Branch	R.O.C	David Tsang-Yuan Lin	Male	2015/11/24	0	0	0	0	0	0	Dept. of International Trade, Takming Junior College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, East Neili Branch	R.O.C	Leo Yao-Mo Huang	Male	2015/01/30	0	0	0	0	0	0	Dept. of Finance and Tax Administration, Tamsui Oxford College	N/A	N/A	N/A	N/A
Branch Manager, Gongxi Branch	R.O.C	Rachel Li-Ying Chou	Female	2016/03/31	0	0	0	0	0	0	Dept. of Finance and Tax Administration, China Junior College of Industrial and Commercial Management	N/A	N/A	N/A	N/A
Branch Manager, Zhuangjing Branch	R.O.C	Emily Hsi	Female	2014/05/28	0	0	0	0	0	0	Dept. of Industrial and Business Management, Tamkang University	N/A	N/A	N/A	N/A
Branch Manager, 101 Branch	R.O.C	Linda Wu	Female	2017/06/28	0	0	0	0	0	0	EMBA, Taiwan University	N/A	N/A	N/A	N/A
Branch Manager, Banqiao Branch	R.O.C	Jerry Chen	Male	2016/08/29	0	0	0	0	0	0	Master of Banking and Finance, Tamkang University	N/A	N/A	N/A	N/A
Branch Manager, Neihu Branch	R.O.C	Coco Su	Female	2018/06/26	0	0	0	0	0	0	Master of Business Administration, Yuan Ze University	N/A	N/A	N/A	N/A
Branch Manager, Wenxin Branch	R.O.C	Stephen Huang	Male	2016/08/29	0	0	0	0	0	0	Master International Business, Cheng Chi University	N/A	N/A	N/A	N/A
Branch Manager, Fengyuan Branch	R.O.C	James Yi-Hau Liou	Male	2016/08/29	0	0	0	0	0	0	Dept. of Finance, Southern Taiwan University of Science and Technology	N/A	N/A	N/A	N/A
Branch Manager, Tainan Branch	R.O.C	Lillian Huang	Female	2014/08/28	0	0	0	0	0	0	Dept. of Banking and Insurance, Shih Chien College of Home Economics	N/A	N/A	N/A	N/A
Branch Manager, Jiuru Branch	R.O.C	Stanley Kuo	Male	2016/12/02	0	0	0	0	0	0	Dept. of Business Administration, Tamkang University	N/A	N/A	N/A	N/A
Branch Manager, Dongning Branch	R.O.C	Roy Hsu	Male	2018/02/01	0	0	0	0	0	0	Master, Dept. of Finance, National Chengchi University	N/A	N/A	N/A	N/A
Branch Manager, Donghai Branch	R.O.C	Roger Liao	Male	2016/06/28	0	0	0	0	0	0	Dept. of Technology, Chin-Yi University	N/A	N/A	N/A	N/A
Branch Manager, East Tainan Branch	R.O.C	Lawrence Yu-Ren Lin	Male	2017/01/23	0	0	0	0	0	0	Dept. of Banking & Insurance, Feng Chia University	N/A	N/A	N/A	N/A
Branch Manager, Nantun Branch	R.O.C	James Chien	Male	2018/03/22	0	0	0	0	0	0	Dept. of Chinese Literature, National Cheng Kung University	N/A	N/A	N/A	N/A
Branch Manager, Tianmu Branch	R.O.C	Sherry Shu-Hsueh Yeh	Female	2018/11/14	0	0	0	0	0	0	Dept. of General Business, Daxing High School	N/A	N/A	N/A	N/A
Branch Manager, Beitun Branch	R.O.C	Leo Chang	Male	2018/03/21	0	0	0	0	0	0	Dept. of Finance Management, Chung Hua University	N/A	N/A	N/A	N/A
Branch Manager, Xitun Branch	R.O.C	Jessica Chiu	Female	2016/12/02	0	0	0	0	0	0	Overseas Chinese University	N/A	N/A	N/A	N/A
Branch Manager, Zhongqing Branch	R.O.C	Sunny Hsien-Tsung Kuo	Male	2013/05/31	0	0	0	0	0	0	Dept. of Business Administration, Minghsin Industrial and Commercial Junior College	N/A	N/A	N/A	N/A
Branch Manager, Changhua Branch	R.O.C	Gordon Yan	Male	2014/11/21	0	0	0	0	0	0	Dept. of Business Administration, National Taiwan University of Science and Technology	N/A	N/A	N/A	N/A
Branch Manager, Sanduo Branch	R.O.C	Stanley Kuo	Male	2018/06/26	0	0	0	0	0	0	Dept. of Business Administration, Tamkang University	N/A	N/A	N/A	N/A
Branch Manager, North Kaohsiung Branch	R.O.C	Irene Chiu	Female	2018/06/26	0	0	0	0	0	0	Master of Science in Finance, University of Leicester	N/A	N/A	N/A	N/A
Branch Manager, Fuxing Branch	R.O.C	Jamie Chiung-Chen Chiu	Female	2016/05/07	0	0	0	0	0	0	Dept. of Business Administration, Van Nung Institute of Technology & Commerce	N/A	N/A	N/A	N/A
Branch Manager, East Taipei Branch	R.O.C	Mandy Chiu	Female	2015/01/30	0	0	0	0	0	0	Master, Dept. of Finance, Chaoyang University of Technology	N/A	N/A	N/A	N/A
Acting Branch Manager, Nanjing Branch	R.O.C	Mandy Chiu	Female	2015/01/30	0	0	0	0	0	0	Master, Dept. of Finance, Chaoyang University of Technology	N/A	N/A	N/A	N/A

(Continued)

Title (Note 1)	Nationality	Name	Gender	Date appointed	Shareholding		Shareholding of spouse & minor		Shareholding in other's name		Education & Work Experience (Note 2)	Also serve concurrently as	Managers are spouse or within second-degree relative of consanguinity to each other		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Branch Manager, Dunhua Branch	R.O.C	Charles Huang	Male	2018/11/14	0	0	0	0	0	0	Master, Dept. of Finance, National Chengchi University	N/A	N/A	N/A	N/A
Branch Manager, Xinyi Branch	R.O.C	Edward Wang	Male	2018/11/14	0	0	0	0	0	0	Bachelors in Finance, Ming Chuang University	N/A	N/A	N/A	N/A
Branch Manager, Ren'ai Branch	R.O.C	Ivan Lan	Male	2018/11/14	0	0	0	0	0	0	Dept. of Economics, Soochow University	N/A	N/A	N/A	N/A
Branch Manager, Main Branch	R.O.C	Sam Yao	Male	2018/11/14	0	0	0	0	0	0	Dept. of Information Management, Tamkang University	N/A	N/A	N/A	N/A
Branch Manager, Zhongshan Branch	R.O.C	Monica Hsieh	Female	2018/11/14	0	0	0	0	0	0	Bachelors in Economics, Shih Hsin University	N/A	N/A	N/A	N/A
Branch Manager, Guting Branch	R.O.C	Daisy I-Ching Lin	Female	2018/06/26	0	0	0	0	0	0	Dept. of International Trade, Shih Chien University	N/A	N/A	N/A	N/A
Branch Manager, Dazhi Branch	R.O.C	Rita Tai	Female	2018/06/26	0	0	0	0	0	0	Dept. of Healthcare Management, Yuanpei College	N/A	N/A	N/A	N/A
Branch Manager, Jinshan Branch	R.O.C	Morgan Liu	Male	2018/11/14	0	0	0	0	0	0	Dept. of Finance, Ming Chuan University	N/A	N/A	N/A	N/A
Branch Manager, Kaohsiung Branch	R.O.C	Jennifer Huang	Female	2014/01/21	0	0	0	0	0	0	Dept. of Accounting, , Chinese Culture University	N/A	N/A	N/A	N/A
Branch Manager, Taichung Branch	R.O.C	Gavin Liao	Male	2016/08/29	0	0	0	0	0	0	Master Program in International Economics, National Chung Cheng University	N/A	N/A	N/A	N/A

Note 1 : Information on the executive officers including the President, Vice President, functional heads and branch managers or any personnel assuming equivalent positions are disclosed.

Note 2 : Experiences, relevant to the current job positions.

Chairman and President retired from the Bank or its affiliates have been hired as consultant : None

(III) Remuneration Paid to Directors (including INEDs), Supervisors and Executive Officers in 2018

1. Directors' Remuneration and Remuneration Bracket (including Independent Non-Executive Directors, INEDs)

(1) Directors' Remuneration (including INEDs)

Unit : NTD'000

Title	Name	Director's Remuneration								Total of (A, B,C, D) as a percentage (%) of net profit after tax		Relevant Remuneration Received by Directors who Are Also Employees								Total of (A, B,C, D, E, F, G) as a percentage (%) of net profit after tax		Remuneration from investment companies other than subsidiaries
		Remuneration (A)		Separation pay/ Pension (B)		Remuneration appropriated to directors from earnings (C)		Costs incurred from performing duties (D)				Salaries, bonus and special allowance (E)		Separation pay/ Pension (F)		Employees' remuneration (G)						
		The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank		All companies included in consolidated financial statements		The Bank	All companies included in consolidated financial statements	
																Cash dividend	Stock dividend	Cash dividend	Stock dividend			
Director	Standard Chartered Bank Representative: Gregory John Powell (Note1)	8,250	8,250	-	-	-	-	-	-	0.30%	0.30%	73,496	73,496	-	-	-	-	-	-	3.00%	3.00%	-
Chairman	Standard Chartered Bank Representative: Benjamin Pi-Cheng Hung (Note2)																					
Director	Standard Chartered Bank Representative: Yuen Tung Anthony Lin																					
Director	Standard Chartered Bank Representative: Wei-Chih Chen																					
Director	Standard Chartered Bank Representative: Rangus Hok Hoi Tse																					
Director	Standard Chartered Bank Representative: Norman Lyle																					
INED	Standard Chartered Bank Representative: Nei-Ping Yin																					
INED	Standard Chartered Bank Representative: Man-Jung Chan																					
INED	Standard Chartered Bank Representative: Ban-Ren Chen																					

In addition to the information disclosed above, other remuneration distributed to the directors for provision of services to all companies included in consolidated financial statements (e.g. consulting service) in the most recent year: None.

Note 1 : Director Gregory John Powell took office as chairman on 27 June 2018.

Note 2 : Chairman Benjamin Pi-Cheng Hung was discharged from office on 26 June 2018, who subsequently resigned the office of Director on 15 November 2018.

Note 3 : In addition to the Directors' remuneration (including INEDs) as shown in the table above, the expense for drivers' salaries of Directors totalled NTD 2,449 (thousand) in 2018.

(2) Directors' Remuneration Bracket

Unit: NTD'000

Range of Remuneration Paid to Directors of the Bank	Name & No. of Directors			
	Director's Remuneration Total of (A+B+C+D)		Remuneration Received by Directors who Are Also Employees Total of (A+B+C+D+E+F+G)	
	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements
Less than 2,000				
2,000 (inclusive) – 5,000	Norman Lyle, Nei-Ping Yin, Man-jung Chan, Ban-Ren Chen	Norman Lyle, Nei-Ping Yin, Man-jung Chan, Ban-Ren Chen	Norman Lyle, Nei-Ping Yin, Man-jung Chan, Ban-Ren Chen	Norman Lyle, Nei-Ping Yin, Man-jung Chan, Ban-Ren Chen
5,000 (inclusive) – 10,000			Wei-Chih Chen	Wei-Chih Chen
10,000 (inclusive) – 15,000				
15,000 (inclusive) – 30,000			Rangus Hok Hoi Tse	Rangus Hok Hoi Tse
30,000 (inclusive) – 50,000			Yuen Tung Anthony Lin	Yuen Tung Anthony Lin
50,000 (inclusive) – 100,000				
100,000 above				
Total	4	4	7	7

2. Supervisors' Remuneration and Remuneration Bracket : Not Applicable

3. Executive Officers' Remuneration and Remuneration Bracket

(1) Executive Officers' Remuneration

Unit: NTD'000

Title	Name	Salary (A)		Separation pay/ Pension (B)		Bonus & Special Allowance (C)		Employees' Bonus Distributed from remunerations (D)				Total of (A, B, C, D) as a percentage (%) of net profit after tax		Remuneration from investment companies other than subsidiaries
		The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank		All companies included in consolidated financial statements		The Bank	All companies included in consolidated financial statements	
								Cash dividend	Stock dividend	Cash dividend	Stock dividend			
Chief Executive Officer	Yuen Tung Anthony Lin	76,313	76,313	-	-	70,579	70,579	-	-	-	-	5.39%	5.39%	-
Head of Audit	Vicki Yang													
Head of Commercial Banking	Irving Yang													
Head of Retail Bank	Kate Lin													
Head of Corporate & Institutional Banking	Michael Huang (Note1)													
Head of Human Resources	Wei-Chih Chen													
Head of Compliance	Miranda Liaw (Note2)													
Chief Financial Officer	Rangus Hok Hoi Tse													
Chief Risk Officer	Etta Lin													
Chief Information Office	Wen Shu													
Head of Corporate & Institutional Banking	Sheila Chuang (Note3)													
Acting Head of Compliance	Ryan CH Wu (Note4)													
Head of Compliance	Gladys Huang (Note5)													

Note 1 : Michael Huang took office as Acting Head of Corporate & Institutional Banking on 1 October 2018 and then assumed as Head of Corporate & Institutional Banking on 14 November 2018.

Note 2 : Miranda Liaw took office as Head of Compliance on 15 November 2018.

Note 3 : Sheila Chuang was discharged from office as Head of Corporate & Institutional Banking on 30 September 2018.

Note 4 : Ryan CH Wu took office as Acting Head of Compliance on 11 August 2018 and then discharged from office on 14 November 2018.

Note 5 : Gladys Huang was discharged from office as Head of Compliance on 10 August 2018.

Note 6 : In addition to the Executive Officers' remuneration as shown in the table above, the expense for drivers' salaries of Executive Officers totalled NTD 4,500 (thousand) in 2018.

(2) Executive Officers' Remuneration Bracket

Unit: NTD'000

Range of Remuneration Paid to Executive Officers of the Bank	Name & No. of Executive Officers	
	The Bank	All companies included in consolidated financial statements
Less than 2,000	Michael Huang, Miranda Liaw, Ryan CH Wu	Michael Huang, Miranda Liaw, Ryan CH Wu
2,000 (inclusive) – 5,000		
5,000 (inclusive) – 10,000	Vicki Yang, Irving Yang, Wei-Chih Chen, Etta Lin, Gladys Huang	Vicki Yang, Irving Yang, Wei-Chih Chen, Etta Lin, Gladys Huang
10,000 (inclusive) – 15,000	Wen Shu, Sheila Chuang	Wen Shu, Sheila Chuang
15,000 (inclusive) – 30,000	Kate Lin, Rangus Hok Hoi Tse	Kate Lin, Rangus Hok Hoi Tse
30,000 (inclusive) – 50,000	Yuen Tung Anthony Lin	Yuen Tung Anthony Lin
50,000 (inclusive) – 100,000		
100,000 above		
Total	13	13

4. Remuneration Distributed to Managers : None

(IV) Analysis of Remuneration Paid to Directors, Supervisors, and Executive Officers of the Bank and All Companies in the Consolidated Financial Statements as a Percentage of Net Profit After Tax During the Past Two Years

	2018	2017
Directors	3.00%	3.58%
Supervisors	-	-
Executive Officers and Chief Auditor	5.39%	6.19%

(V) Remuneration Policy, Procedures and Criteria for Determining Remunerations and their Correlation with Management Performance and Potential Risks

The Bank's approach to performance, reward and benefits is consistent with effective risk management and the delivery of our strategy and values. The elements of the Bank's remuneration are as follows:

Fixed remuneration: refers to base salary, allowances and other benefits. Salaries reflect individual's skills and experience and are reviewed annually against market information and in the context of annual performance assessment and affordability. Benefits are provided to employees in line with relevant regulation and local market practice.

Variable remuneration: rewards and incentivizes the achievement of the Bank and business unit's as well as individual objectives including the adherence to the Bank's Valued Behaviours. All employees are subject to the Bank's deferral mechanism, which applies a graduated level of deferral over a defined threshold. Variable remuneration is subject to the Bank's Ex-post Risk Adjustment of Remuneration Policy, which enables the Bank to suspend payment or vesting of awards, apply in-year adjustments, apply malus to unvested awards, and apply claw-back to vested variable remuneration, in appropriate circumstances.

The proportion of variable to fixed remuneration awarded to employees is carefully monitored.

III. Corporate Governance Practices

(I) Practices of Board of Directors

7 meetings (A) were convened by the Board of Directors and INEDs over that past one year. Attendance of directors in the meetings is specified as follows :

Title	Name	No. of Attendance in Person (B)	No. of Attendance by Proxy	Actual Attendance Ratio (%) (B/A) (Note)	Remarks
Chairman	Standard Chartered Bank Representative: Gregory John Powell	7	0	100%	Succeed the role as Chairman on 27 June 2018
Director	Standard Chartered Bank Representative: Benjamin Pi-Cheng Hung	5	0	100%	Tendered his resignation as Chairman of the Bank with effect on 26 June 2018; Step down on 15 November 2018
Director	Standard Chartered Bank Representative: Yuen Tung Anthony Lin	7	0	100%	
Director	Standard Chartered Bank Representative: Norman Lyle	6	1	86%	
Director	Standard Chartered Bank Representative: Wei-Chih Chen	5	2	71%	
Director	Standard Chartered Bank Representative: Rangus Hok Hoi Tse	7	0	100%	
INED	Standard Chartered Bank Representative: Nei-Ping Yin	7	0	100%	
INED	Standard Chartered Bank Representative: Man-Jung Chan	6	1	86%	
INED	Standard Chartered Bank Representative: Ban-Ren Chen	7	0	100%	

Other matters to be noted :

- Please specify the date, term, content of the motion and all independent directors' opinions as the Bank's response if any of the following conditions is met:
 - Matters specified in Article 14.3 of the Securities and Exchange Act : None
 - Other board resolutions where independent directors have expressed objection or qualified opinions that have been noted in the record or declared in writing : None
- Avoidance of conflict of interest by directors:

Term and Session	Name	Content of Motion	Reasons for Avoidance	Participation in the Voting
15 January 2018, 14 th session of the 14 th Term	Benjamin Pi-Cheng Hung	Approval for related party transaction of underwriting senior note issuance with SCB group entities.	For SCBHK case, it was proposed that Mr. Benjamin Hung, Chairman of SCBHK to excuse from the discussion on and vote for this item to avoid any potential conflict of interest issue.	The related party did not exercise the voting right to the proposal, and the other Directors unanimously resolved that the proposal be approved.
26 June 2018, 16 th session of the 14 th Term	Benjamin Pi-Cheng Hung	Approval for related party transaction of underwriting senior note issuance for group entities.	For SCBHK case, it was proposed that Mr. Benjamin Hung, Chairman of SCBHK to excuse from the discussion on and vote for this item to avoid any potential conflict of interest issue.	The related party did not exercise the voting right to the proposal, and the other Directors unanimously resolved that the proposal be approved.

- Goals to enhance the function of the Board of Directors and evaluation of the execution status in the current and most recent years: With the aim to achieve information transparency, required documentation will be provided to the Board to ensure the directors have sufficient information prior to the Board meeting. The CEO also continues to lead the country Executive Committee members to present business reports of their respective functions in quarterly main Board meetings and also report on the status of country economies, political and regulatory development of the country for the Board's reference. An audit committee was approved by the Board to establish on 24 November 2015. In accordance with the Terms of Reference of Audit Committee, there were 7 Audit Committee meetings which have been held in 2018.

Note 1 : When a board of director or a supervisor is a legal person, the name of institutional shareholder and its representative(s) shall be disclosed.

- Note 2 :** (1) For Directors (including INEDs) who have left the Board before the end of the year, the resignation date should be specified in the remarks column. The actual (listed) attendance ratio (%) will be calculated based on the number of meetings and the actual number of attendance during their term of office.
- (2) For Directors (including INEDs) who have been re-elected before the end of the year, the names of new and old directors (supervisors, INEDs) shall be listed in the table, with election status and date of election specified in the remarks column. The actual (listed) attendance ratio (%) will be calculated based on the number of meetings and the actual number of attendance during their term of office.

(II) Practices of Audit Committee Meetings

7 meetings (A) were convened by the Audit Committee in 2018. Attendance of Independent Non Executive Directors in the meetings is specified as follows:

Title	Name	No. of Attendance in Person (B)	Actual Attendance Ratio (%) (B/A) (Note)	Remarks
INED	Standard Chartered Bank Representative: Norman Yin	7	100%	
INED	Standard Chartered Bank Representative: Man-Jung Chan	7	100%	
INED	Standard Chartered Bank Representative: Ban-Ren Chen	7	100%	

Other matters to be noted :

1. Please specify the date, term, content of the motion, Audit Committee resolutions and the Bank's response to the Audit Committee's opinions if any of the following conditions is met :

(1) Matters specified in Article 14.5 of the Securities and Exchange Act : None

(2) Other resolutions not consented by Audit Committee : None

2. Avoidance of conflict of interest by independent directors : None

3. Communication with the Chief Auditor and accountants (including communication methods and results pertaining to material matters of the Bank's financial and business conditions)

INEDs are invited to attend meetings held by the Board of Directors and express their opinions, if appropriate; discuss issues of business operations with senior management of the Bank, especially CFO and Chief Internal Auditor, to ensure full control of the Bank's business and financial conditions, and hold discussion with accountants over the Bank's financial statements. Based on Article 19 of "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries", the Bank submitted internal audit reports to the INEDs every two weeks for their review and replied to any questions arising from the reports.

Note : (1) For Independent Directors (INEDs) who have left the Board before the end of the year, the actual attendance ratio (%) will be calculated based on the number of Audit Committee meetings and the actual number of attendance during their term of office.

(2) For Independent Directors (INEDs) who have been re-elected before the end of the year, the names of new and old INEDs shall be listed in the table, with election status and date of election specified in the remarks column. The actual attendance ratio (%) will be calculated based on the number of Audit Committee meetings and the actual number of attendance during their term of office.

Practices of Supervisors Attending the Board of Directors Meetings : Not Applicable

(III) Compulsory Disclosure in Accordance with Corporate Governance Best-Practice Principles for Banks

Please refer to the Bank's website at <https://www.sc.com/tw/> and the website of Market Observation Post System ("MOPS") at <http://mops.twse.com.tw/>.

(IV) Current Status of the Bank's Corporate Governance Practices and Its Comparison Against the Corporate Governance Best-Practice Principles for Banks

Assessment Item	Execution Status			Reasons of Discrepancies Between the Bank's Corporate Governance Practices and the "Corporate Governance Best Practice Principles for Banks"
	Yes	No	Description	
(I) Shareholdings structure and shareholders' equity				
1. Does the Bank establish internal operating procedures for handling shareholders' recommendations, queries, disputes or litigation issues and are the procedures being followed accordingly?	V		1. The Bank is owned by a sole shareholder - Standard Chartered Bank, and there are no disputes or litigation matters with the shareholder. Any recommendation or queries of the shareholder is raised to the Board of Directors for review and consideration. The Chairman, Chief Executive Officer and Executive Committee of the Bank address shareholder's recommendations and queries with prudence. No internal procedure is stipulated for this purpose.	No discrepancy
2. Is the Bank the ultimate controller of the major shareholders?	V		2. The Bank is a subsidiary wholly owned by Standard Chartered Bank, whose shareholding is 100% owned by Standard Chartered Holdings Limited.	No discrepancy
3. Does the Bank establish the risk control mechanism and firewalls between the Bank and its affiliated enterprises?	V		3. The Bank establishes the internal operation instruction for the credit and non-credit extension to related parties and affiliates of the Bank pursuant to Article 45-1 of the Banking Act. Also, the restriction of credit lending as well as concentration limits and total credit outstanding are conducted pursuant to Articles 32, 33, 33-1 to 33-5 of the Banking Act along with regulation regarding Article 33 of the same Act. Any credit extension to related parties and affiliates of the Bank will be reported to the ALCO committee on monthly basis.	No discrepancy
(II) Composition and responsibilities of the Board of Directors				
1. Except for the remuneration and audit committee, does the Bank set up other functional committees voluntarily?	V		1. An Executive Committee was established under the Board of Directors Meeting of the Bank. Except for the authority required to be exercised by the Board of Directors under the law, the Board of Directors has delegated its authority, obligation and responsibility to the Executive Committee for their day-to-day management, operation and control of the Bank's businesses. The Board of Directors may, during the adjournment of the Board meeting, request the Executive Committee (chaired by the Chief Executive Officer) to effectively supervise and review the Bank's business operations, and report the Bank's business performance at the Board meetings.	No discrepancy

 (Continued)

Assessment Item	Execution Status			Reasons of Discrepancies Between the Bank's Corporate Governance Practices and the "Corporate Governance Best Practice Principles for Banks"
	Yes	No	Description	
2. Does the Bank evaluate independence of its CPA regularly?	V		2. Evaluation on the independence of the CPA is conducted by the Bank on a regular basis.	No discrepancy
(III) As a listed company, does the Bank set up a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors; handling matters relating to board meetings and shareholders meetings according to laws; handling corporate registration and amendment registration; and producing minutes of board meetings and shareholders meetings, etc.)?	V		The Bank has Company Secretariat in place to be responsible for corporate governance related matters, including but not limited to furnishing information required for business execution by directors and supervisors; handling matters relating to board meetings and shareholders meetings according to laws; handling corporate registration and amendment registration; and producing minutes of board meetings and shareholders meetings, etc.	No discrepancy
(IV) Does the bank establish communication channels with stakeholders (including but not limited to shareholders, staff, and customers)?	V		The respective departments are fully responsible for dealing with stakeholders' complaints or rights in accordance with the relevant regulations and the Bona Fide Principle. SCB Supplier Charter is stated in tender document to supplier during tender process, SCB Supplier Charter is a formal position statement that details what SCB expects from its suppliers and those within the suppliers' sphere of influence. It outlines SCB values and brand promise and covers 5 areas: Ethics, Human Rights, Environment, Health and Safety Standards, and Environmental Protection.	No discrepancy
(V) Information disclosure 1. Does the Bank establish a website where information regarding financial/business statements and corporate governance is disclosed?	V		1. The Bank's website (including English website) is set up by responsible departments including the Information Technology and Operations, Customer Service and other related departments for purpose of information collection and disclosure. The Bank's Chief Executive Officer also serves as the Bank's spokesman.	No discrepancy

 (Continued)

Assessment Item	Execution Status			Reasons of Discrepancies Between the Bank's Corporate Governance Practices and the "Corporate Governance Best Practice Principles for Banks"
	Yes	No	Description	
2. Are there any other disclosure channels of the Bank (e.g. set up an English website, assign designated personnel to collect and disclose the Bank's information, implement spokesperson system, or publish investors' conference on the website)?	V		2. Same as above.	No discrepancy
(VI) Is there other information essential to understand the corporate governance of the Bank (e.g. employee welfare, employee care, investor relations, stakeholder rights, training records of directors and supervisors, risk management policies and implementation of risk measurement criteria, implementation of customers' policies, liability insurance purchased by the Bank for directors and supervisors, donations to political parties, stakeholders and charity groups, etc.)?	V		- The Bank's Directors (including INEDs) regularly participate in internal and external Corporate Governance trainings covering topics related to financial, risk management, business and other courses. The Directors (including INEDs) are responsible for instructing the employees at all levels to strengthen their professional and legal knowledge. The Bank purchases the liability insurance for the Directors (including INEDs) and senior management on annual basis. - Pursuant to Article 16-1, Chapter 3 of the "Corporate Governance Best-Practice Principles for Banks", our donations to political parties, stakeholders and charity groups required to be disclosed are as follows: - Syin-Lu Social Welfare Foundation - Hualien Country Government (Disaster Relief) - Information Society Promotion Association (ISPA) - Small & Medium Enterprise Guarantee Fund, Taiwan (SMEG) - The Bank has set up a capital adequacy and risk management section in the official website. The content of this section covers the Bank's capital adequacy management, credit risk management, market risk management, operational risk management, interest rate risk management in the banking book, liquidity risk management and other relevant information.	No discrepancy

 (Continued)

Assessment Item	Execution Status			Reasons of Discrepancies Between the Bank's Corporate Governance Practices and the "Corporate Governance Best Practice Principles for Banks"
	Yes	No	Description	
			To protect consumer rights and enhance customer services, the Bank has relevant policy and mechanism in place to conform to the Consumer Protection Act as well as to protect consumer rights in the course of product/service offerings. In addition, the Bank has established processes to immediately handle customer complaints and takes customer opinions into consideration during product/service design. A 24-hour customer hotline is provided to ensure customers' requirements and disputes are effectively taken care of. To provide a smooth customer complaints channel, a customer complaints hotline is posted on the Bank's official website for reference. Furthermore, a customer service email box is published on the website to collect customer feedbacks and respond consumer disputes. Any customer complaint will be responded in line with the Bank's standard process, regardless a complaint is through telephone, teller counter, letter, fax, media and/or official letter from relevant regulator(s). The Bank's business units also develop internal guidelines by embedding the Treating Customer Fairly ("TCF") strategy and ensure full implementation of guidelines in accordance with relevant regulations.	

(VII) Specify the Bank's remediation efforts and action plans for results provided in the most recent year's corporate governance evaluation report issued by the Corporate Governance Center of Taiwan Stock Exchange Corporation. (No need to specify if the Bank is not included in the evaluation.) : Not Applicable

(V) Organizational Structure, Responsibility and Operation of Remuneration Committee Established by the Bank If Any :

None

(VI) Practices of Corporate Social Responsibility : Systems, measures and practices of the Bank's social responsibility to environmental protection, community participation, social contribution, social services, public welfare, consumer rights, human rights, safety and hygiene, and other social responsibility related activities

Assessment Items	Execution Status		
	Yes	No	Description
(I) Implement Corporate Governance			
1. Does the Bank have the corporate social responsibility policy or system in place and carry out review of its effectiveness?	V		1. Our Commitment — Here for good The core value of the Bank's culture is sustainability, which focuses on building the Bank into a sustainable business, creating shareholder value, providing customers with comprehensive services, contributing to local economy, and being positive force in its communities. These are exactly the materialization of our brand promise — Here for good. Our significant achievements of sustainability through investing in communities in 2018: • Supported by three NGOs that including Parent's Association for the Visually Impaired, Taiwan Association for the Employment Rights of People with Disabilities, and Technology Development Association for Disabled. "Standard Chartered Seeing is Believing VI Employment Platform" was successfully established to demonstrate the joint efforts among public and private sectors as well as the nonprofits to support job placements of the visually impaired. From May 2013 up to end of 2018, the project has serviced over 700 visually impaired people and successfully matched job placements for 473 visually impaired talents. • Through Taipei Standard Chartered Charity Marathon, the Bank contributed near NTD 60 million (including Group matching) to support "Seeing is Believing" global project and visually impaired employment project in Taiwan. • Each employee is entitled to 3 paid days of volunteering leave every year. As we encourage all staff to join the community service activities of their enthusiasm, department based volunteering activities are also welcome in conjunction with family day to call upon deeper coherence to the Bank's culture and the community. • In 2018, we have contributed 1,931.5 days of employee volunteering service in the local communities.
2. Does the Bank hold corporate social responsibility trainings on a regular basis?	V		2. New Joiners are required to attend "Right Start Live" when on boarding to know about SCB's brand promises — Here for good and core values. They will also be introduced of code of conduct in working environment through case studies and our volunteer activities such as Standard Chartered Marathon. Also, there will be Labor Health and Safety training for them on the same day. Frontline sales and services employees will have half day compliance training in their Day1 Readiness training curriculum, which includes topics about anti-money laundering, know your customers and how to prevent mis-selling. All new joiners will also be assigned with e-learning courses including "Group Code of Conduct", "Anti-Money Laundering and Counter Terrorist Financing", "Understanding Sanctions", "Safety & Security", "Occupational Safety and Health Training", "Gender Equality in Employment Law" and so on to assist employees to be aware of social responsibility. Furthermore, the Bank communicates the importance of Sponsorship and Donation Policy internally every year, provides "Rejecting Bribery & Corruption" e-learning course to all employees and organizes workshops to ensure compliance with approval process by all departments to minimize reputational risks.

Assessment Items	Execution Status		
	Yes	No	Description
3. Does the bank set up a designated unit supervised by senior management to promote corporate social responsibility of the Bank and report the execution status to the Board of Directors?		V	3. "Here for good" is our core value and brand promise with an aim to be the best international bank. The Bank is committed to human resources development, corporate governance, sustainable products and services, financial crime prevention, risk and crisis management, environmental protection, diversity and inclusion, as well as community participation, etc. The Bank ensures responsible departments will fulfill our corporate social responsibility by following the Group's sustainability guideline and international standards.
4. Does the Bank establish a reasonable remuneration policy that links to employee performance evaluation system and CSR policy, and set up an effective reward and punishment system?	V		4. At a Group, the Bank and business unit level: The scorecards take into consideration financial and non-financial targets, including those related to conduct and remediation programmes. This incentivizes improvements in shareholder returns whilst ensuring that returns are not generated by excessive risk-taking. At an individual level: We have a clearly defined performance management framework. Employees have objectives aligned to our strategy and receive ongoing feedback. Employees must set Valued Behaviour and achievement objectives and are subject to a global risk and compliance objective, which reinforces the expectation that employees must appropriately manage risk and compliance in their roles. Employees are assessed annually in relation to what they have achieved, against their objectives, and how they have achieved it, based on the Valued Behaviours they have demonstrated. Remuneration outcomes relate to the performance of the individual, the Bank and business unit they work in and the Group. This ensures that everyone is aligned to deliver long-term sustainable growth in the interests of shareholders and that variable remuneration recognizes the achievement, conduct, behaviours and values of employees. Conduct, risk management and reward alignment: Our remuneration approach is designed to promote sound risk management by aligning employee incentives with the longer-term interests of the Bank, taking into account the timeframe over which financial risks crystallize. Good conduct and the demonstration of appropriate behaviours are rewarded. • Deferral mechanism: Depending on the quantum of an individual's variable remuneration, a portion is deferred into shares and/or other instruments according to the Bank's deferral mechanism. This aligns the pay-out period for remuneration with the business cycle of the Bank whilst taking into account the timeframe over which financial risks crystallize. • Individual risk adjustments: Consideration is given to whether variable remuneration should be adjusted when there is conduct that has resulted in significant losses to the Bank, a material risk management failure or where the individual has failed to meet appropriate standards of values and behaviours. Where legally possible, variable remuneration is subject to clawback for a period of at least seven years from the date on which it is awarded • Reinforcing positive conduct: Recognition awards, known as Going the Extra Mile ("GEM") awards, are used to recognize exemplary behaviour, such as material improvements in the risk and control environment, extraordinary efforts in supporting employees and improving the working environment, creatively solving problems or making process improvements.

Assessment Items	Execution Status		
	Yes	No	Description
(II) Develop Sustainable environment			
1. Does the Bank strive to improve the utilization rate of various resources and use renewable materials that have minimal impact to the environment?	V		1. Standard Chartered Group's success in managing our environmental impact has been certified by the Leadership in Energy and Environmental Design (LEED) rating, an equivalent green building rating scheme. In Taiwan, the Bank upholds sustainable development ideals by setting environmental management targets and reducing our carbon footprint through energy savings projects and waste sorting and recycling initiatives. Furthermore, together with supplier partners, we enhance the space efficiency and regularly monitor the lighting, air quality, and indoor greenery to help ensure the health, safety, and comfort of the working environment. In addition, the Bank actively encourages our employees to participate in volunteer services to protect the environment and care for vulnerable groups in society as part of our corporate social responsibility.
2. Does the Bank establish an adequate environmental management system based on characteristics of the industry?	V		2. The Group operates in many countries vulnerable to environmental challenges, including the effects of climate change. Rather than simply continuing current business practices, the Bank works to inspire and encourage our employees and customers to minimize their environmental footprint. This strategy is supported by senior management on the Group EcoNet, our environment coordinators' network.
3. Does the Bank investigate greenhouse gas inventory and set up strategies for energy saving, emission reduction and greenhouse gas mitigation to cope with climate change which would have business impact to the Bank?	V		3. In 2018, the Bank has not only continuously adopted several practices to reduce carbon dioxide emissions and save energy, but also took active part in the world renowned environmental protection activities. Employees were encouraged to reduce CO2 emissions and save energy both at homes and offices. As a result, the use of energy and water by approximately -6% and -15% respectively year-on-year. These practices include: (1) Taskforces to monitor the conventional lighting of branches and main offices and replace them with LED or energy-saving lighting; (2) Newly renovated branches and offices are equipped with air conditioners, Lighting and Power & Water supply facilities that met the environmental protection standards and energy savings certification; (3) Implement limited hours on air-conditioning in main offices to lower energy consumption after office hours; (4) Promote one-hour lights-out campaign during the lunch time of main offices; (5) Continuously monitor the usage of electricity and water in main offices and look into any abnormality of utility usage and provide countermeasures thereof; (6) Reduce the operation hours of signage lighting; (7) Encourage staff to use the stairs instead of taking elevator; (8) Install water-saving facilities in main branches and offices; (9) Actively participate in global environment activities such as the "Earth Day" and increase environmental awareness amongst our staff; (10) The Bank's sponsorship in green field in front of DMR building is a perfect example where we are giving back to the society and enhancing the partnership with local neighbourhood. (11) On paper saving, the Bank continues to promote paperless meetings, improve related meeting facilities and rigid measures on copying process, as well as track the paper usage in offices on a monthly basis to raise staff awareness on paper saving;

Assessment Items	Execution Status		
	Yes	No	Description
			(12) The Bank's IT Department implemented new server whose efficiency and capacity are several times higher than the old equipment. By introducing the server virtualization technology, it has substantially reduced the number of hosts, the volume of power consumption, and the heat generated by machines, demonstrating our corporate social responsibility in energy saving and carbon reduction. Our computer servers total 428 units in 2009 and gradually reduced to 208 units in 2018, with an actual reduction rate of 51.4%, reduction of 14,687 degrees of electricity per month; it means a reduction of 109,801kg carbon dioxide emissions per month, which is equivalent to planting 10,028 trees per year in Taiwan.
(III) Safeguard Public Welfare			
1. Does the Bank establish management policies and procedures in accordance with related laws and international human rights treaties?	V		1. The Bank complies with domestic labor laws to guarantee employees' legitimate rights and interests, treat all employees with fairness, and ensure a human labor's freedom of assembly and association as well as the rights of collective bargaining. We care about the disadvantaged minority, prohibit hiring child labor and preventing any kind of forced labor. We are committed to ensure equal opportunity in employment and prohibit the discrimination against any job applicant or employee on the basis of race, class, language, thought, religion, political party, place of origin, place of birth, gender, gender orientation, age, marital status, appearance, facial features, disability, or past membership in any labor union. All above are fulfilled in details and practices of the Bank's Collective Bargaining Agreement, HR policies and procedures, as well as Fair Accountability and Diversity & Inclusion policy.
2. Does the Bank establish an employee grievance system and communication channel for proper handling of related issues?	V		2. The Bank sets employee grievance policy and procedure, and announced to all employees. The main purpose is to provide employees with the means to resolve grievances connected directly with their employment. It is aimed at encouraging open and honest communication. This will increase the likelihood that Employee concerns can be resolved quickly and internally, with a view to encouraging high Staff morale and engagement, decreasing staff attrition, and avoiding legal claims. All grievances will be handled fairly and in accordance with the applicable grievance procedure. A decision regarding the grievance will be notified to the employee in writing within a reasonable period.
3. Does the Bank provide a safe and healthy workplace for employees and conduct periodical health and safety trainings?	V		3. Based on the local health and safety regulations and SCB Group standards, the following health and safety trainings are provided to employees: • New hires are required to receive 3 hours of health and safety training; • All employees are required to receive 3 hours of health and safety refresher training every 3 years; • To assist health and safety personnel to obtain required certificates and receive regular refresher trainings; • Other necessary trainings in relation to emergency response; • Based on the Rules for Labor Health Protection, health care rooms are established and professional medical personnel are engaged to provide health care services including: (1) Health education, health promotion and guidance; (2) Prevention of occupational disease and injury, health consultation and first aid; (3) Analysis, management, and storage of physical examination records; (4) Regular provision of health information; (5) Health seminars; (6) Breast feeding room for female employees; (7) Door-to-Door Health Service to all employees.

Assessment Items	Execution Status		
	Yes	No	Description
4. Does the Bank conduct regular communications with employees and have adequate process/method in place to notify changes in operations that may have major impact to employees?	V		4. The Bank complies with domestic labor laws to communicate with employees regularly, such as quarterly Labor-Management Meeting and Bi-Weekly Meeting with the Bank union. All meeting minutes are posted on the Bank's intranet site. The Bank and employees both agreed to maintain harmonious employer-employee relationships and promote the rights of all employees through sustainable development in the spirit of "live-and-let-live", share of interests and client-oriented services. The Bank keeps employees informed of major changes in operations that may have major impact to them through reasonable channels, including the channels listed above.
5. Does the Bank establish effective career development plan for employees?	V		5. We provide different professional trainings for different needs of business or support functions. Frontline sales and services new joiners need to attend Day 1 Readiness training. Based on different job roles, the training programs are designed with different training durations. New managers will receive a nine-month New Manager Program. There are also leadership programs designed for managers from different levels. For those ambitious and high potential talents, the Bank also provides related trainings to help them pursuit and develop their career paths.
6. Does the Bank have relevant policy and procedures in place to protect consumer rights pertaining to product research, procurement, operations and services?	V		6. The Bank has entered into agreement with our vendors for customer disputes resolution, which covers terms and conditions to define the response timeline, handling process and remedy plan. In regards to the consumer rights protection and customer services, the Bank has its policy and procedure in place to address customer feedbacks on a timely manner. Also, customer opinions are incorporated into the product/service design. A 24-hr customer hotline is provided to ensure customer requirements and disputes are effectively taken care of. To ensure a smooth customer complaints channel, a customer complaints hotline is posted on the Bank's website for reference. In addition, a customer service email is provided on the website to collect customer feedbacks and respond consumer disputes. Any customer complaint, whether it is through telephone, teller counter, letter, fax, media and/or official letter from relevant regulator, will be addressed in compliance with the Bank's standard process for handling customer complaints. To efficiently process customer complaints, an e-form system is set up for tracking customer complaints and results. In addition to reply and log reasons, corrective actions and precautions on system by following the Customer Complaints DOI, reports of disputable cases are compiled and analyzed on weekly and monthly basis. Disputes with greater recurrence rate are monitored of their corrective actions on continuous effort. Where any inconsiderate service is identified through the customer complaints channel or satisfactory survey, for instance, a product or process design fails to meet customer expectation, a customer is not served by our staff based on standard process, a problem is not adequately addressed and so on, all relevant departments will be informed and corrective actions and precautions will be carried out immediately to protect customers' rights and interests.
7. Does the Bank adhere to relevant regulations and international guidelines to promote and label its products and services?	V		7. Prior to providing financial products or services to our customers, the Bank explains to the customers key features of the financial products or services and key contractual terms, and discloses the associated risks pursuant to Financial Consumer Protection Act and other relevant laws and regulations to ensure the Bank complies with the requirements.

 (Continued)

Assessment Items	Execution Status		
	Yes	No	Description
8. Prior to engaging with a vendor, does the Bank conduct an assessment on corporate social responsibility records of the vendor?	V		8. The Bank's brand promise "Here for good" fully demonstrates our mission as well as over 150 years of business model. The Bank is committed to ensure that its operate with high standards of social, ethical and environmental considerations in all aspects of its business. As a responsible corporate citizen, the Bank expect its suppliers uphold consistent standards as we do in aspects of ethics, human rights, environments, health & safety, labor and environmental protection. The Bank also has an obligation to ensure that our suppliers promote conservation or protection of the environment as part of their business operations. To implement the concept of environmental protection, Standard Chartered Bank built into the selection process to develop specifications and recommendations for environmentally friendly products as the preferred specification to review the efforts made by a supplier on the more environmentally sensitive products and the implementation of its corporate social responsibility system. The above has been incorporated as one of the selection criteria of suppliers, so that sourcing decisions will be made, to the extent practicable, to use a more environmentally friendly product or service.
9. In case the major supplier/vendor involves in violation of the corporate social responsibility policy and has inverse influence to the environment and society, does the Bank's contract cover termination clause with the major supplier/vendor at any time?	V		9. SCB Supplier Charter is stated in tender document to supplier during tender process, SCB Supplier Charter is a formal position statement that details what SCB expects from its suppliers and those within the suppliers' sphere of influence. It outlines SCB values and brand promise and covers 5 areas: Ethics, Human Rights, Environment, Health and Safety Standards, and Environmental Protection.
(IV) Reinforce Information Disclosure - Does the Bank disclose reliable and relevant corporate social responsibility information on its website and MOPS (market observation post system)?	V		Standard Chartered continues to disclose the Bank's sustainability achievements through the annual reports. In addition, starting from March 2011, the Bank is required to disclose donations to political parties, stakeholders and charity groups on the Bank's website in accordance with Article 16.1, Chapter 3 of the Corporate Governance Best-Practice Principles for Banks.
(V) In the event the Bank has developed its own Corporate Social Responsibility Best Practice Principles pursuant to the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies, please specify the practices and differences between the two Principles : Not Applicable			
(VI) Other important information that helps to understand the best practices of corporate social responsibility : None			
(VII) Please specify, if appropriate, any Corporate Social Responsibility Report already met the verification criteria of a certification institution : None			

(VII) Information on Ethical Corporate Management and Measures Adopted by the Bank : Implementation of Ethical Corporate Management

Assessment Item	Execution Status		
	Yes	No	Description
(I) Establish Ethical Corporate Management Policies and Programs			
1. Does the Bank stipulate its ethical corporate management in internal rules and external documents, and if such management policies are enforced under the supervision of the Board of Directors and senior management?	V		1. Promulgation of Legal and Compliance Principles and Prevention of Unethical Conduct: All of the Bank's policies and procedures related to ethical corporate management are approved by the Executive Committee and Board of Directors, followed by enforcement of each policy by its owners and subject to Board of Directors' review on an annual basis.
2. Does the Bank establish the Bank's ethical corporate management programs to forestall unethical conduct ("prevention program"), including procedures, guidelines, penalties applicable for the violation of the policy, disciplinary hearing process, and if these process and procedures are being executed accordingly?	V		2. The Bank has established the "Code of Conduct", which mainly encompasses "Speaking Up", "Comply with Laws, Regulations and Standards", "Reject Bribery and Corruption", "Ensure Fair Outcomes for Clients", "Manage Conflicts of Interest", "Do not Engage in or Support Insider Dealing", "Protect Confidential Information", and "Compete Fairly in the Market Place" to prevent unethical behaviours. In addition, the Bank has in place the "Gifts and Entertainment Policy", "Anti-Bribery and Corruption Policy" and relevant procedures. All staff of the Bank shall comply with the aforesaid Code and policies, and complete related trainings as required. Also, the Bank requires all staff to re-commit to the "Code of Conduct" annually so as to ensure that the Code is embedded in our day-to-day operations. The Bank has established "Taiwan Disciplinary Policy" and relevant procedures to ensure that a fair, timely, consistent way and in accordance with the "Fair Accountability" Principles. These policy and procedures are in place to handle misbehavior or misconduct of employees. Where appropriate, the Bank may conduct the disciplinary hearing (and any appeal) in writing with the consent of employees.
3. Does the Bank adopt any preventative measures against business activities which may be at a higher risk of being involved in an unethical conduct or any other items that are stipulated in Article 7.2 of the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"?	V		3. In addition to the above-mentioned "Code of Conduct", the Bank has in place the "Anti-Bribery and Corruption Policy", the "Sponsorships and Donations Policy" and the "Gifts and Entertainment Policy" with relevant procedures to prevent employees from failing to meet the expected standards.

 (Continued)

Assessment Item	Execution Status		
	Yes	No	Description
(II) Implement Ethical Corporate Management			
1. Does the Bank evaluate counterparty's records of ethical corporate management and clearly indicate terms of ethical behavior in the contracts?	V		1. The Bank set out a Supplier Charter which includes a number of principles for the behavioral standard that Standard Chartered expects from all its suppliers, and those within a supplier's sphere of influence that assist them in performing their obligations to the Bank. One of major principles is that Standard Chartered expects its suppliers to conduct themselves ethically and morally and respect local laws, and strictly prohibits bribery and corruption in any form. Suppliers are encouraged to use the Bank's secure Speaking Up web service to report all suspected cases, actual breaches or concealment of any forbidden acts. Terms regarding the ethical behavior have also been incorporated into the suppliers' contracts.
2. Does the Bank set up a dedicated (or sideline) unit under the Board of Directors to promote the ethical corporate management and report its execution status to the Board of Directors regularly?		V	2. Despite there is no dedicated unit in place, the Bank's employees shall follow the plans, policies and procedures associated with Ethical Corporate Management adopted by the bank or approved by the Board of Directors, including "Treating Customer Fairly" and "Code of Conduct". The Head of Compliance reports the implementation status to the Board of Directors on a regular basis.
3. Does the Bank establish any conflict of interest policy and provide an adequate reporting channel?	V		3. The Bank has established the "Conflicts of Interest Policy" and relevant procedure, "Transactional Conflicts and Information Walls Procedures", "Personal Account Dealing Procedures", and "Outside Business Interests Procedures" for compliance in our daily operations.
4. Does the Bank establish effective accounting system and internal control system for the Bank's ethical corporate management, and if such systems are audited by the internal auditor or by external CPA firm on a regular basis?	V		4. Per the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries", Internal Audit has been approved to adopt a risk-based internal audit system. An annual audit plan shall be formulated and implemented accordingly, based on risk assessment results and local regulatory requirements on audit frequencies. The Bank has strict accounting system and related procedures in place for compliance with the "Regulations Governing the Preparation of Financial Statements by Public Banks", "Regulations Governing the Preparation of Financial Reports by Securities Firms", IFRSs endorsed by the FSC and the "Sample of Accounting System for Banking Sector" stipulated by the Bankers' Association. In addition, the Bank's financial statements are duly audited and certified by our CPA firm in accordance with relevant regulations and generally accepted auditing standards to ensure data accuracy.
5. Does the Bank conduct regular ethical management trainings held internally and externally?	V		5. The Bank conducts several types of ethical management trainings for the above-mentioned policies and procedures, including regular e-learning courses and face-to-face curriculums.

 (Continued)

Assessment Item	Execution Status		
	Yes	No	Description
(III) Implement Speak Up System			
1. Does the Bank establish a concrete speak-up and reward system and set up a convenient reporting channel with designated personnel for handling speak-up cases?	V		1. The Bank has established the "Speaking Up Policy" and "Speaking Up Procedures" to provide staff with a secure, confidential way to report concern about misconduct when existing escalation process to line management are not appropriate. The Compliance Department is accountable for ensuring that this Policy and its governance and assurance processes have been implemented. The Shared Investigative Services of Legal Department must ensure that adequate processes are in place to enable Staff to Speak Up confidentially and to define how Speaking Up disclosures should be investigated and managed. While the subjects of Shared Investigative Service investigation are directors, supervisors, or whose authority is equal to vice president (in practice this includes all top team members), the investigation report should be submitted to the Supervisors or Audit Committee.
2. Does the Bank have standard procedure and confidentiality mechanism in place to handle investigated cases?	V		2. Every reasonable effort must be made to maintain the confidentiality of the Staff member raising the concern. Speaking Up disclosures and details of any information and documentation stemming from the disclosure must only be passed to those who 'need to know'.
3. Does the Bank establish a process to protect the discloser from unfair treatment for the speak-up?	V		3. Shared Investigative Services must ensure that all Speaking Up disclosures are recorded, reviewed and where appropriate, independent investigated.
(IV) Reinforce Information Disclosure - Does the Bank disclose the ethical corporate management on the official website and MOPS and its implementation status?	V		The Bank has adopted the concept of Ethical Corporate Management and incorporated into internal guidelines in order to comply with the relevant regulatory requirements. In addition, the implementation result is revealed in annual report and official website which is deemed to be effective. The Bank has disclosed regulatory required information on both official website as well as MOPS, including annual report, important financial information and financial statements, etc.
(V) In the event the Bank has developed its own Ethical Corporate Management Best Practice Principles pursuant to the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies", please specify the practices and differences between the two Principles : Not Applicable			
(VI) Other important information that helps to understand the best practices of the Bank's ethical corporate management (e.g. if the Bank is currently reviewing its own ethical corporate management best practice principles) : None			

(VIII) Corporate Governance Principles and Inquiry of Relevant Regulations

Please refer to the Bank's website at <https://www.sc.com/tw/> and the website of Market Observation Post System ("MOPS") at <http://mops.twse.com.tw/>.

(IX) Other Material Information

Please refer to the Bank's website at <https://www.sc.com/tw/> and the website of Market Observation Post System ("MOPS") at <http://mops.twse.com.tw/>.

(X) Implementation of Internal Control System

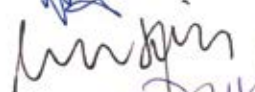
1. Internal Control System Statement

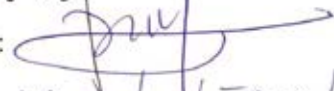
Internal Control System Statement Standard Chartered Bank (Taiwan) Limited

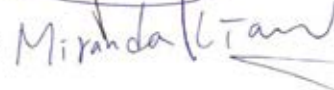
1. On behalf of Standard Chartered Bank (Taiwan) Limited (the "Company"), we hereby certify that, from 1 January to 31 December 2018, the Company has duly complied with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" in establishing an internal control system and implementing risk management procedures. The Company has been audited by an independent audit department that reports to the Board of Directors and Audit Committee regularly. With respect to the securities business, the Company has conducted an evaluation on the effectiveness of the design and implementation of its internal control system in accordance with the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets", promulgated by the Securities and Futures Bureau of the Financial Supervisory Commission ("FSC").
2. With respect to the insurance agent business:
 - (1) the Company bases its judgment concerning the design and implementation effectiveness of its internal control system on the criteria provided in the Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies ("the Regulations") promulgated by the Financial Supervisory Commission ("FSC"), including control environment, evaluation of risk, control operation, information and communication, and supervision.
 - (2) the Company has followed the above criteria to review the design and implementation effectiveness of its internal control system.
 - (3) based on the review, the Company takes the view that its internal control system (including soundness of its operations, reliability of its financial reports, and compliance of applicable laws and regulations) is designed and implemented effectively to reasonably assure the achievement of the above mentioned objectives.
3. After prudent evaluation, except for the items listed in the attached schedule, the Company's departments/units have been found to implement effective internal control and compliance systems during the year to which this Statement relates. This Statement shall become a major part of the annual report and prospectus of the Company and be made public. Any false representation or concealment in this Statement shall be subjected to legal consequences as stipulated in Articles 20, 32, 171 and 174 of the Securities & Exchange Act and the Regulations.
4. This Statement has been approved by the Company's Board of Directors on 25 March 2019, in which all of the directors present agreed to the Statement.

This Statement is submitted to the FSC by

Chairman :  (Signature)

President :  (Signature)

Chief Internal Auditor :  (Signature)

Head of Compliance :  (Signature)


Date: 25 March 2019

**Issues and Corrective Actions for the Company's Internal Control System
(As of 31 December 2018)**

Issues for Improvement	Corrective Actions	Target Completion Date
A client complaint was received against a teller of Yangmei Branch working offsite at Ta Ching Securities Co., LTD that when the client deposited cash at the bank counter, the teller stole one banknote and then claimed cash shortage to the client.	1. The Company has put in place reinforcements on top of existing control measures for cash deposit transactions, including increasing the CCTV random sampling volume and daily cash transaction samplings by the concerned regional operations manager. The first action has been implemented for 6 months since April 2018 and no suspicious cash transactions were observed. Also, the two offsite counters at the partner securities company have been closed since 15 June 2018. Before closure, no transaction exceptions were found during the daily cash transaction sampling checks. 2. The incident has been identified to be an isolated case. To avoid recurrence of similar incidents, case sharing sessions have been held to strengthen staffs' conduct risk awareness and the amount under dispute plus a 5% annual interest rate has been refunded to the client. 3. The concerned teller is dismissal on 7 March 2018 and the Company has taken litigation action to request remedy from the teller.	Completed
A cash shortage of TWD 100,000 during Automatic Teller Machines ("ATM") cash reconciliation process in Chu-Pei Branch was identified.	1. The preliminary investigation found that the failure resulted from branch process deficiencies in sorting and binding banknotes during ATM cash reload. However, no clients were affected by such manual error. 2. Reinforcement sessions of control processes on cash counting and delivering in/out of the Vault have been conducted to all branches to raise the staffs' risk awareness, and relevant banknote strapping/bundling and assurance steps have been announced whilst revamped controls in strengthening checkers' duty have taken effect on 19 November 2018. In addition, a clean-up action for banknote strapping/bundling has been performed by all branches before 31 December 2018. 3. To avoid recurrence of similar incidents, case studies have been shared through staff training sessions to reinforce compliance risk awareness.	Completed

Standard Chartered Bank (Taiwan) Limited
Statement on Internal Control for Anti-Money Laundering
and Countering the Financing of Terrorism

On behalf of Standard Chartered Bank (Taiwan) Limited (the "Company"), we hereby certify that, from 1 January 2018 to 31 December 2018, the Company has duly complied with relevant regulations governing anti-money laundering ("AML") and countering the financing of terrorism ("CFT") in establishing an internal control system, implementing risk management, designating an independent and objective internal unit to conduct audit, and submitting the audit report periodically to the Company's Board of Directors and Audit Committee. Following prudent evaluation, it is found that each unit of the Company has effectively implemented internal controls for AML and CFT during the year.

TO
Financial Supervisory Commission

Undersigned:

Chairman:

(Signature)

President:

(Signature)

Chief Internal Auditor:

(Signature)

Chief AML/CFT Compliance Officer:

Miranda
(Tan)

(Signature)

Date: 25 March 2019



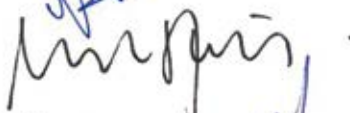
ITEM NO. 12(a) APPENDIX 1

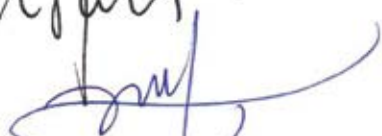
Declaration of Overall Information Security Implementation

On behalf of Standard Chartered Bank (Taiwan) Limited (the "Company"), we hereby certify that, from 1 January 2018 to 31 December 2018, the Company has duly complied with subparagraph 5 of Article 38 and Article 38-1 of the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries", and self-disciplinary regulations of information security established by the Bankers Association. After prudent evaluation, except for the items listed in the attached schedule, it is found that each unit of the Company has effectively implemented overall information security control during the year. Any false representation in this Declaration shall be subjected to legal consequences.

This Statement is submitted to the Financial Supervisory Commission by:

Chairman:  (Signature)

President :  (Signature)

Chief Internal Auditor :  (Signature)

Head of Information Security :  (Signature)

Date: 25 March 2019

Issues and Corrective Actions for the Company's overall Information Security
(As of 31 December 2018)

Issues for Improvement	Corrective Actions	Target Completion Date
No material issue found	NA	NA

2. CPA's Special Audit Report on the Bank's Internal Controls



安侯建業聯合會計師事務所

KPMG

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Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)

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Fax 傳真 + 886 2 8101 6667

Internet 網址 kpmg.com/tw

Independent Auditors' Report on Internal Control

Standard Chartered Bank (Taiwan) Limited:

We have performed the procedures agreed with the Standard Chartered Bank (Taiwan) Limited ("the Bank") with respect to the accuracy of the report submitted to the authority, the execution status of internal control and regulatory compliance, and the appropriateness of policies for loan loss reserves for the year ended December 31, 2018. Above procedures are determined by the Bank as a final decision. Therefore, we don't express our opinions on the procedures which are sufficient or not. The service was provided in accordance with Statements on Auditing Standards No. 34 "Engagements to Perform Agree-Upon Procedures Regarding Financial Information". The purpose was to assist the Bank in assessing its compliance with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" ("the Regulation") issued by the Financial Supervisory Commission. The aforementioned compliance with the regulation is the responsibility of the management of the Bank. Please refer to the appendix for the procedures applied, period tested, number of samples selected, and audit findings.

The work we performed does not constitute an audit made in accordance with Generally Accepted Auditing Standards in the Republic of China. We do not express any assurance on the accuracy of the report submitted to the authority, the execution status of internal control and regulatory compliance, and the appropriateness of policies for loan loss reserves. Had we performed additional procedures or had we performed an audit made in accordance with Generally Accepted Auditing Standards in the Republic of China, other matters might have come to our attention that would have been reported to you.

The report is intended solely for the information and is used to the purpose mentioned in the first paragraph. It should not be used to any other purpose or by anyone other than these specified parties.

KPMG

KPMG

March 25, 2019



安侯建業聯合會計師事務所

KPMG

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Independent Auditors' Report on Internal Control

Standard Chartered Bank (Taiwan) Limited:

We have audited the design and implementation of internal control system (include the financial reports submitted to the competent authority in accordance with the financial reporting internal control system) and compliance system of the insurance agent department of Standard Chartered Bank (Taiwan) Limited for the year end December 31, 2018. Establishing and maintaining an adequate internal control system are the responsibilities of the Bank's management. Our responsibility is to express an opinion on the internal control system mentioned above for the insurance agent department of Standard Chartered Bank (Taiwan) Limited based on our audits.

We conducted our audits in accordance with the Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies. The audit procedures include understanding and evaluating the design of the internal control system referred to the first paragraph; testing and evaluating the implementation of the internal control system referred to the first paragraph, as well as other procedures we considered necessary. We believe that our audits provide a reasonable basis for our opinion.

An internal control system is subjected to inherent limitations. Therefore, the internal control system of the insurance agent department of Standard Chartered Bank (Taiwan) Limited referred to the first paragraph may failed to detect any errors or fraud that have occurred. Moreover, the degree of compliance with the internal control system may be reduced due to the uncertainty of external environment in the future. As a result, the effectiveness of internal control system in this period does not mean that it will be effective in the future.

(XI) Penalty Received for Unlawful Practices Over the Past Two Years, and Corrective Actions Taken Against Major Defects

Disclosure	Case & Amount
1. Indictment by prosecutors against the person in charge or employees because of a crime committed on duty	None
2. Penalty fine imposed by Financial Supervisory Commission ("FSC") due to violation of the laws and regulations	The Bank had failed to file large amount cash transaction reports, which violated Paragraph 3 of Article 7 of Anti-Money Laundering Act, and a fine of NTD 400,000 was imposed on the Bank. (6 January 2017)
3. Penalty imposed by FSC due to violation of Article 61-1 of the Banking Act	1. The Bank was found deficiencies in the Know Your Customer operation process, which violated Paragraph 1 of Article 61-1 of the Banking Act. (6 March 2017) 2. The deficiencies of the Bank in the Know Your Customer ("KYC") process upon mutual fund subscriptions, which violated Paragraph 1 of Article 61-1 of the Banking Act. (20 December 2017) 3. The Bank was found that it did not appropriately establish criteria to take into consideration limits granted by other banks when approving clients' derivative lines. This is in violation of Paragraph 1 of Article 61-1 of the Banking Act. (21 February 2018)
4. Any material frauds or contingencies (fraud, theft, misappropriation and robbery of assets, false transaction, forged documents and marketable securities, kickbacks, natural disaster loss, loss from external factors, hacker attack, data theft, and disclosure of confidential information and customer data and such major incidents) or security accidents resulting from the failure to abide by security instructions of financial institutions, or the incidents which resulted in loss over NTD50million, individually or totally, in the respective year.	None
5. Other matters required to be disclosed by FSC	None

(XII) Major Resolutions Made in Shareholders' Meetings, Board Meetings and Provisional Board Meetings

Date	Type of Meeting	Major Resolution	Execution Status
15/01/2018	Monthly Meeting of Board of Directors	1. APPROVAL OF KEY AUDIT MATTERS FOR 2017 FINANCIAL STATEMENTS 2. APPLICATION OF DEBIT CARD MOBILE PAYMENT 3. APPROVAL FOR RELATED PARTY TRANSACTION OF UNDERWRITING SENIOR NOTE ISSUANCE WITH SCB GROUP ENTITIES 4. APPROVAL OF 2017 TOTAL VARIABLE COMPENSATION PAYMENT	1. Approve to execute as per resolution 2. Approve to execute as per resolution 3. Approve to execute as per resolution 4. Approve to execute as per resolution
16/03/2018	Quarterly Meeting of Board of Directors	1. 2017 ANNUAL FINANCIAL STATEMENTS, BUSINESS REPORT AND PROFIT ALLOCATION/ LOSS OFF-SETTING STATEMENT OF THE BANK 2. APPROVAL OF THE IMPLEMENTATION PLAN ON ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARD 16 3. APPROVAL OF EMERGENCY MEASURES FOR OPERATIONAL CRISIS OF THE BANK 4. APPROVAL OF 2017 INTERNAL CONTROL STATEMENT OF THE BANK (BANKING, SECURITIES, BANCA, & FCC) 5. APPROVAL OF APPLICATION FOR OFFSHORE BANKING BRANCH ENGAGING IN BUYING AND SELLING OF FOREIGN CURRENCY DENOMINATED SECURITIES BUSINESS UNDER FINANCIAL MARKETS 6. APPROVAL OF THE OUTSOURCING ACTIVITIES WITH RELATED PARTIES 7. APPROVAL OF APPOINTMENT OF SENIOR EXECUTIVE OFFICER OF THE BANK	1. Approve to execute as per resolution 2. Approve to execute as per resolution 3. Approve to execute as per resolution 4. Approve to execute as per resolution 5. Approve to execute as per resolution 6. Approve to execute as per resolution 7. Approve to execute as per resolution
26/06/2018	Quarterly Meeting of Board of Directors / Shareholders' Meeting	1. APPROVAL OF 2017 ANNUAL REPORT 2. APPROVAL OF 2017 FINANCIAL STATEMENTS, BUSINESS REPORT, AND PROFIT ALLOCATION STATEMENT OF THE BANK 3. ANNUAL REVIEW ON TAIWAN RISK APPETITE STATEMENT 4. AMENDMENT TO DELEGATION OF AUTHORITY OF THE BANK 5. APPROVAL OF RENEWAL OF SECURITY GUARD CONTRACT 6. APPROVAL FOR BANCASSURANCE DATA OFFSHORE OUTSOURCING ACTIVITY TO ATOS HK 7. APPROVAL FOR RELATED PARTY TRANSACTION OF UNDERWRITING SENIOR NOTE ISSUANCE FOR GROUP ENTITIES	1. Approve to execute as per resolution 2. Approve to execute as per resolution 3. Approve to execute as per resolution 4. Approve to execute as per resolution 5. Approve to execute as per resolution 6. Approve to execute as per resolution 7. Approve to execute as per resolution 8. Approve to execute as per resolution 9. Approve to execute as per resolution

 (Continued)

Date	Type of Meeting	Major Resolution	Execution Status
28/08/2018	Quarterly Meeting of Board of Directors	8. AMENDMENT TO THE INTERNAL CONTROL SYSTEM OF SECURITIES DEPARTMENT OF THE BANK 9. APPROVAL OF THE PERFORMANCE EVALUATION AND REMUNERATION STANDARD 1. APPROVAL OF 2018 FIRST SEMI-ANNUAL AUDITED FINANCIAL STATEMENTS OF THE BANK 2. APPROVAL OF 2012, 2013 and 2014 PAYMENT OF OPERATION ADVISORY AND GINGER SERVICE FEES 3. ATTESTATION REQUEST IN SUPPORT OF PRA INTRAGROUP WAIVER APPLICATION 4. ADOPTION OF ENTERPRISE RISK MANAGEMENT FRAMEWORK 5. APPROVAL OF UPDATED DIVESTMENT STRATEGY OF NON-CORE PROPERTIES	1. Approve to execute as per resolution 2. Approve to execute as per resolution 3. Approve to execute as per resolution 4. Approve to execute as per resolution 5. Approve to execute as per resolution
14/11/2018	Quarterly Meeting of Board of Directors	1. FIVE YEAR STRATEGY OF THE BANK 2. APPROVAL OF 2019 ANNUAL BUDGET OF THE BANK 3. APPROVAL OF 2018 REMUNERATION OF THE CERTIFIED PUBLIC ACCOUNTANT ("CPA") OF THE BANK 4. APPROVAL OF KEY AUDIT MATTERS FOR 2018 FINANCIAL STATEMENTS ON ADOPTION OF NO.58 OF STATEMENTS OF AUDITING STANDARDS 5. ADOPTION OF RISK TYPE FRAMEWORKS 6. APPROVAL OF CREDIT PROPOSALS EXCEEDING OF THE CREDIT LIMIT MATRIX DELEGATED BY THE BOARD - HON HAI GROUP 7. DIVESTMENT OF YANSHOU STREET PARKING SPACES 8. APPOINTMENT OF SENIOR EXECUTIVE OFFICER – HEAD OF GLOBAL BANKING 9. APPOINTMENT OF OFFSHORE BANKING UNIT MANAGER 10. APPOINTMENT OF CHIEF ACCOUNTING OFFICER 11. APPOINTMENT OF HEAD OF COMPLIANCE	1. Approve to execute as per resolution 2. Approve to execute as per resolution 3. Approve to execute as per resolution 4. Approve to execute as per resolution 5. Approve to execute as per resolution 6. Approve to execute as per resolution 7. Approve to execute as per resolution 8. Approve to execute as per resolution 9. Approve to execute as per resolution 10. Approve to execute as per resolution 11. Approve to execute as per resolution
17/12/2018	Ad-hoc Meeting of Board of Directors	1. AMENDMENT TO DELEGATION OF AUTHORITY	1. Approve to execute as per resolution
20/12/2018	Ad-hoc Meeting of Board of Directors	1. STRATEGIC INVESTMENT OF 5 PER CENT SHARE CAPITAL OF LINE BANK	1. Approve to execute as per resolution

 (Continued)

Date	Type of Meeting	Major Resolution	Execution Status
28/01/2019	Monthly Meeting of Board of Directors	1. MATERIAL INCIDENT REPORT: ZHUBEI BRANCH ATM CASH SHORTAGE INCIDENT (REPORTED TO BB ON 13 NOVEMBER 2018) 2. EVALUATION MECHANISM FOR IMPLEMENTATION OF "TREAT CUSTOMER FAIRLY" PRINCIPLES BY FINANCIAL SERVICE INDUSTRY 3. UPDATE ON PERFORMANCE ASSESSMENT OVER TAIWAN PROPERTY SERVICE PROVIDER AND THE RECOMMENDATIONS FOR PROPERTY SERVICE PROVIDER CONTRACT 4. APPROVAL FOR RELATED PARTY TRANSACTION OF UNDERWRITING SENIOR NOTE ISSUANCE WITH SCB GROUP ENTITIES 5. APPROVAL OF 2018 TOTAL VARIABLE COMPENSATION PAYMENT 6. REVIEW ON TERMS OF REFERENCE OF EXECUTIVE COMMITTEE	1. Approve to execute as per resolution 2. Approve to execute as per resolution 3. Approve to execute as per resolution 4. Approve to execute as per resolution 5. Approve to execute as per resolution 6. Approve to execute as per resolution
25/03/2019	Quarterly Meeting of Board of Directors	1. 2018 ANNUAL FINANCIAL STATEMENTS, BUSINESS REPORT AND PROFIT ALLOCATION/ LOSS OFF-SETTING STATEMENT OF THE BANK 2. APPROVAL OF COUNTRY RECOVERY PLAN AND RETIREMENT OF EMERGENCY MEASURES FOR OPERATIONAL CRISIS 3. APPROVAL OF 2018 INTERNAL CONTROL STATEMENT OF THE BANK (BANKING, SECURITIES, BANCA, & FCC) 4. UPDATE ON IMPLEMENTATION OF "TREAT CUSTOMER FAIRLY" PRINCIPLES BY FINANCIAL SERVICE INDUSTRY 5. AMENDMENT TO DELEGATION OF AUTHORITY OF THE BANK 6. APPROVAL OF APPOINTMENT OF HEAD OF ANTI-MONEY LAUNDERING AND COUNTER TERRORIST FINANCING 7. REVIEW ON GOVERNANCE FRAMEWORK OF PERFORMANCE EVALUATION AND REMUNERATION STANDARD 8. UPDATE ON BOARD EFFECTIVENESS REVIEW RESULTS	1. Approve to execute as per resolution 2. Approve to execute as per resolution 3. Approve to execute as per resolution 4. Approve to execute as per resolution 5. Approve to execute as per resolution 6. Approve to execute as per resolution 7. Approve to execute as per resolution 8. Approve to execute as per resolution

(XIII) Disagreement Record or Written Statement of the Directors or Supervisors against the Important Resolutions Made by the Board Meetings :

None

(XIV) Information on Persons Related to the Financial Statements Who Resigned or Were Discharged

Title	Name	Date appointed	Date resigned	Reason
Chairman	Benjamin Pi-Cheng Hung	24/11/2015	26/6/2018	Discharged
Financial Controller	Josh Chia	01/09/2017	17/07/2018	Resigned
Financial Controller	Charles Wang	18/07/2018	18/09/2018	Resigned

IV. Information on CPA Charges

(I) CPA Charges and Fee Brackets

Name of CPA Firm	Name of CPA		Audit Period
KPMG	Yung-Sheng Wang (Victor Wang)	Yuan-Sheng Yin (Jason Yin)	Fiscal Year 2018

Unit : NTD'000

Bracket		CPA Charge	Audit Fee	Non-audit Fee	Total
1	Less than 2,000				
2	2,000 (inclusive) - 4,000				
3	4,000 (inclusive) - 6,000			5,200	5,200
4	6,000 (inclusive) - 8,000				
5	8,000 (inclusive) - 10,000				
6	Over 10,000 (inclusive)		11,380		11,380
Total			11,380	5,200	16,580

(II) Non-audit fees paid to CPAs, the firm to which the CPAs belong and its affiliate(s) exceed 25% of the annual auditing fee :

Unit : NTD'000

Name of CPA Firm	Name of CPA	Audit Fee	Non-audit Fee					Audit Period	Remark
			System Design	Business Registration	Human Resources	Others	Sub-total		
KPMG	Yung - Sheng Wang Yuan - Sheng Yin	11,380				5,200	5,200	2018/01/01 – 2018/12/31	Non-audit Fee : 1. Internal Control 2. Anti Money Laundering and Counter Financing of Terrorism 3. Personal Data Protection 4. Capital Adequacy Ratio

(III) Change of CPA firm and the audit fee for the year of change is less than that charged for the previous year :

None

(IV) Auditing fee is 15% less or more below the fee charged for the previous year :

None

(V) Information on Change of CPA : None**(VI) Name, title, and service period of the Bank's Chairman, President or Executive Officer(s) in charge of financial and accounting affairs who has served a position in an independent auditing firm to which the CPAs belong or its affiliate(s) during the past year :** None**(VII) Disclosure of changes in shareholdings (share transfer and pledge) held by directors, supervisors, executive officers, and other individuals pursuant to Article 11 of the Regulations Governing A Same Person or Same Concerned Party Holding the Issued Shares with Voting Rights over a Particular Ratio of a Bank :** None

Note : The Bank is a subsidiary of Standard Chartered Bank. The directors and executive officers are appointed as legal representatives by the Bank's parent company.

(VIII) Information on Top 10 Shareholders among which are Related Parties, Spouses, or Relatives within 2nd Degree Relationship : None**(IX) The Shares and Consolidated Shareholding Ratios of the Same Investees Held by the Bank, the Bank's Directors, Supervisors, Executive Officers, Function Heads, Branch Managers, and the Entities under the Bank's Direct or Indirect Control**

Unit : Share

Name of Investee Company	The Bank's Investment		Investment by Directors, Supervisors, Executive Officers, Function Heads, Branch Managers and the Entities Directly or Indirectly Controlled by the Bank		Comprehensive Investment	
	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio
Taiwan Small and Medium Enterprises Development Co., Ltd.	3,417,440	4.84%	-	-	3,417,440	4.84%
Universal Venture Fund Co., Ltd.	558,255	4.76%	-	-	558,255	4.76%
Financial Information Service Co., Ltd.	5,937,750	1.14%	-	-	5,937,750	1.14%
Windance Co., Ltd.	18,850,000	2.73%	-	-	18,850,000	2.73%
Taiwan Financial Asset Service Co., Ltd.	5,000,000	2.94%	-	-	5,000,000	2.94%
TSC Bio-Venture Capital Corp.	850,500	5.00%	-	-	850,500	5.00%
Sun Asset Management Corp.	84,980	1.42%	-	-	84,980	1.42%



Painting by Shu-Wen Chen, Down Syndrome Foundation R.O.C. / Secrets (Oil Painting)
What animals live in the forest? Find the secret path and go on an adventure!

Fund Raising

4



Standard Chartered Taiwan celebrates its 101 Branch located in Taipei 101, a landmark of Taiwan.



The Bank was credited 2019 Wealth Management Awards including "Best Wealth Management", "Best Relationship Management Team", "Best Service", "Best Recommended by Customers" and "Best Creative Marketing" by Wealth Magazine. Those awards demonstrate the Bank's long-term devotion in wealth management and digital innovation services.

Fund Raising

- 70** Capital and Shares
- 74** Issuance of Financial Debentures
- 78** Preferred Stocks, Overseas Depository Receipts, Employee Stock Options, and Restricted Stock Awards
- 78** Acquisitions or Assignment Involving Other Financial Institutions
- 79** Capital Utilization Plan and Execution Status

I. Capital and Shares

(I) Source of Capital

Unit : Share ; NTD

Month & Year	Issues Price	Authorized Capital		Paid-in Capital		Source of Capital	Remark
		No. of Shares	Amount	No. of Shares	Amount		Other
June 2007	-	2,500,000,000	25,000,000,000	1,664,516,726	16,645,167,260	(Note 1)	Approved by the Financial Supervisory Commission on 14 June 2007.
June 2007	20	2,500,000,000	25,000,000,000	493,055,250	4,930,552,500	Capital increase by cash common stock (Note2)	Refer to the letter from the Investment Commission of MOEA with Ref. No.: Jing-Shen-I-Zi-096002111280 dated 28 June 2007.
December 2008	20	2,500,000,000	25,000,000,000	328,000,000	3,280,000,000	Capital increase by cash common stock	Refer to the letters from the Investment Commission of MOEA with Ref. No.: Jing-Shen-I-Zi-09700428790 and Jing-Shen-I-Zi-09700399430 on 24 November 2008 and 25 November 2008 respectively.
December 2009	20	3,000,000,000	30,000,000,000	425,000,000	4,250,000,000	Capital increase by cash common stock	Refer to the letter from the Investment Commission of MOEA with Ref. No.: Jing-Shen-I-Zi-09800476140 dated 22 December 2009.

Note 1 : Standard Chartered Bank acquired over 95% common stock of Hsinchu International Bank ("HIB") in 2006. HIB was delisted afterwards. This above is the capital after the acquisition of HIB.

Note 2 : Following the capital increase by cash in June 2007, Standard Chartered Bank Taipei Branch officially merged with HIB on 30 June 2007 and renamed to "Standard Chartered Bank (Taiwan) Limited" on 2 July 2007.

Type of Stock	Authorized Capital			Remark
	Outstanding Shares	Unissued Shares	Total	
Common stock	2,910,571,976	89,428,024	3,000,000,000	Unlisted stock

(II) Shareholder Structure

As of 15 May 2019

Quantity \ Shareholder	Government Agencies	Financial Institutions	Other Legal Entities	Domestic Individuals	Foreign Institutions and Individuals	Total
Number of Shareholders	-	-	-	-	1	1
Number of Shares	-	-	-	-	2,910,571,976	2,910,571,976
Shareholding (%)	-	-	-	-	100	100

Note : Standard Chartered Bank holds 100% shares of Standard Chartered Bank (Taiwan) Limited. It is the only shareholder.

(III) Distribution of Equity Holdings

As of 15 May 2019

Classification of Shareholding	Number of Shareholders	Number of Shares	Shareholding (%)
Over 1,000,001	1	2,910,571,976	100
Total	1	2,910,571,976	100

Note : Par Value NTD 10

(IV) List of Major Shareholders

As of 15 May 2019

Name of Major Shareholders	Shares	Number of Shares	Shareholding (%)
Standard Chartered Bank (100% shareholding)		2,910,571,976	100

(V) Market Price, Net Worth, Earnings, Dividends Per Share, and the Relevant Information over the Past Two Years

Item		Year	30 April 2019 (Note 3)	2018	2017
Market Value Per Share (Note 1)	Highest		-	-	-
	Lowest		-	-	-
	Average		-	-	-
Net Worth Per Share	Before Appropriation		15.93	15.51	15.06
	After Appropriation		-	(Note 2)	14.57
Earnings Per Share	Weighted Average Shares (thousand shares)		2,910,572	2,910,572	2,910,572
	Earnings Per Share		1.13	0.94	0.75
Dividends Per Share	Cash Dividends		-	(Note 2)	0.49
	Free-Gratis Dividends	Retained Earnings	-	-	-
		Capital Reserve	-	-	-
	Accumulative Dividends Undistributed		-	-	-
Return Analysis (Note 1)	Price/Earnings Ratio		-	-	-
	Price/Dividend Ratio		-	-	-
	Cash Dividend Yield(%)		-	-	-

Note 1 : The Bank is not a listed or over-the-counter company, and therefore information for market price is not available.

Note 2 : The 2018 earnings appropriation of the Bank is yet approved by the Board of Directors.

Note 3 : Unaudited financial information is provided as of the printing date of the annual report, with earnings per share un-annualized.

(VI) Dividend Policy and Enforcement

Refer to Earnings Appropriation and Dividend Policy in Financial Statements of Appendix 1 on page 51.

(VII) Impact of Stock Dividends on Business Performance and EPS :

Not Applicable

(VIII) The Remuneration to Employees, Directors, and Supervisors

1. The ratio or range of remuneration to employees, directors, and supervisors as set forth in the Bank's Articles of Association: Refer to Earnings Appropriation and Dividend Policy in Financial Statements of Appendix 1 on page 51.
2. Proposal for the distribution of employees' remuneration resolved by the Board of Directors: Refer to the Employee Benefits Expense in Financial Statements of Appendix 1 on page 60.
3. Earnings in the previous year allocated to the remuneration to employees, directors and supervisors: Refer to Earnings Appropriation and Dividend Policy in Financial Statements of Appendix 1 on page 51.

(IX) Share Buyback History :

None

II. Issuance of Financial Debentures

Type of Financial Debenture	1st Financial Debenture in 2011									
	A Issue	B Issue	C Issue	D Issue	E Issue	F Issue	G Issue	H Issue	I Issue	
Date of Approval & Approval Document No.	Jin-Guan-Yin-Waizi-10000122100									
Date of Issuance	19/05/2011									
Par Value	NTD 1,000,000									
Location of Issuance and Trading	Taiwan, R.O.C									
Currency	New Taiwan Dollar									
Issue Price	100									
Total Amount	800,000 (thousand)	100,000 (thousand)	650,000 (thousand)	6,150,000 (thousand)	1,000,000 (thousand)	2,550,000 (thousand)	3,700,000 (thousand)	400,000 (thousand)	4,000,000 (thousand)	
Interest Rate	Fixed Rate : 1.03%	Fixed Rate : 1.17%	Fixed Rate : 1.32%	Fixed Rate : 1.45%	Fixed Rate : 1.51%	Fixed Rate : 1.60%	Floating Rate : 90 days CP rate	Floating Rate : 90 days CP rate	Floating Rate : 90 days CP rate	
Maturity	2 years (maturity on 19 May 2013)	3 years (maturity on 19 May 2014)	4 years (maturity on 19 May 2015)	5 years (maturity on 19 May 2016)	6 years (maturity on 19 May 2017)	7 years (maturity on 19 May 2018)	2 years (maturity on 19 May 2013)	5 years (maturity on 19 May 2016)	7 years (maturity on 19 May 2018)	
Seniority	Primary-Lien									
Guarantor	N/A									
Trustee	N/A									
Underwriter	Institutions with financial advisory license : SCB Taipei Branch, Yunta Securities, Masterlink Securities, Mega Securities, Polaris Securities									
Certifying Attorney	Baker & McKenzie Attorney : Zhi Liang, Hao-Rui Hu									
Certifying Accountant	N/A									
Certifying Financial Institution	N/A									
Repayment Method	Interest accrued & paid quarterly, and full payment on principal upon maturity									
Balance Outstanding	0 (thousand)	0 (thousand)	0 (thousand)	0 (thousand)	0 (thousand)	0 (thousand)	0 (thousand)	0 (thousand)	0 (thousand)	

 (Continued)

Paid-in Capital in Previous Year	29,105,720 (thousand)
Audited Net Worth in Previous Year	38,289,788 (thousand)
Repayment Status	Normal
Terms of Redemption or Early Repayment	N/A
Terms and Conditions of Conversion and Exchange	N/A
Restriction Clause	N/A
Capital Utilization	To support medium and long term funding needs and to manage the liquidity ratios under Basel III guideline
Amount of declared issuance plus previous outstanding balance as percentage of audited net worth of the previous fiscal year (%)	121.69%
Whether accounted for equity capital and type of capital	No
Name of credit rating agency, date and credit rating	Fitch Ratings, AAA(twn), 19 May 2011

Note 1 : The 1st financial debenture in 2002, the 1st financial debenture in 2005 and the 2nd financial debenture in 2005 have already matured, with outstanding balance of 1,000 thousand dollars, 2,100 thousand dollars and 100 thousand dollars respectively.

Note 2 : The 1st financial debenture in 2011 matured on 19 May 2018.

Type of Financial Debenture	4 th Financial Debenture in 2011				2 nd Financial Debenture in 2014
	A Issue	B Issue	C Issue	D issue	
Date of Approval & Approval Document No.	Jin-Guan-Yin-Waizi-10000122100				Jin-Guan-Yin-Waizi-10300328080
Date of Issuance	29/06/2011				18/12/2014
Par Value	NTD 1,000,000				USD 1,000,000
Location of Issuance and Trading	Taiwan, R.O.C				Taiwan, R.O.C
Currency	New Taiwan Dollar				US Dollar
Issue Price	100				100
Total Amount	2,000,000 (thousand)	400,000 (thousand)	1,000,000 (thousand)	2,000,000 (thousand)	200,000 (thousand)
Interest Rate	Fixed rate : 1.32%	Floating Rate : 90 days CP rate + 0.15%	Floating Rate : 90 days CP rate + 0.15%	Floating Rate : 90 days CP rate + 0.15%	Fixed Rate : 4.5%
Maturity	3 years (maturity on 29 June 2014)	2 years (maturity on 29 June 2013)	3 years (maturity on 29 June 2014)	10 years (maturity on 29 June 2021)	10 years (maturity on 18 December 2024)
Seniority	Primary-Lien				Subordinated
Guarantor	N/A				N/A
Trustee	N/A				N/A
Underwriter	Institutions with financial advisory license : SCB Taipei Branch, Grand Cathy Securities, Yuanta Securities, Masterlink Securities,				Institutions with financial advisory license: Yuanta Securities
Certifying Attorney	Baker & McKenzie Attorney : Zhi Liang, Hao-Rui Hu				Lee and Li Attorneys-at-Law: Robin Chang
Certifying Accountant	N/A				N/A
Certifying Financial Institution	N/A				N/A
Repayment Method	Interest accrued & paid quarterly, and full payment on principal upon maturity				Interest paid semi-annually, and full payment on principal upon maturity
Balance Outstanding	0 (thousand)	0 (thousand)	0 (thousand)	2,000,000 (thousand)	200,000 (thousand)
Paid-in Capital in Previous Year	29,105,720 (thousand)				29,105,720 (thousand)
Audited Net Worth in Previous Year	38,289,788 (thousand)				41,338,012 (thousand)
Repayment Status	Normal				Normal
Terms of Redemption or Early Repayment	N/A				The issuer shall redeem the financial debenture with full principal upon maturity on 18 December 2024. No early redemption is allowed.

 (Continued)

Terms and Conditions of Conversion and Exchange	N/A	N/A
Restriction Clause	N/A	N/A
Capital Utilization	To support medium and long term funding needs and to manage the liquidity ratios under Basel III guideline	To support the Bank's total capital adequacy ratio and provide fundings for future business growth
Amount of Declared Issuance plus Previous Outstanding Balance as Percentage of Audited Net Worth of the Previous Fiscal Year (%)	121.74%	128.58%
Whether Accounted for Equity Capital and Type of Capital	No	Yes, Tier II
Name of Credit Rating Agency, Date and Credit Rating	Fitch Ratings, AAA(twn), 29 June 2011	Fitch Ratings, AA+(twn), 18 December 2014

III. Preferred Stocks, Overseas Depository Receipts, Employee Stock Options, and Restricted Stock Awards :

None

IV. Acquisitions or Assignment Involving Other Financial Institutions :

None

V. Capital Utilization Plan and Execution Status

(I) Capital Utilization Plan

There was no new issue of debentures in the year of 2018 and 2017.

(II) Execution Status of the Capital Utilization Plan

1. There was no new issue of debentures in the year of 2018 and 2017.

2. The Bank's medium and long-term loans and capital adequacy ratios :

Unit : NTD'000 ; %

	31 December 2018	31 December 2017	31 December 2016
Medium and Long Term Loan	231,592,578	214,073,575	210,887,646
Increase / (Decrease)	17,519,003	3,185,929	(29,978,823)
Capital Adequacy Ratio	15.80%	16.19%	15.11%
Increase / (Decrease)	(0.39%)	1.08%	0.74%



Painting by Chun-Kai Hsu, Down Syndrome Foundation R.O.C. / Shadows on the Lake (Watercolor)
Mottled walls and traces of years reveal how time goes by.

5

Operations Overview



Standard Chartered Taiwan held the "2019 Market Maker Forum - Move Forward and Dance with Uncertainties" and invited business owners to take a panoramic view of the ever-changing situations, look before they leap, and become market makers amid of uncertainties.



Jolin Tsai, Taiwan's best female singer, has been invited to be the new spokesperson of Standard Chartered Bank x China Airlines for a joint campaign - Constant Savings for Airline.

Operations Overview

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I. Scope of Business

(I) Primary Business of Respective Business Division

1. Retail Banking

Retail Banking is responsible for the acquisition and maintenance of individual and SME clients, as well as the provision of deposits, lending and wealth management products and services to these clients.

2. Commercial Banking

Commercial Banking mainly serves corporate clients, particularly those with needs for trade finance or international cash management. Financial services provided include short-term loans for working capital, mid-term or long-term financing, import and export trade financing, supply chain financing, cash management, foreign exchange services, and corporate internet banking, etc.

3. Corporate & Institutional Banking

Corporate & Institutional Banking provides large corporate and institutional clients with trade finance, cash management, securities services, foreign exchange and risk management, capital raising and corporate finance solutions.

(II) Ratio of Major Businesses and Changes

1. Ratio of Major Businesses to Total Assets

(1) Deposits

Unit : NTD'000

	31 December 2018		31 December 2017		Growth Rate (%)
	Amount	Ratio (%)	Amount	Ratio (%)	
Savings Deposits	157,365,774	30.81	163,756,003	32.40	(3.90)
Time Deposits	195,972,625	38.37	132,260,271	26.17	48.17
Demand Deposits	154,934,454	30.33	206,692,694	40.90	(25.04)
Checking Account	2,271,306	0.45	2,533,695	0.50	(10.36)
Remittance	224,109	0.04	167,597	0.03	33.72
Total	510,768,268	100.00	505,410,260	100.00	1.06

(2) Loans

Unit : NTD'000

	31 December 2018		31 December 2017		Growth Rate (%)
	Amount	Ratio (%)	Amount	Ratio (%)	
Bill Negotiation/Discount	1,283,594	0.45	410,590	0.15	212.62
Short-term Loan and Overdraft	42,282,793	14.98	44,664,250	16.70	(5.33)
Short-term Secured Loan	6,663,986	2.36	7,836,299	2.93	(14.96)
Medium-term Loan	45,726,084	16.20	39,023,197	14.58	17.18
Medium-term Secured Loan	3,360,990	1.19	4,044,137	1.51	(16.89)
Long-term Loan	8,342,852	2.96	6,756,665	2.53	23.48
Long-term Secured Loan	174,162,652	61.71	164,249,576	61.40	6.04
Non-accrual Loans	429,658	0.15	523,957	0.20	(18.00)
Total	282,252,609	100.00	267,508,671	100.00	5.51

2. Growth and Changes of Major Businesses

Unit : NTD'000

Item		31 December 2018	31 December 2017	Increase (Decrease)	Growth Rate (%)
Deposits and Remittance		510,768,268	505,410,260	5,358,008	1.06
Loan and Bills Discounted		282,252,609	267,508,671	14,743,938	5.51
Guarantees		4,350,959	3,271,993	1,078,966	32.98
Consumer Banking	No. of Credit Cards Issued	3,473,223	3,383,095	90,128	2.66

Unit : NTD'000

Item		2018	2017	Increase (Decrease)	Growth Rate (%)
Sales Volume of Non-discretionary Money Trust Investing in Domestic & Foreign Securities		62,338,676	63,208,561	(869,885)	(1.38)
Foreign Exchange (USD'000)	International Exchange	272,711,333	250,616,678	22,094,655	8.82
	Import	1,062,422	1,318,683	(256,261)	(19.43)
	Export	6,285,821	6,060,278	225,543	3.72
	Total	280,059,576	257,995,639	22,063,937	8.55

(III) Business Plan for 2018

1. Retail Banking

- (1) Acquire and deepen relationships with High Value Segment clients through superior customer value propositions.
- (2) Strengthen digital capabilities to provide greater convenience to clients.
- (3) Continuously improve processes to provide better client experience and increase cost efficiency.

2. Commercial Banking

- (1) Continue to deepen client relationships by providing suitable financial solutions and advisory services that cater customers' needs.
- (2) Actively develop supply chain finance to support clients to access funds quickly, in order to enhance our efficiency and expand market share.
- (3) Increase cross-border opportunities from international trade by leveraging our strong network and the government's New Southbound Policy.
- (4) Continue to promote S2B services to help clients on efficient treasury management.
- (5) Optimize client coverage model to centralize resources, reduce cost and improve efficiency.
- (6) Fulfill our corporate social responsibilities to meet expectation from regulators.
- (7) Maintain disciplined risk management.

3. Corporate & Institutional Banking

- (1) Deepen relationships with key clients to become their "Bank of Choice" in Greater China region and our network.
- (2) Continue to expand product competitiveness through strategic and value-added solutions as well as leverage our RMB product capabilities and leadership in Formosa Bond.
- (3) Strengthen network connectivity to support Taiwanese clients expanding to overseas, particularly in Greater China, ASEAN countries and India.
- (4) Multiply leadership capabilities by nurturing mid-level managers and leveraging Taiwan as cradle of talents for our network.

(IV) Market Analysis

1. Domestic Economic and Financial Conditions

Taiwan's real GDP growth in 2018 remained stable at 2.6%. Domestic spending remained as an important growth driver; which partially offset the slow down in export growth. Indeed, unemployment rate remained at near two-decade low of 3.7%, while monthly wages registered the fastest annual growth since 2010. Rising income, coupled with relatively buoyant equity market and improving residential property market sentiment, supported household consumption in 2018.

In 2019, the Standard Chartered Bank (Taiwan) Limited ("the Bank") expects real GDP growth to slow moderately to 2.5%. Notably, rising external headwinds pose downside risks to overall growth outlook. Indeed, the tide is going out for the global economy. We expect world growth to ease to 3.6% in 2019 from 3.8% in 2018. While this is not a sharp downturn, multiple risks could slow growth more aggressively; such as the US-China trade war, European politics, China's tough balancing act, and oil price volatility.

Strong support from domestic demand, however, should mitigate external risks. We believe overall fiscal policy to remain expansionary ahead of legislative and presidential elections in 2020; providing strong support for growth in 2019. Consumer spending is also likely to remain a strong growth pillar, benefited from amendments to income tax laws and increase in the minimum and hourly wage. China is the largest offshore manufacturing base for many Taiwan export producers; escalating US-China trade tensions could potentially prompt them to relocate production to Taiwan.

Continued easing monetary policy is also expected to be supportive of growth in 2019. We believe Taiwan Central Bank ("CBC") is likely to keep a pro-growth stance amid global trade uncertainty and rising volatility in emerging markets. Several CBC board members cited the negative output gap, as well as expectations of a slowdown in domestic growth and inflation in 2019. They further indicated that future policy decisions will be partly shaped by global financial and economic conditions and monetary policies in major economies. We therefore expect the central bank to keep policy rates stable in 2019.

Taiwan's strong external balances, in our view, should provide a cushion against rising global market volatility and unexpected risk events. We expect a strong current account surplus of GDP in 2019, supported by a sizeable trade surplus. Taiwan's public debt, which stood at 36% of GDP in 2017, is among the lowest in the region; while overall leverage in the household sector is also manageable.

2. Market Outlook and Growth Potential

Looking forward in 2019, the Bank will continue to focus on executing our refined strategy to enable franchise growth in the three client businesses and providing clients with complete financial solutions. In 2018, the Bank has demonstrated our ability to innovate through the various first-in-the-market banking solutions and this momentum will continue in 2019. New technologies are rapidly changing the playing field, to stay ahead of the curve, the Bank will focus on driving new opportunities and improving our day-to-day operations through better use of technology. By leveraging our global network, the Bank is well positioned to become clients' most trusted partner to explore more cross-border and network opportunities in "New Southbound Policy", supply chain re-configuration in Asia, RMB Internationalization and green energy development in Taiwan.

(1) Retail Banking :

The Bank has made good progress in Priority segment and key cities. Our refined strategic transformation remains on growing client sub-segment value proposition, key cities strategy, building and strengthening corporate partnerships and alliances and uplifting productivity and efficiency through continuous investment in digitisation and wealth management. We will continue to innovate and invest for the future.

(2) Commercial Banking :

The Bank will focus on deepening client relationship, acquiring new clients by targeted sectors and tailored solutions, and driving eco-system initiatives.

(3) Corporate & Institutional Banking :

With China and ASEAN countries being major trading partners of Taiwan and our unique position, the Bank will focus on our strategic priorities to capture network opportunities and capitalise our product edge of Financial Institution.

The banking sector is facing various challenges and undergoing a major transformation with more stringent regulatory and capital requirements as well as increasing competitions from FinTech players. However, opportunities are also significantly greater through adoption of new technologies. With robust capital, more diversified business, embedment of the right culture, deep rooted franchise and largest branch network among foreign banks, we are in a unique position as a lead innovator to provide customer-centric services at all levels. Our long-term commitment to Taiwan, to customers, to shareholders and to employees is a strong reflection of living up to the Bank's mission "Driving Commerce and Prosperity through our Unique Diversity".

3. Strength, Weakness and Countermeasure of Future Development

(1) Favorable factor :

The Bank is widely recognized as a strong and reputable bank in our major footprint markets, especially in Asia, Africa and the Middle East. We shall continue to strengthen our competitive edge in the market by offering innovative products and banking expertise for clients through existing network.

(2) Adverse factor :

The Bank's current market position will continue to face increasing challenge from other foreign banks that are expanding rapidly in Taiwan after completing M&A with small and medium-sized banks and aspire to becoming the core business bank for major local clients.

(3) Countermeasure :

The Bank should leverage on its extensive network to seek out ever increasing cross-border opportunities and seek to continue to be the bank of choice for Taiwanese businesses operating in Asia, Africa and the Middle East.

(V) Financial Instruments and Summary of Business Development

1. Major financial instruments and additional business units, the scale of operation and profitability status

Financial Supervisory Commission R.O.C. (Taiwan) has approved the Bank's application for expanding bond trading business in its Offshore Banking Unit on 29 June, 2018. The Bank has commenced the business in September 2018.

2. R&D Expenditure and Results for the Past Two Years and Future R&D Plans

The Bank has devoted into the infrastructure reengineering in these two years, along with continuous application systems revamp and information security upgrade. In addition, modern technologies are also applied to develop new products and

services. The major projects include operation system upgrade, mail server upgrade, database integration, eTeller system implementation, process automation, upgrade network equipment, and information security health assessment, etc. Under the focus of customer centricity, we will further enhance the information systems in order to strengthen the customer data protection and the Bank's information assets.

On top of the continuous driving for stability, and leveraging SCB group resources and existing infrastructure to propel the business growth, the Bank will be better poised to provide local customers with better services and broader arrays of products.

(VI) Short and Long-term Business Development Plans

1. Short-Term Plan

- (1) Continuously invest in deposits and credit card businesses.
- (2) Provide full range of products and services; continuously improve pricing and margin management.
- (3) Continue the productivity improvement and risk management enhancement.
- (4) Strengthen functions of automated channels service and provide full services to further increase customer satisfaction.
- (5) Boost usage of automated channels service to lower branch operating cost effectively.
- (6) Implement process optimization and improvement.
- (7) Continue to develop and select comprehensive suite of wealth management products to fulfill customers' financial needs; provide wealth management ("WM") planning and advisory services as well as strengthen transactional capabilities to maintain customer relationships.
- (8) Digitize operation process and customer service to enhance the customer service platform for front-line sales and to improve operation efficiency.
- (9) Drive a balanced growth on secured and unsecured lending businesses.
- (10) Establish client and product classification in accordance with the existing regulations and regulatory requirements; combine with WM planning and customer risk review to grow scale and fee income through customer relationship and fidelity enhancement.

2. Long-Term Plan

- (1) Continue to enhance core banking systems by deploying new innovative technologies, and introduce SCB group applications to support business growth and strengthen the control over information security.
- (2) Consolidate automated channel service platforms and provide differentiated service contents and personalized customer relationship management.
- (3) Through diversified products and convenient transactional platform to provide a full suite of WM services with tailored-made asset allocation plans and comprehensive advisory for customers.
- (4) Become the Bank of Choice for Taiwanese Corporate & Institutional Banking customers and expand overseas markets into SCB footprint, by leveraging our extensive Greater China network and international presence in emerging markets, as well as through our comprehensive product services in cross-border solutions in transaction banking, RMB leadership, capital markets and corporate finance.

II. Employee Analysis

(I) Employee Profile

Year		As of 15 May 2019	2018	2017
Gender	Female	2,018	2,050	2,088
	Male	947	968	981
	Total	2,965	3,018	3,069
Average Age		40.70	40.40	39.79
Average Year of Service		9.69	9.51	9.26
Level of Education (%)	Doctorate	0.00%	0.00%	0.03%
	Master	17.20%	17.06%	15.87%
	University/College	77.00%	77.14%	77.84%
	Senior High School	5.46%	5.40%	5.93%
	Below Senior High School	0.34%	0.40%	0.33%
Certificates and Licenses Held by Employees	Securities Investment Trust and Consulting Professional	110	119	126
	Proficiency Test for Trust Operations Personnel	1,059	1,061	1,123
	Examination on Investment Trust and Consulting Regulations (including Self-disciplinary Rules)	587	589	615
	Qualification Certificate for Trust Business Professionals - Business Personnel	1,067	1,081	1,144
	Qualification Certificate for Trust Business Professionals - Managerial Personnel	285	290	314
	Proficiency Test for Stock Affair Personnel	10	10	10
	Securities Specialist	156	159	171
	Senior Securities Specialist	127	129	139
	Futures Specialist	127	129	145
	Proficiency Test for Financial Planning Personnel	270	273	300
	Investment-orientated Insurance Product Specialist	466	470	499
	Business Personnel for Foreign Currency Non-investment Type Insurance Products	820	841	894
	Personal Insurance Agent Registration Certificate	1,938	1,986	2,093
	Property Insurance Agent Registration Certificate	974	994	1,071
	Property Insurance Representative	112	113	125
	Proficiency Test for Bond Specialist	6	6	7
	Basic Proficiency Test for International Banking Personnel	109	107	104
	Securities Dealer	1	1	1
	Basic Proficiency Test for Bank Lending Personnel	205	205	228
	Advanced Proficiency Test for Bank Lending Personnel	6	6	7
	Basic Proficiency Test on Bank Internal Controls	749	757	818
	Certified Internal Auditor Certificate	2	2	4
	Financial Markets and Professional Ethics Examination	852	863	891

(II) Employee Education and Training

Year	2018	2017
Total Count of Learners	85,958	93,478
Average Learning Days	4.8	5.5

Note : Trainings include offline and online courses.

III. Corporate Responsibilities and Ethics

Our Commitment – Here for good

Here for good incorporates the Bank's past, present, and future. It is a deep commitment to the markets where we are: We are here for the long run, applying our knowledge and experience to create profits for our customers and clients. We are here for progress and committed to upholding the highest standards and doing the right things.

To materialise our brand promise through our behaviours, Standard Chartered revised our sustainability model to encompass 3 pillars: Contributing to sustainable economic growth, Being a responsible company, and Investing in communities.



- **Contributing to sustainable economic growth** is about how we support our clients and customers through our core business of banking.
- **Being a responsible company** is about how we manage our business and operations to deliver long-term value for our shareholders and society.
- **Investing in communities** is about how we work with our local communities to promote social and economic development.

Our significant achievements of sustainability through investing in communities in 2018

Standard Chartered Seeing is Believing

1. VI Employment Platform

The Bank has devoted in the "Seeing is Believing" project to prevent avoidable blindness in the world for more than 10 years. Starting May 2013, we called upon Chunghwa Telecom, Jardine's Group, Fubon Culture and Education Foundation form the Standard Chartered Visually Impaired Corporate Advisory Council to provide employment support for the visually impaired, and invited Chunghwa Post and KPMG to join in 2015.

Supported by three NGOs that including Parent's Association for the Visually Impaired, Taiwan Association for the Employment Rights of People with Disabilities, and Technology Development Association for Disabled. "Standard Chartered Seeing is Believing VI Employment Platform" was successfully established to demonstrate the joint efforts among public and private sectors as well as the non-profits to support job placements of the visually impaired. To date, the project has serviced over 700 VIs and successfully placed almost 500 visually impaired talents into jobs as of the end of 2018.

2. 2018 Taipei Standard Chartered Charity Marathon

Through the race, the Bank contributed almost NTD 60m (including Group matching) to support "Seeing is Believing" global project and visually impaired employment project in Taiwan. Thousands of Standard Chartered employees and their families participated in the charity marathon either by running or volunteering. And there were nearly 200 of visually impaired runners signed up for the run which made this event to have the largest participation of visually impaired people. Through the 2018 Taipei Standard Chartered Charity Marathon, the visually impaired were able to build confidence by participating in outdoor activities and increasing interactions with the public. In addition, visually-impaired workers were recruited to provide services for runners in the event which demonstrated their capabilities.

Employee Volunteering

Volunteerism is deeply embedded in the Standard Chartered corporate culture. Each employee is entitled to 3 days of volunteering leave every year. As we encourage all staff to join the community service activities of their enthusiasm, department based volunteering activities are also welcome in conjunction with family day to call upon deeper coherence to the bank culture and the community. The Bank also conducted employee volunteering award to recognise volunteering activities which demonstrate the creativity, long-term commitment to specific non-profit organisation, or the best demonstration of core competence.

The highlights of employee volunteering activities in 2018

- Leveraged our network and invited our client and external stakeholders to take part in charity activities and promote the Man Fair Sheltered Workshop and Hsinchu Veterans Home.
- Employees leveraged their core competency and collaborated with the Huashan Social Welfare Foundation to servicing the elderly through counseling, listening and dialogues, so as to understand their actual needs and improve their quality of life.
- 131 employees from 12 branches in Chu-Miao area took part for a beach clean-up in Wai-pu Harbor located in Houlong Township, Miaoli County. This event fully demonstrated the spirit of "Better Together" for keeping the beaches and environment clean and healthy.
- Long-term participation with the "Andrew Charity Association - Food Bank Program" by the Bank, our volunteers assist the Association to check and ensure all sorts of foods are within expiration dates for donees.
- In 2018, we have contributed 1,931.5 days of employee volunteering service in the local communities.

Sustainable Environment

With the climate change issue getting more concerned by the international community following the COP21 conference, Standard Chartered, as being an international commercial bank, is committed to the implementation of various environmental energy saving and carbon reduction measures in order to achieve the goal of business sustainability. In Taiwan, the Bank continues to promote and implement various energy-saving and carbon-reduction activities, actively participate in global environmental activities while encouraging staff to embed the energy-saving and carbon-reduction habits into their work as well as daily lives. As a result, the trend of using of energy water reduce about 6% and 15%, respectively. Here are some examples of what we have achieved:

1. Efficient monitoring of energy data

The energy consumption controls in main offices and branches are established, monitored and analyzed to understand various energy data statistics and their impacts to the environment. Such energy monitoring information is also used to set up carbon reduction targets and response measures. The Bank incorporates the environment management system into our day-to-day operations to regularly track and analyze data for reducing energy consumption and minimizing impacts to the environment. Table 1 and Table 2 below illustrate a trend of Standard Chartered's overall energy and water consumption as compared to the same period last year.

Table 1 : Annual Energy Use Intensity ("EUI") per Square Meter

Unit : kWh/m²/year

EUI Result	2019 Target	EUI 2018	EUI 2017	2018 vs. 2017 Annual Comparison
Standard Chartered	179	141	150	(6%)

Table 2 : Annual Water Use Intensity ("WUI") per Square Meter

Unit : kL/m²/year

WUI Result	2019 Target	WUI 2018	WUI 2017	2018 vs. 2017 Annual Comparison
Standard Chartered	0.72	0.75	0.88	(15%)

2. Replacement of energy-saving facilities

Ad hoc taskforces are established to monitor the conventional air conditioning and lighting in branches and major offices and replace them with energy and water saving facilities. Such conventional facilities will be replaced year by year, if appropriate, with high-efficient and energy-saving certified facilities that meet the global environmental protection standards. A budget is in place to gradually replace old facilities with high-efficient air conditioning and environmental-friendly refrigerants.

3. Green behavior promotion

- In main offices, implement timed usage of air conditioning and lights-out during lunch hours to reduce total electricity usage. Moreover, we continue to promote volunteer monitoring of utility consumption (for electricity and water), proactively looking into any abnormality of utility usage and providing countermeasures.
- Reduce the operation hours of signage lighting.
- Encourage staff to use the stairs instead of taking elevator.

4. Participation of environmental conservation activities

Actively participate in global environment activities, such as Earth Day and increase environmental awareness amongst our staff. We also continue to sponsor the green field in front of DMR building, to help maintain a greener environment.

Awards in 2018

- Standard Chartered Taiwan was credited 2018 Wealth Management Awards including the "Best Wealth Management, International Bank Category", "Best Relationship Management Team, International Bank Category", "Best Service, International Bank Category" and "Best Print Marketing, International Bank Category" by Wealth Magazine.
- Standard Chartered Taiwan is the first foreign bank to receive the 2018 "Best Supporting to Regional Business Development Award" and "Best Loan Balance Growth Award" from Small and Medium Enterprise Credit Guarantee Fund of Taiwan.
- Standard Chartered Taiwan won "Best Formosa Dealer in 2018" award from CMD (Collaborative Market Data) for three consecutive years.
- Standard Chartered Bank was awarded by the Asset as the "Best RMB Bank", "Best Supply Chain Management" and "Best Treasury & Cash Management" in North Asia.
- Standard Chartered Taiwan won the Gold Award of "2018 The Best Service in Taiwan" in the Foreign Bank Category by the Commercial Times.
- Standard Chartered Taiwan won the award of 2018 VISA Global Service Quality Performance Award in December, 2018.
- Standard Chartered Taiwan was awarded by JCIC as the Best Risk Security Control Award.

On Corporate Social Responsibility perspective :

- Standard Chartered Taiwan received the '2018 Sports Promoter Awards' from Ministry of Education, this was the 4th time that Standard Chartered won the award.
- Standard Chartered Taiwan won the 2018 TCSA Taiwan Corporate Sustainability Awards, including the "Most Prestigious Sustainability Award – Top Three Foreign Corporate", "Social Inclusion Award", "People Development Award", as well as "Gender Equality Award"; among which, it is the 2nd time and the only foreign bank crowned as the "Most Prestigious Sustainability Award - Top Three Corporate" and the "Social Inclusion Award".

IV. Non-supervisory Staff Information

The number of non-supervisory employees, and their average welfare and benefits expense in 2018 compared to those of in the previous year are provided in the table below :

Item	2018	2017	Increase / (Decrease)
No. of Non-supervisory Staff	1,068	1,082	(14)
Average Welfare and Benefits Expense of Non-supervisory Staff (NTD)	821,388	814,958	6,430

V. Information Technology

(I) Maintenance and Deployment of Hardware and Software for Major IT Systems

Major IT systems upgrade have been completed in the first half year of 2018.

The host is HPE NonStop Server NS7 whilst the operating system is NonStop Kernel L17.08.

(II) Future Development or Procurement Plan

1. In order to uplift the utilization of information system, we aim to complete the upgrade of core banking back-up system in the first half year of 2019.
2. The Bank's computer operating system will be upgraded to Windows 10 in 2019.
3. In response to Microsoft's strategy for product support lifecycle, the Bank plans to complete OS upgrade by the end of 2019.

(III) Emergency Support and Security Protection Measures

1. In the event of an accident caused by IT infrastructure that leads to injury or death of an employee, the Country Systems Support is responsible for allocating resources to deal with the preservation of evidence, liaise with the insurance company, corporate with insurance investigations and handle insurance claims.
2. Construction of a new premise or premise for remote operation: Country Systems Support is responsible for dealing with suppliers, acquiring backup items, and handling the procurement of hardware, software and tangible facilities.

VI. Labor-Management Relations

(I) Employee Welfare and Benefits

Regarding the employee welfare and benefits, in addition to provide the labor insurance, national health insurance, periodic health examination, as well as to establish the employee welfare committee, the Bank also provides the following benefits :

1. Employee Sharesave Scheme.
2. Group insurance.
3. Flexible working hours and better annual leave program.
4. Preferential interest rate for staff deposits.
5. Preferential interest rate for staff loans.
6. Special offers for financial transactions : preferential transaction fees, special exchange rate and inter-bank transfer fees.
7. Special credit card offers (issued by the Bank): no annual fee, double reward points.

(II) Retirement Policy

Regarding the retirement benefits, the Bank follows the relevant law requirements to either monthly accrue and save the retirement benefit fund into the Bank of Taiwan account for those employees applicable to the retirement benefit under Labor Standard Act ("Old Plan) or monthly accrue 6% of pensionable salary into Labor Insurance Bureau for those employees applicable to the Labor Pension Act ("New Plan").

(III) Labor-Management Agreements and Measures to Protect Employees' Rights and Interests

To exemplify our brand promise to be "Here for good", the Bank renewed Collective Bargaining Agreement (CBA) with the SCB Union on 22 September 2015. Our harmony and trustworthy partnership between labor and management is highly esteemed not only a unique model of leading by example among all the foreign banks in Taiwan, but also a global standard of demonstrating a great collaborative strategy leading to win-wins with all employees benefited. By upholding the spirits of coexistence, co-prosperity, co-benefit, and customer centricity, together we will pursue business sustainability, maintain harmonic labor-management relationship and commit to protect employees' rights and interests. There was no fine imposed on the Bank due to breach of Labor Standard Act in 2018.

(IV) Loss resulting from labor disputes in recent years, the amount of estimated potential loss and the Bank's responses

None.

VII. Important Contracts

Contract Type	Vendor	Contract Start and End Date	Services	Restriction
Insurance Agency and Joint Promotion Agreement	PCA Life Assurance Co. Ltd.	2017/12/26-2018/12/26 (Note 1)	PCA Life has signed the Agency and Joint Promotion Agreement for the Distribution of Insurance Products with Standard Chartered Bank (Taiwan) Limited	None
Insurance Distribution Agreement	PCA Life Assurance Co. Ltd.	2017/02-2029/07	PCA Life has signed the Taiwan cooperation agreement with Standard Chartered Bank (Taiwan) Limited	Unless otherwise provided in this Agreement, the Bank will exclusively sell the insurance products of PCA Life.
Insurance Agency and Joint Promotion Agreement	Fubon Life Insurance Co., Ltd.	2017/12/18 ~ 2018/06/20 (Note 2)	Fubon life has signed the insurance product promotion tripartite contract with Standard Chartered Life Insurance Agency Co., Ltd. and Standard Chartered Bank (Taiwan) Limited	None
Insurance Agency and Joint Promotion Agreement	Fubon Insurance Co., Ltd.	2018/01/26-2019/01/26 (Note 1)	Fubon Insurance has signed the Agency and Joint Promotion Agreement for the Distribution of Insurance Products with Standard Chartered Bank (Taiwan) Limited	
Insurance Agency and Joint Promotion Agreement	MSIG Mingtai Insurance Co., Ltd.	2018/01/06-2019/01/06 (Note 1)	MSIG Insurance has signed the Agency and Joint Promotion Agreement for the Distribution of Insurance Products with Standard Chartered Bank (Taiwan) Limited	
Insurance Agency and Joint Promotion Agreement	Insurance Company of North America, Taiwan Branch ("Chubb")	2018/02/06-2019/02/06 (Note 1)	Chubb has signed the Agency and Joint Promotion Agreement for the Distribution of Insurance Products with Standard Chartered Bank (Taiwan) Limited	
Facilities Management and Property Project Management Agreement	CBRE Property Services Limited Taiwan Branch	2015/09-2019/06	Facilities Management and Property Project Management Services	
Telecom (Voice & Data) Integrated Services	Taiwan Fixed Network Co. Ltd.	2015/10-2019/09	Provide Telecom (Voice & Data) Integrated Services	
Media Placement Services	Carat Media Taiwan Ltd.	2017/01-2019/12	Provide media placement services	
IT Equipment Leasing Services	HP Financial Services (Singapore) Pte. Ltd. Taiwan Branch	2018/01-2012/12	Provide IT equipment leasing services	
Interior Renovation Services	L & L Interiors Inc.	2018/05-2018/12	Provide interior renovation services	
Security Guards	ISS Security Ltd.	2018/08/01-2021/07/31	Branches/building security guards	
Outsourcing contract	Standard Chartered Bank, London	2012/10/16-2020/11/01	1. IT system development, monitoring, and maintenance 2. Back office data process for foreign exchange, derivatives and fixed income products	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation
	Standard Chartered Bank, Singapore Branch	2016/04/15-2020/11/01	Back office data process for foreign exchange, derivatives and fixed income products	

 (Continued)

Contract Type	Vendor	Contract Start and End Date	Services	Restriction
Outsourcing Contract	Standard Chartered Global Business Services Sdn. Bhd. (Note 3)	2016/04/01 - 2021/10/31	1. IT system development, monitoring, and maintenance 2. Back office data process for trade, loan, and derivatives	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation
	Standard Chartered Global Business Services Private Limited India (Note4)	2013/11/01 - 2021/11/30	1. IT system development, monitoring, and maintenance 2. Back office data process for trade, retail banking finance, financial reports preparation and analysis, and derivatives	
	Atos Information Technology HK Ltd	2015/01/01 - 2020/12/31	Data Center management and maintenance service	
	Acer Cybercenter Service Inc.	2015/01/01 - 2021/05/31	IT system development, monitoring, and maintenance	
	High Performance Information Co., Ltd.	2014/07/01 - 2020/03/31	Data entry, processing, and output of information system; IT system development, monitoring, and maintenance	
		2018/04/01 – 2020/03/31 (Contract Addendum)	Programmer, Information Security Personnel, and operating related business involving data processing and supporting tasks	
	Leebao Security Company Limited	2016/10/01 - 2021/09/30	ATM monitoring	
	Xpedite Systems Ltd	2016/11/01 - 2019/12/31	Bank statements and reports delivery service to global clients	
	Leebao Security Company Limited	2016/01/01 - 2020/12/31	Delivery services for marketable securities, checks, forms, and cash	
	Taiwan Security Co., Ltd.	2016/12/01 - 2018/10/01		
	Transnational Logistics Solutions (Taiwan Branch)	2015/11/16 - 109/03/31		
	Leebao Security Company Limited	2016/01/01 - 2020/12/31	ATM refill and related service	
	Yuen Foong Paper Co., Ltd.	2015/01/01 - 2020/12/31	Check printing and delivery and related process	
	Gemalto Pte Ltd.	2015/04/30 - 2020/10/31	Credit card embossing service and related process	
	Fuco Tech Co., Ltd.	2015/01/01 - 2020/12/31	Bank statements printing, packaging, delivery and related process.	
	Fuji Xerox Document Management Solutions	2016/07/01 - 2019/06/30	Data processing, including the data entry, processing, and output of information system	
	Hi-Life International Co., Ltd.	2016/06/01 - 2020/05/31	Credit card payment collection	
	Taiwan Familymart Co., Ltd.	2016/06/01 - 2020/05/31		
	President Chain Store Corp.	2016/06/01 - 2020/5/31		
	China Credit Information Service, Ltd.	2016/02/29 - 2020/03/01	Credit analysis report for lending customers	

 (Continued)

Contract Type	Vendor	Contract Start and End Date	Services	Restriction	
Outsourcing Contract	Plenty Asset Management Co., Ltd.	2017/01/01-2019/03/27	Debt Collection	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation	
	Yu Bon Credit Management and Consultant	2017/01/01-2020/12/31			
	Lian Li Asset Management Corp., Ltd.	2017/01/01-2018/09/28			
	Gold Partners (Asia) Asset Management Co., Ltd.	2017/01/01-2018/07/14			
	Crown Van Lines Co., Ltd.	2017/01/01-2019/12/31	Document Storage		
	Mitake Information Incorporation	2013/07/01-2020/06/30	SMS message delivery		
	HONDA Appraisers Joint Firm	2013/07/01-2019/12/31	Appraisal services		
	Great Eastern Real Estate Appraisers Joint Firm	2016/01/01-2019/12/31			
	Belle Yeh Real Estate Appraisers Joint Firm	2016/01/01-2019/12/31			
	Euro-Asia Real Estate Appraisers Joint Firm	2016/01/01-2019/12/31			
	DTZ Debenham Tie Leung Real Estate Appraisers Joint Firm	2016/01/01-2019/12/31			
	Hwan Yu Real Estate Appraisers Joint Firm	2016/01/01-2019/12/31			
	China Property Appraising Center Co., Ltd.	2016/03/01-2020/03/01			
	Euro-Asia International Asset Service Co.	2016/02/15-2020/02/13			
	CA, Inc	2017/09/27 – 2020/09/26			SMS message delivery
	Tata Consultancy Services	2018/06/01 – 2020/05/31			IT support services on system/ application development
	Asiavista Technology Co., Ltd.	2018/10/01 – 2020/09/30	IT support services on system/ application development		
	Taiwan Fixed Network	2016/01/01 – 2021/12/31	Tape Recording Service		
	Robo Webtech Co., Ltd.	2018/05/09 – 2019/05/08	Facilitating personal loan application process		

Note 1 : After the expiration of the initial term, this agreement shall be automatically extended on a yearly basis unless terminated in written notice by either party.

Note 2 : Approved by the regulator, Standard Chartered Life Insurance Agency Co., Ltd. ("SCLIA") was merged into the Bank through absorption on 1 October 2016. The rights and obligations in the insurance product promotion tripartite contract will be assumed by the Standard Chartered Bank (Taiwan) Limited. After the expiration of the initial term, this agreement shall be automatically extended on a yearly basis however this contract was terminated in written notice on 20 June 2018.

Note 3 : SCB's 100% invested company located in Malaysia.

Note 4 : SCB's 100% invested company located in India.

VIII. Information on Financial Assets Securitization

The Bank has no securitized asset or offers mortgage-backed securitization product.



Painting by Chun-Kai Hsu, Down Syndrome Foundation R.O.C. / Red Maple (Watercolor)
A walk in the path of maple trees and feel the sunlight shining through the branches and leaves of the trees.

6

Financial Highlights



The Standard Chartered Taipei Charity Marathon was held with a huge success. A "10-hour Visually Impaired Relay" has the objective to empower VI young people to chase their dream jobs.



"Be Fearless" is our attitude to hold the 2019 Standard Chartered Taipei Charity Marathon, which attracted tens of thousands of runners and employees to join the event.

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I. Condensed Balance Sheet and Statement of Profit or Loss and Other Comprehensive Income for the Past Five Years

(I) Condensed Balance Sheet

Unit : NTD'000

Item	Year	2018	2017	2016	2015	2014
Cash and cash equivalent, Due from the Central Bank and call loans to banks		105,265,604	141,654,121	116,277,971	96,710,310	126,851,984
Financial assets at fair value through profit or loss		16,331,428	15,915,189	26,530,679	29,014,134	36,411,714
Financial assets at fair value through other comprehensive profit or loss		162,495,083	-	-	-	-
Debt instrument investment measured by amortized cost		1,937,067	-	-	-	-
Available-for-sale financial assets-net		-	185,135,013	157,879,248	182,784,483	201,168,244
Derivative financial assets for hedging-net		247,374	9,784	140,667	81,431	48,199
Securities purchased under resell agreements		11,738,716	3,356,185	3,196,000	2,499,824	2,556,376
Receivable-net		24,576,560	20,975,429	18,603,886	21,890,528	29,855,420
Current tax assets		448,497	289,519	284,209	239,692	127,143
Assets held for sale-net		-	-	-	-	-
Discounts and loans-net		277,484,777	262,812,237	267,281,457	303,239,940	337,544,264
Financial assets held-to-maturity		-	-	-	-	-
Investment under equity method-net		-	-	-	-	-
Restricted assets		15,145,361	7,460,090	14,284,345	10,372,019	15,702,585
Other financial assets-net		-	127,362	127,362	130,089	146,039
Property, plant and equipment-net		4,351,057	4,422,756	4,687,179	4,925,588	5,407,192
Investment property-net		-	-	-	-	-
Intangible assets-net		3,258,021	3,156,048	3,156,048	3,156,048	3,156,075
Deferred tax assets-net		1,596,681	1,489,054	1,767,016	2,238,372	2,318,677
Other assets-net		1,696,566	1,113,604	1,307,968	9,942,704	8,473,078
Total assets		626,572,792	647,916,391	615,524,035	667,225,162	769,766,990
Deposits from the Central Bank and banks		36,496,273	59,092,527	31,412,055	27,979,736	25,876,934
Financing from Central Bank and other banks		-	-	-	-	-
Financial liabilities at fair value through profit or loss		8,105,768	7,384,904	14,882,839	17,058,968	13,462,099
Derivative financial liabilities for hedging		8,518	43,768	40,185	32,480	5,065
Bonds and bills sold under repurchase agreements		-	-	-	-	-
Payables		11,021,871	12,029,637	13,880,847	20,816,563	23,733,188

 (Continued)

Item		Year				
		2018	2017	2016	2015	2014
Current tax liabilities		18,611	20,583	17,998	99,875	85,530
Liabilities directly associated with assets held for sale		-	-	-	-	-
Deposits and remittances		510,768,268	505,410,260	492,606,933	497,589,001	597,519,644
Bank notes payable-net		8,149,671	14,530,780	16,037,802	53,341,063	53,202,188
Preferred stock liability		-	-	-	-	-
Other financial liabilities		329,190	1,264,386	1,033,273	1,158,492	3,304,529
Provisions		1,601,731	1,587,395	1,482,568	1,791,407	1,908,858
Deferred tax liabilities		851,943	682,519	645,744	672,273	720,274
Other liabilities		4,075,166	2,032,233	1,754,631	3,405,545	5,167,178
Total liabilities	Before distribution	581,427,010	604,078,992	573,794,875	623,945,403	724,985,487
	After distribution	581,427,010	604,078,992	573,794,875	623,945,403	724,985,487
Equity attributable to owners of the parent company		45,145,782	43,837,399	41,729,160	43,279,759	44,781,503
Common stock	Before distribution	29,105,720	29,105,720	29,105,720	29,105,720	29,105,720
	After distribution	29,105,720	29,105,720	29,105,720	29,105,720	29,105,720
Capital surplus		5,794,771	5,794,771	5,794,771	5,794,771	5,786,031
Retained earnings	Before distribution	10,201,167	8,883,263	6,990,412	7,763,677	9,025,881
	After distribution	Note1	7,444,470	6,774,952	6,729,496	6,297,801
Other equity interest		44,124	53,645	(161,743)	615,591	863,871
Treasury stock		-	-	-	-	-
Non-controlling interest		-	-	-	-	-
Total equity	Before distribution	45,145,782	43,837,399	41,729,160	43,279,759	44,781,503
	After distribution	Note1	42,398,606	41,513,700	42,245,578	42,053,423

Note 1 : The Annual General Meeting is not held yet.

Condensed Balance Sheet - Standalone : Not Applicable

(II) Condensed Statements of Profit or Loss and Other Comprehensive Income

Unit : NTD'000

Item \ Year	2018	2017	2016	2015	2014
Interest income	10,320,477	9,605,338	9,725,689	12,236,352	14,060,064
Less: interest expense	6,264,170	4,275,089	3,567,771	5,104,577	5,331,658
Net interest income	4,056,307	5,330,249	6,157,918	7,131,775	8,728,406
Net non-interest income	9,300,407	8,131,998	6,071,276	6,589,565	7,120,592
Net revenue	13,356,714	13,462,247	12,229,194	13,721,340	15,848,998
Bad debts expense and guarantee liability provision	630,050	768,347	1,469,813	1,085,551	682,630
Operating expenses	9,918,502	10,103,208	9,981,995	10,878,869	11,348,676
Income from continuing operation before tax	2,808,162	2,590,692	777,386	1,756,920	3,817,692
Income tax benefit	84,743	395,552	610,368	317,938	551,273
Net income from continuing operation	2,723,419	2,195,140	167,018	1,438,982	3,266,419
Income (loss) from discontinued operation	-	-	-	-	-
Net income	2,723,419	2,195,140	167,018	1,438,982	3,266,419
Other comprehensive income (net of tax)	3,812	128,559	(683,436)	(221,386)	177,522
Total comprehensive income	2,727,231	2,323,699	(516,418)	1,217,596	3,443,941
Net income attributable to owners of the parent company	2,723,419	2,195,140	167,018	1,438,982	3,266,419
Net income attributable to non-controlling interest	-	-	-	-	-
Total comprehensive income attributable to owners of the parent company	2,727,231	2,323,699	(516,418)	1,217,596	3,443,941
Total comprehensive income attributable to non-controlling interest	-	-	-	-	-
Earnings per share	0.94	0.75	0.06	0.49	1.12

Condensed Statements of Profit or Loss and Other Comprehensive Income - Standalone : Not Applicable

(III) Name of Independent Auditors and the Audit Opinion

Year	2018	2017	2016	2015	2014
Item					
Name of CPA	Yung-Sheng Wang, Yuan-Sheng Yin	Yung-Sheng Wang, Yuan-Sheng Yin	Yung-Sheng Wang, Yuan-Sheng Yin	Lin Wu, Yung-Sheng Wang	Ming-Zhi Wang, Lin Wu
Audit Opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion

II. Financial Analysis for the Past Five Years

(I) Ratio Analysis

		Year				
Item		2018	2017	2016	2015	2014
Operating Capability	Ratio of loans to deposits (%)	55.28	52.95	55.32	61.92	57.22
	Ratio of non-performing loans (%)	0.23	0.37	0.63	0.35	0.29
	Ratio of interest cost to annual average deposits (%)	0.98	0.71	0.57	0.66	0.66
	Ratio of interest income to annual average loans outstanding (%)	2.51	2.48	2.61	2.73	3.06
	Total assets turnover (time)	0.02	0.02	0.02	0.02	0.02
	Average operating income per employee (thousand dollar)	4,426	4,387	3,859	4,069	4,296
	Average profit per employee (thousand dollar)	902	715	53	427	885
Profitability	Return on Tier 1 capital (%)	6.98	6.71	2.05	4.50	9.84
	Return on assets (%)	0.43	0.35	0.03	0.20	0.43
	Return on equity (%)	6.12	5.13	0.39	3.27	7.49
	Net income ratio (%)	20.39	16.31	1.37	10.49	20.61
	Earnings per share (NTD)	0.94	0.75	0.06	0.49	1.12
Financial Structure	Ratio of liabilities to assets (%)	92.79	93.23	93.22	93.51	94.18
	Ratio of property and equipment to equity (%)	9.64	10.09	11.23	11.38	12.07
Growth Rate	Asset growth rate (%)	(3.29)	5.26	(7.75)	(13.32)	1.49
	Profit growth rate (%)	8.39	233.26	(55.75)	(53.98)	34.18
Cash Flow	Cash flow ratio (%)	(29.69)	26.78	117.09	(41.15)	(1.54)
	Cash flow adequacy ratio (%)	653.70	1,485.48	735.13	107.84	562.74
	Ratio of cash flow from operations to cash flow from investments (%)	1,812.12	4,892.31	815.72	2,367.74	16.29
	Ratio of liquidity reserve (%)	69.29	75.58	59.57	58.92	56.47
	Balance of secured loans of related parties (thousand dollar)	1,857,501	2,054,036	2,388,696	2,570,261	2,710,970
	Total secured loans of related parties as a percentage of total loans (%)	0.61	0.73	0.84	0.79	0.73
Operating Scale	Market share of assets (%)	1.15	1.24	1.23	1.36	1.63
	Market share of net worth (%)	1.17	1.21	1.20	1.31	1.48
	Market share of deposits (%)	1.27	1.30	1.32	1.39	1.78
	Market share of loans (%)	0.93	0.93	0.98	1.14	1.29

Reasons for changes (if any) in the financial ratios for the past two years :

1. Non-performing loans (NPL) ratio significantly improved in 2018 as Loan Impairment was down by 18% on account of the stabilized derivatives portfolio resulting from Renminbi ("RMB") depreciation in 2016 and sustained improvement in the quality of lending portfolio.
2. Interest cost to annual average deposits ratio increased year-on-year mainly attributable to a series of deposit campaigns to take deposit to support business growth. The Bank dedicates to optimize deposit mix and increase management efficiency on funding cost.
3. Average profit per employee, profitability, net income ratio as well as earnings per share dramatically enhanced against the previous year and remained close to double digit growth rate. In 2018, the Bank delivered another year of profitable growth where Net Income was up 24%. The overall net revenue in 2018 was flattish to 2017. If excluding the one-off disposal gain and impairment loss from properties, the Bank this year demonstrated a growth for client income across all segments compared with previous year. Operating expenses decreased by 2% and cost-income ratio continued to improve. In addition, improvement on asset quality resulted in lower bad debt expense.

4. Asset growth rate turned to negative as Total Asset as at 31 December 2018 decreased by 3% compared with 31 December 2017, mainly attributable to the significant balance drop of Due from the Central Bank and call loans to banks.

The Bank's balance sheet remained liquid and healthy. Driven by the strong momentum in Mortgage business, the loan outstanding balance turned around in the second half of 2017 and continued to boost by 6% in 2018.

5. Cash flow ratio, Cash flow adequacy ratio, Cash flow from operations to cash flow from investments ratio decreased against previous year as a result of net cash outflow of operating activities, mainly due to the significant balance drop of deposits from Central Bank and banks at year-end.

Note : Financial ratios are computed as follows :

1. Operating capability

- (1) Ratio of Loans to Deposits = Total loans / Total deposits
- (2) Ratio of Non-performing Loans = Total NPL / Total loans
- (3) Ratio of Interest cost to annual average deposits = Total interest cost associated with deposits / Annual average deposits
- (4) Ratio of Interest income to annual average loans outstanding = Total interest income associated with loans / Annual average loans outstanding
- (5) Total assets turnover = Operating income / Average total assets
- (6) Average operating income per employee = Operating income / Total number of employees
- (7) Average profit per employee = Net income after tax / Total number of employees

2. Profitability

- (1) Return on Tier 1 capital = Net income before tax / Average net Tier 1 capital
- (2) Return on assets = Net income after tax / Average total assets
- (3) Return on equity = Net income after tax / Average total equity
- (4) Net income ratio = Net income after tax / Operating income
- (5) Earnings per share = (Net income attributable to owners of the parent company - Preferred stock dividend) / Weighted average number of shares issued

3. Financial structure

- (1) Ratio of liabilities to total assets = Total liabilities / Total assets
- (2) Ratio of property and equipment to equity = Net property and equipment / Net equity

4. Growth rate

- (1) Asset growth rate = (Total assets of the year - Total assets of previous year) / Total assets of previous year
- (2) Profit growth rate = (Net income before tax of the year - Net income before tax of previous year) / Net income before tax of previous year

5. Cash flow

- (1) Cash flow ratio = Net cash flow from operating activities / (Call loans and overdrafts from banks + Commercial paper payable + Financial liabilities at fair value through profit or loss + Bonds and bills sold under repurchase agreements + Current portion of payables)
- (2) Cash flow adequacy ratio = Net cash flow from operating activities for the past five years / (Capital expenditures + Cash dividends) for the past five years
- (3) Ratio of cash flow from operations to cash flow from investments = Net cash flow from operating activities / Net cash flow from investing activities

6. Ratio of liquidity reserve = Liquid assets defined by the Central Bank / Reserve for liabilities

7. Operating scale

- (1) Market share of assets = Total assets / Total assets of all authorized deposit-taking and loan-underwriting financial institutions
- (2) Market share of net worth = Net worth / Total net worth of all authorized deposit-taking and loan-underwriting financial institutions
- (3) Market share of deposits = Total deposits / Total deposits of all authorized deposit-taking and loan-underwriting financial institutions
- (4) Market share of loans = Total loans / Total loans of all authorized deposit-taking and loan-underwriting financial institutions

Ratio Analysis - Standalone : Not Applicable

(II) Capital Adequacy

Unit : NTD'000

Item			Year	5-Year Capital Adequacy Ratio ("CAR")				
			2018	2017	2016	2015	2014	
Self-owned capital	Common Equity Tier 1 Capital		40,752,246	39,686,736	37,530,261	38,369,729	39,718,971	
	Other Non-Common Equity Tier 1 Capital		-	-	-	-	-	
	Tier 2 Capital		9,600,646	9,433,517	10,119,637	10,861,100	16,734,827	
	Total Self-Owned Capital		50,352,892	49,120,252	47,649,898	49,230,829	56,453,798	
RWA	Credit Risk	Standardized Approach	274,205,939	261,584,019	273,014,017	300,942,295	356,351,785	
		Internal Ratings-Based Approach	-	-	-	-	-	
		Securitization	-	-	-	-	-	
	Operational Risk	Basic Indicator Approach	24,373,762	24,233,455	25,574,978	28,135,608	30,051,647	
		Standardized Approach / Alternative Standardized Approach	-	-	-	-	-	
		Advanced Measurement Approaches	-	-	-	-	-	
	Market Risk	Standardized Approach	20,198,732	17,487,767	16,826,701	13,447,757	19,491,066	
		Internal Models-Based Approach	-	-	-	-	-	
	Total Risk-Weighted Assets		318,778,433	303,305,241	315,415,696	342,525,660	405,894,498	
Capital Adequacy Ratio			15.80%	16.19%	15.11%	14.37%	13.91%	
Tier 1 Capital Ratio			12.78%	13.08%	11.90%	11.20%	9.79%	
Common Equity Tier 1 Capital Ratio			12.78%	13.08%	11.90%	11.20%	9.79%	
Leverage Ratio			6.19%	5.90%	5.41%	4.77%	4.35%	

No analysis is required as the variance is less than 20%.

Note : The ratios are calculated as follows :

1. Total Self-owned capital = Common Equity Tier 1 + Additional Tier 1 + Tier 2 capital
2. Total risk-weighted assets = Credit risk-weighted assets + Capital charge of (Operational risk + Market risk) × 12.5
3. Capital adequacy ratio = Total Self-owned capital / Total risk-weighted assets
4. Tier 1 capital ratio = (Common Equity Tier 1 + Additional Tier 1) / Total risk-weighted assets
5. Common Equity Tier 1 ratio = Common Equity Tier 1 / Total risk-weighted assets
6. Leverage ratio = Net of Tier 1 capital / Total exposures
7. Leverage ratio is disclosed from 2015 onwards

Capital Adequacy - Standalone : Not Applicable

III. Audit Committee's Report for 2017 Financial Statements



渣打國際商業銀行股份有限公司

審計委員會審查報告書

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Audit Committee's Report

本公司董事會所編造呈送民國一〇七年年度財務報告，業經安侯建業聯合會計師事務所王勇勝、尹元聖會計師查核竣事，經本審計委員會審查完竣，認無不符，爰依證券交易法第十四條之四、第十四條之五、第三十六條及公司法第二一九條之規定繕具報告。

The board of directors have compiled and submitted the Company's 2018 audited financial statements, audited by Victor Wang and Jason Yin of KPMG. We are satisfied that they have been correctly compiled with the books and accounts of the Company and comply with applicable regulations. The Audit Committee's Report is issued in accordance with Article 14-4, Article 14-5 and Article 36 of Securities and Exchange Act as well as Article 219 of Company Act.

渣打國際商業銀行股份有限公司

STANDARD CHARTERED BANK (TAIWAN) LIMITED

審計委員會召集人：

Audit Committee Convener：

簽名：

Signed：

殷乃平
Nei-Ping Yin

中華民國 108 年 3 月 25 日

25 Mar 2019



渣打國際商業銀行股份有限公司

審計委員會審查報告書

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Audit Committee's Report

本公司董事會所編造民國一〇七年度營業報告書及盈餘分配表，復經本審計委員會審查完竣，經核尚無不符，爰依證券交易法第十四之四條及公司法第二一九條之規定繕具審查報告。

The Board of directors has compiled the Company's 2018 business report and profit allocation statement. The Audit Committee has reviewed said business report and profit allocation statement and believed these statements comply with applicable regulations. The Audit Committee's Report is duly issued in accordance with Article 14-4 of Securities and Exchange Act as well as Article 219 of Company Act.

渣打國際商業銀行股份有限公司

STANDARD CHARTERED BANK (TAIWAN) LIMITED

審計委員會召集人：

Audit Committee Convener：

簽名：

Signed：


股乃平
Nei-Ping Yin

中華民國 108 年 3 月 25 日
25 March 2019

IV. 2018 CPA Audited Financial Statements of the Bank :

Refer to Appendix1 - 2018 Financial Statements.

V. 2018 Standalone Financial Statements and Independent Auditors’ Report :

Not Applicable

VI. Any Financial Crunch Confronted by the Bank and Its Affiliates and the Related Impacts : None



Painting by Ru-Ting Yang, Down Syndrome Foundation R.O.C. / Happy Paradise _ Fairytale Castle (Oil Painting)
Colorful bold lines in the painting represent the children's pure and joyful nature.

7

Review and Analysis of Financial Conditions, Financial Results and Risk Management



The 10-hour Visually Impaired Relay accumulated 999 km in total, making a new record of the event.



2019 Standard Chartered Taipei Charity Marathon is the largest marathon with the most visually impaired runners' participation in Taiwan. The event attracts around 30,000 runners a year.

Review and Analysis of Financial Conditions, Financial Results and Risk Management

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I. Analysis of Financial Conditions

Unit : NTD'000

Item	Year		Increase / (Decrease) Variance	
	2018	2017	Amount	%
Cash and cash equivalent, Due from the Central Bank and call loans to banks	105,265,604	141,654,121	(36,388,517)	(25.69)
Financial assets at fair value through profit or loss	16,331,428	15,915,189	416,239	2.62
Financial assets at fair value through other comprehensive profit or loss	162,495,083	-	162,495,083	-
Debt instrument investment measured by amortized cost	1,937,067	-	1,937,067	-
Available-for-sale financial assets—net	-	185,135,013	(185,135,013)	(100.00)
Derivative financial assets for hedging—net	247,374	9,784	237,590	2428.35
Securities purchased under resell agreements	11,738,716	3,356,185	8,382,531	249.76
Receivable—net	24,576,560	20,975,429	3,601,131	17.17
Current tax assets	448,497	289,519	158,978	54.91
Assets held for sale—net	-	-	-	-
Discounts and loans—net	277,484,777	262,812,237	14,672,540	5.58
Financial assets held-to-maturity	-	-	-	-
Investment under equity method—net	-	-	-	-
Restricted assets	15,145,361	7,460,090	7,685,271	103.02
Other financial assets—net	-	127,362	(127,362)	(100.00)
Property, plant and equipment—net	4,351,057	4,422,756	(71,699)	(1.62)
Investment property—net	-	-	-	-
Intangible assets—net	3,258,021	3,156,048	101,973	3.23
Deferred tax assets—net	1,596,681	1,489,054	107,627	7.23
Other assets—net	1,696,566	1,113,604	582,962	52.35
Total assets—net	626,572,792	647,916,391	(21,343,599)	(3.29)
Deposits from the Central Bank and banks	36,496,273	59,092,527	(22,596,254)	(38.24)
Financing from Central Bank and other banks	-	-	-	-
Financial liabilities at fair value through profit or loss	8,105,768	7,384,904	720,864	9.76
Derivative financial liabilities for hedging	8,518	43,768	(35,250)	(80.54)
Bonds and bills sold under repurchase agreements	-	-	-	-
Payables	11,021,871	12,029,637	(1,007,766)	(8.38)
Current tax liabilities	18,611	20,583	(1,972)	(9.58)
Liabilities directly associated with assets held for sale	-	-	-	-

 (Continued)

Item	Year	Increase / (Decrease) Variance		
		2018	2017	Amount %
Deposits and remittances		510,768,268	505,410,260	5,358,008 1.06
Bank notes payable—net		8,149,671	14,530,780	(6,381,109) (43.91)
Preferred stock liability		-	-	- -
Other financial liabilities		329,190	1,264,386	(935,196) (73.96)
Provisions		1,601,731	1,587,395	14,336 0.90
Deferred tax liabilities		851,943	682,519	169,424 24.82
Other liabilities		4,075,166	2,032,233	2,042,933 100.53
Total liabilities	Before distribution	581,427,010	604,078,992	(22,651,982) (3.75)
	After distribution	581,427,010	604,078,992	(22,651,982) (3.75)
Equity attributable to owners of the parent company		45,145,782	43,837,399	1,308,383 2.98
Common stock	Before distribution	29,105,720	29,105,720	- -
	After distribution	29,105,720	29,105,720	- -
Capital surplus		5,794,771	5,794,771	- -
Retained earnings	Before distribution	10,201,167	8,883,263	1,317,904 14.84
	After distribution	Note1	7,444,470	- -
Other equity interest		44,124	53,645	(9,521) (17.75)
Treasury stock		-	-	- -
Non-controlling interest		-	-	- -
Total equity	Before distribution	45,145,782	43,837,399	1,308,383 2.98
	After distribution	Note1	42,398,606	- -

Note : The Annual General Meeting is not held yet.

Reasons and impacts for the material changes (if any) in assets, liabilities and equities for the past two years :

The Bank's balance sheet remained liquid and healthy with the capital adequacy ratio at 15.8%. Driven by the strong momentum in Mortgage business, the loan outstanding balance turned around in the second half of 2017 and continued to boost by 6% in 2018. Deposits increased in pace to match with lending business growth. The Bank dedicates to optimize deposit mix and improve funding cost's efficiency for stable balance sheet expansion.

Analysis of Financial Conditions - Standalone : Not Applicable.

II. Analysis of Financial Results

Unit : NTD'000

Item	Year	Increase / (Decrease) Variance		
		2018	2017	
				Amount %
Interest income		10,320,477	9,605,338	715,139 7.45
Less : interest expense		6,264,170	4,275,089	1,989,081 46.53
Net interest income		4,056,307	5,330,249	(1,273,942) (23.90)
Net non-interest income		9,300,407	8,131,998	1,168,409 14.37
Net revenue		13,356,714	13,462,247	(105,533) (0.78)
Bad debts expense and guarantee liability provision		630,050	768,347	(138,297) (18.00)
Operating expenses		9,918,502	10,103,208	(184,706) (1.83)
Income from continuing operation before tax		2,808,162	2,590,692	217,470 8.39
Income tax (expense) benefit		84,743	395,552	(310,809) (78.58)
Net income from continuing operation		2,723,419	2,195,140	528,279 24.07
Income (loss) from discontinued operation		-	-	- -
Net income (loss)		2,723,419	2,195,140	528,279 24.07
Other comprehensive income (net of tax)		3,812	128,559	(124,747) (97.03)
Total comprehensive income		2,727,231	2,323,699	403,532 17.37
Net income attributable to owners of the parent company		2,723,419	2,195,140	528,279 24.07
Net income attributable to non-controlling interest		-	-	- -
Total comprehensive income attributable to owners of the parent company		2,727,231	2,323,699	403,532 17.37
Total comprehensive income attributable to non-controlling interest		-	-	- -
Earnings per share		0.94	0.75	0.19 25.33

Reasons for the material changes (if any) in financial results for the past two years and anticipated business goals with the rationale and financial impact :

In 2018, we delivered another year of profitable growth where Net Income was up 24%. The overall net revenue in 2018 was flattish to 2017. If excluding the one-off disposal gain and impairment loss from properties, the Bank this year demonstrated a growth for client income across all segments compared with previous year. Through process streamline, branch and channel optimization as well as productivity and efficiency enhancement, the Bank was able to utilize part of cost savings for talent development and system/infrastructure upgrade. Loan impairment was down by approximately 18% attributed to good control on assets' portfolio quality and bad debt management. As a result, the Bank's Return on Equity (after income tax) increased by 100 basis points in 2018.

Analysis of Financial Results - Standalone : Not Applicable.

III. Cash Flows

(I) Liquidity Analysis for the Past Two

Item	Year		Increase / (Decrease) Variance	
	2018	2017	(bps)	
Cash flow ratio (%)	(29.69)	26.78	(56)	
Net Cash flow adequacy ratio (%)	653.70	1,485.48	(831)	
Ratio of cash flow from operations to cash flow from investments (%)	1,812.12	4,892.31	(3,080)	

Reasons for the Material Changes in Liquidity : Please refer to Financial Analysis for the Past Five Years from Chapter VI—Financial Highlights.

Liquidity Analysis for the Past Two Years - Standalone : Not Applicable.

(II) Liquidity Analysis for the Next Year

Unit : NTD'000

Cash Balance at the Start of the Period (1)	Net Operating Cash Flow for the Whole Year (2)	Net Investing and Financing Cash Flow for the Whole Year (3)	Cash Surplus (Deficit) (1)+(2)+(3)	Remedy plan in case of Cash Deficiency	
				Investment Plan	Financing Plan
23,637,632	(3,779,758)	4,077,512	23,935,386	None	None

IV. Impact on the Bank's Financial Structure and Business from Substantial Capital Expenditure in the Most Recent Year

(I) Major Capital Expenditures in the Most Recent Year

Through branch relocation and renovation, the Bank can uplift operation efficiency and provide customers with higher quality environment and convenient services. In 2018, the Bank relocated 3 branches in Taipei, also relocated Longtan Branch, Xinfeng Branch, and Fengyuan Branch in Taoyuan, HsinChu, and Taichung City, so as to upgrade facilities and remodel the branches meanwhile extend branch services to new locations with greater client potentials. In addition, the Bank established the 3rd iWealth Centre in Taoyuan, aiming to replicate the successful model from Taipei and Taichung iWealth Centres, and further expand the market for Taiwan's priority wealth management customers.

The Bank has invested digital financial services and platforms in the past few years. In 2018, the Bank continued to invest digital services and successfully revamped the Standard Chartered Self Bank digital financial services. The Self Bank digital financial services were redesigned by human-centric (design thinking) ways, it focus on client behavior and needs to revamp the online application services such as online account opening, credit card and personal loan application.

Unit : NTD'000

Project Item		Capital Expenditures
Branch relocation and renovation	Guting Branch	8,262
	Longtan Branch	11,573
	Xinfeng Branch	12,345
	Fengyuan Branch	11,206
	Zhuangjing Branch	20,030
Working Environment Optimization	Sanming Building	12,680
Capitalized software	Digital Project online bundle	58,556

(II) The foregoing major capital expenditures do not have significant financial or business impacts to the Bank.

V. Reinvestment Policy for 2018, Main Reasons for Investment Gain or Loss, and the Improvement and Investment Plan for the Next Year :

The primary objective of the Bank's reinvestment plans is to generate operational synergy and strengthen cross-sector management as a financial institution. As of 2018, net realized gain from investee companies totaled NTD 16,435 thousand dollars, which was primarily contributed by cash dividend from investee companies.

VI. Risk Management

(I) Qualitative and Quantitative Information of All Risks

1. Credit Risk Management Structure and Capital Requirement

(1) Credit Risk Management Structure

Description	Disclosure
1. Credit risk strategy, goal, policy and procedure	The management of risk lies at the heart of the Bank'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. Strategy & Goal Through our enterprise risk management framework we manage enterprise-wide risks, with the objective of optimizing risk-adjusted returns while remaining within our risk appetite. Under this framework, we use a set of principles that describe the risk management culture we wish to sustain : • Balancing risk and reward: risk is taken in support of the requirements of our stakeholders, in line with our strategy and within our risk appetite; • 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; • 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; • Anticipation: we seek to anticipate future risks and maximize awareness of all risks; and • Competitive advantage: we seek competitive advantage through efficient and effective risk management and control. Policies and Procedures The credit policies and procedures are reviewed and approved by the Board, 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 and procedures, but are more detailed and adapted to reflect the different risk environments and portfolio characteristics.
2. Credit risk management organization and structure	Ultimate responsibility for the effective management of risk rests with the Bank's Board. The Executive 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.

 (Continued)

Description	Disclosure
	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.
3. 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 Executive Risk Committee, containing information on key environmental, political and economic trends across major portfolios and countries; portfolio delinquency and loan impairment performance.
4. 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 mitigants 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.

 (Continued)

Description	Disclosure
	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 counterparty credit risk. Counterparty credit exposures are generally netted using bilateral netting documentation in legally approved jurisdictions, Delivery vs. Payment or Payment vs. Payment systems.
5. Method used for regulatory capital calculation	Standardized Approach

(2) Required Capital for Credit Risk under Standardized Approach

31 March 2019

Unit : NTD'000

Exposure Type	Exposure after Risk Mitigation	Required Capital (Note)
Sovereign	204,545,708	119,780
Non-central government public sector entities	-	-
Banks (including multilateral development banks)	133,642,500	3,491,149
Corporations (including security and insurance companies)	106,832,449	7,534,584
Retail	58,051,571	3,467,688
Residential mortgage	147,699,216	6,591,445
Equity security investment	42,766	3,421
Other assets	12,867,729	774,433
Total	663,681,999	21,982,500

Note : Required capital equals risk weighted asset multiplied by minimum regulatory capital adequacy ratio

2. Exposures and Capital Requirement under the Asset-backed Securitization Management Structure :

Not applicable.

The Bank has no securitization assets and offers mortgage-backed securitization product.

3. Operational Risk Management Structure and Capital Requirement

(1) Operational Risk Management Structure

Description	Disclosure
1. Strategy and procedure of operational risk management	Operational risk is the potential for loss from inadequate or failed internal processes, people, and system or from external events, including legal risks. 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 Framework ("Framework"), operational risks are managed through risk identification, assessment, control, acceptance, monitoring and reporting. Responsibility for the management of operational risk rests with businesses and functions. The Framework sets out the respective responsibilities of the 3 Lines of Defense.
2. Operational risk management organization and structure	Governance over operational risk management is achieved through a defined structure of committees. The Executive Risk Committee is designed to oversee and to challenge the effectiveness of risk management and control. They may also be authorized to take certain risk acceptance and control decisions which are outside the authority of individual managers. The Executive Risk Committee has delegated country operational risk management to Country Operational Risk Committee ("CORC"), according to the Framework. The CORC oversees the management of operational risks at the country level. The CORC scope includes all client segments, products and functions. 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 risk management functions based outside of Taiwan.
3. The scope and characteristics of operational risk report and evaluation system	According to the Framework, The First Line of Defense is responsible for identifying and managing the risks inherent in their processes. Process Owners are individuals who have the ultimate responsibility for the performance of a process. The Second Line of Defense is responsible for setting control standards. Risk Owners are the designated risk specialists with Second Line of Defense responsibilities for each given risk sub-type. The operational risk subtypes include external rules and reputations, liability, legal enforceability, damage or loss of physical assets, safety & security, internal fraud or dishonesty, external fraud, information security, process failure, and model. The First Line of Defense reports operational risk and measures the effectiveness of controls via key control indicators, control sample test, and key risk indicators.

 (Continued)

Description	Disclosure
	Additionally, the Third Line of Defense comprises the independent assurance provided by the Group Internal Audit ("GIA") function. GIA provides independent assurance of the effectiveness of management's control of the First Line and the Second Line. As a result, GIA provides assurance that the overall system of control effectiveness is working as required within the Risk Management Framework.
4. 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 on Risk Management Framework. Operational risks are managed through an end to end process of risk identification, assessment, control, acceptance, monitoring, and reporting. 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 matrix 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 management meeting and/or CORC.
5. Method used for regulatory capital calculation	Basic Indicator Approach.

(2) Required Capital for Operational Risk

Unit : NTD'000

Year	Gross Operating Profit	Required Capital
2016	12,199,425	
2017	13,329,121	
2018	13,469,474	
Total	38,998,020	1,949,901

Note : The operational risk in the above table was calculated and prepared based on Appendix 1 Gross profit in Part 4 Operational Risk of "the Methods for calculating Bank's regulatory capital and Risk Weighted Assets". Upon examining the composition of gross profit in terms of the above mentioned calculation methods, the Bank made adjustments to the definition of gains and losses on property transactions and outsourcing cost, and calculated operational risk according to the new definition starting from 2017.

4. Market Risk Management Structure and Capital Requirement

(1) Market Risk Management Structure

Description	Disclosure																																		
1. 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.																																		
2. Market risk management organization and structure	Market and Treasury Risk Taiwan followed the regulatory requirement of the Taiwan Financial Supervisory Commission to develop the market risk management policies and procedures, which include the banking books and trading books. The market risk policies, procedures and limits are annually reviewed by Market and Treasury Risk Taiwan and are in line with Group Market Risk Committee guidance. 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. Market risk appetite requires approval from the Board. Market and Treasury 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.																																		
3. The scope and characteristics of market risk report and evaluation system	The scope of market risk report produced by Market and Treasury Risk Taiwan 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 risk 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. Unit : NTD'000 <table><tr><th rowspan="2"></th><th colspan="3">2018</th><th colspan="3">2017</th></tr><tr><th>Average</th><th>Maximum</th><th>Minimum</th><th>Average</th><th>Maximum</th><th>Minimum</th></tr><tr><td>Foreign exchange VaR</td><td>3,621</td><td>7,479</td><td>1,228</td><td>5,579</td><td>13,231</td><td>1,755</td></tr><tr><td>Interest rate VaR</td><td>44,401</td><td>50,330</td><td>39,553</td><td>51,660</td><td>64,065</td><td>38,593</td></tr><tr><td>Risk rate VaR</td><td>44,561</td><td>50,376</td><td>39,649</td><td>52,028</td><td>65,311</td><td>38,816</td></tr></table>		2018			2017			Average	Maximum	Minimum	Average	Maximum	Minimum	Foreign exchange VaR	3,621	7,479	1,228	5,579	13,231	1,755	Interest rate VaR	44,401	50,330	39,553	51,660	64,065	38,593	Risk rate VaR	44,561	50,376	39,649	52,028	65,311	38,816
	2018			2017																															
	Average	Maximum	Minimum	Average	Maximum	Minimum																													
Foreign exchange VaR	3,621	7,479	1,228	5,579	13,231	1,755																													
Interest rate VaR	44,401	50,330	39,553	51,660	64,065	38,593																													
Risk rate VaR	44,561	50,376	39,649	52,028	65,311	38,816																													

 (Continued)

Description	Disclosure
	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 Treasury 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.
4. 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 Treasury Risk Taiwan. The policies and procedures cover both trading and non-trading books and are presented to Risk Committee or Board for approval subject to the delegation of authority. 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.
5. Method used for regulatory capital calculation	Standardized Approach / Delta-Plus for Options

(2) Required Capital for Market Risk

31 March 2019

Unit : NTD'000

Item		Required Capital
Standardized Approach	Interest Rate Risk	1,754,322
	Foreign Exchange Risk	225,608
	Equity Position Risk	-
	Commodities Risk	-
Internal Model-Based Approach		-
Total		1,979,930

5. Liquidity risk

(1) Maturity analysis of assets and liabilities

Structure Analysis of Maturity Date – New Taiwan Dollars

31 March 2019

Unit : NTD'000

	Remaining period to expiration						
	Total	1~10 days	11~30 days	31~90 days	91~180 days	181days~1 year	Over 1 year
Capital Provided	810,544,222	118,865,685	86,816,456	160,932,965	101,384,226	119,642,493	222,902,397
Capital Used	869,358,007	79,185,626	91,370,231	211,081,309	152,946,659	84,581,462	250,192,720
Gap	(58,813,785)	39,680,059	(4,553,775)	(50,148,344)	(51,562,433)	35,061,031	(27,290,323)

Structure Analysis of Maturity Date – US Dollars

31 March 2019

Unit : USD'000

	Remaining period to expiration					
	Total	1~30 days	31~90 days	91~180 days	181days~1 year	Over 1 year
Capital Provided	23,628,077	8,059,862	7,254,654	5,101,968	2,414,742	796,851
Capital Used	25,375,964	9,444,379	7,731,718	4,364,900	2,375,706	1,459,261
Gap	(1,747,887)	(1,384,517)	(477,064)	737,068	39,036	(662,410)

(2) Measures for liquidity management of assets and capital gap

Refer to the Financial Statements of Appendix 1 from page 81 to Page 84.

(II) Impact of Changes in Domestic/Foreign Major Policies and Laws on the Bank's Financial Structure and Business and Responsive Actions Thereof

1. Financial Supervisory Commission ("FSC") issued the determination criteria and exclusions of "loans extended for residential construction and construction for business purposes" under Article 72-2 of the Banking Act on 28 August 2018 for the following types of domestic and overseas lending, including public and private schools, medical institutions, government offices, long-term care services, social housing, etc. The Bank has adopted and complied with the regulatory requirements. To date, there has been no material impact to our business.
2. FSC amended the "Regulations Governing Information to be Published in Annual Reports of Banks", "Regulations Governing the Preparation of Financial Reports by Public Issued Banks, and "Compliance Matters for Disclosure of Information on the Capital Adequacy and Risk Management by Domestic Banks" during 2018. The purpose is to strengthen the corporate governance and data transparency while the Bank has adopted and complied with the regulatory requirements. The Bank has set up Compliance Department to cope with compliance matters, and will adapt to any updates in new or amended laws and regulations while disseminate to internal relevant parties in a timely matter to mitigate impact of changes on the Bank's financial structure and business.
3. To comply with the regulatory requirements, the Company implemented the International Financial Reporting Standard 9 (IFRS 9), effective 1 January 2018. Refer to the 2018 Financial Statements for details of impacted figures after the IFRS 9 was applied.
4. The Company adopted the International Financial Reporting Standard 16 (IFRS 16) as required by the Financial Supervisory Commission, effective 1 January 2019. Refer to the 2018 Financial Statements for details of impacted figures after the IFRS 16 was applied.

(III) Impact of Technological and Industrial Changes on the Bank's Financial Structure and Business and Responsive Actions Thereof

In response to the age of Fintech, the Bank understands the innovations on technology and customer behavior change well and continues to work on banking system enhancement to fulfill customers' needs and provide more efficient financial service.

There's an PoC to simplify branch reservation process with utilization of AI, iBeacon and facial recognition technology which was driven by IT team. Online FX platform is a great case to show the Bank's spirit of 'client obsession'. It provides a seamless and digital self-service user journey for clients to access and trade FX 24/7 by linking it to our existing mobile app and online banking platform. Clients can also access both our in-house views as well as market information to make informed FX trading decisions in a single step. Furthermore, we introduced PII (Personalized Investment Idea) as an innovative service around data as it combines professional data analysis with big data technology to create customized investment ideas and create a rich life for our clients.

(IV) Impact of Changes in Corporate Image on the Bank and Responsive Actions Thereof

Brand image and reputation are the most significant intangible assets for a bank. The protection of the Bank's reputation will take priority over all activities including revenue generation activities at all times. The Bank has specific reputational risk policy and

procedure, in particular, the local and group level mechanisms of reputational risk management: from anticipation, monitoring, reporting, fast tracking, to supervision, that are thorough and comprehensive, as guarantees to ensure the least likelihood of the incident of reputational risks.

The Bank delivers strong performance across its footprints in Asia, Africa, and Middle East, through focusing on its core businesses, and strong risk management mechanisms. Taiwan is one of the key growth markets for the Bank in Greater China and North Asia region. The Bank remains prudent and is devoted to bolstering its service quality and risk management by regular employee trainings, reinforcing the Bank's brand image and protecting consumers' rights. Such practice is closely integrated with ensuring a sustainable business, executing responsible selling and marketing, combating financial crimes, enhancing banking service network, and participating in environmental protection and community services. The Bank is committed to its brand promise—Here for good—embedded in every employee's daily routine, known among all stakeholders, and deemed as the best brand image among clients. The Bank continues its education efforts in risk management and anti-money laundering, as well as increases its investment on control and compliance efforts.

(V) Anticipated Benefits, Potential Risks and Responsive Actions for M&A :

None

(VI) Anticipated Benefits, Potential Risks and Responsive Actions for Expansion of Business Locations

In order to provide customers with higher quality environment and services, No. 88 Branch (renamed to be Guting Branch), Longtan Branch, Fongyuan Branch, Xinfeng Branch, Jianguo Branch (renamed to be 101 Branch), Zhuangjing Branch and East Taipei Branch were relocated between 2018 and 15 May 2019, the printing date of Annual Report.

The Bank sent separate customer notifications to the branch customers, posted announcement in all seven branches, and added top news in the Bank's official website prior to relocation so as to minimize the inconvenience to customers. Cautious actions were taken to properly deal with the rights and obligations of existing customers, or alternative services were provided to ensure customers' interests are protected in the course of branch relocation.

To ride on the trend of digital banking development and enhance branch network operational efficiency, 6 branches (Daxi Branch, Dayuan Branch, Guanyin Branch, Guanxi Branch, Sanyi Branch and Chiayi Branch) were closed during this period. As of 15 May 2019, the printing date of the Annual Report, the Bank has a total 66 branches in Taiwan, excluding Offshore Banking Unit ("UBO"). Before the branch closures, the Bank took proactive approach in dealing with clients' rights and obligations by sending out notification letters, posting announcements in branches and on official website to fully inform our clients while continuously provide outstanding services to minimize the impact to the customers.

(VII) Business Concentration Risk and Responsive Actions Thereof

To be in compliance with Article 33.3 of the Banking Act, the Bank regularly discloses and reports the credit extensions for the same legal person, the same natural person, the same concerned party and the same related entity.

In addition, the target markets and overall characteristics of the credit portfolios, including credit decentralization and appetite targets, have been clearly set in the Portfolio Standards ("PS") of the Bank. The PS is established according to the business strategies and within acceptable appetite targets and principally includes measurable quantitative portfolio parameters, covering concentration caps of major industry sectors, credit grade distribution, concentration risk to single customer group, and tenor profile.

As to the management of concentration to single corporate entity and customer groups, it is aligned with the "Credit Risk Management Guidelines of Concentration to Single Corporate Entity and Customer Groups" as approved by the Executive Risk Committee. The concentration risk limits for single corporate entity, affiliated counterparties or customer groups are established on the basis of internal credit grades to ensure concentration risk on large exposures is properly addressed and managed.

(VIII) Impact, Risks and Responsive Actions for Change of the Bank's Ownership :

None

(IX) Impact, Risks to the Bank and Responsive Actions Thereof due to a Major Transfer or Change in Ownership of Shares belonging to Directors, Supervisors or Major Shareholder with over 1% of Shareholding

The Bank is owned by a sole shareholder, Standard Chartered Bank ("SCB"), and all directors (including INEDs) are appointed by SCB. During last year and until the date of printing of this annual report, there has been no major transfer of shares or shareholding change of the Bank. As a result, there is no significant impact or risk against the operation of the Bank.

(X) Litigation and Non-litigation Matters

For a corporate lending between the Bank (previously Hsinchu International Bank) and a corporate client, it was repaid in full by the corporate guarantor. However, the corporate guarantor and another individual guarantor brought litigations against the Bank in the Taipei District Court in June 2012, alleging the guarantees were not in existence as the original loan was flawed and potentially void. The corporate guarantors also claimed a refund of NTD 115,437 thousand dollars. In respect of the litigation initiated by the corporate guarantor, the Bank obtained favorable judgments and the case was concluded. As to the litigation initiated by the personal guarantor, the Taiwan High Court dismissed the appeal filed by the personal guarantor in March 2017. The personal guarantor filed an appeal to the Supreme Court. The appeal is still pending in the Supreme Court without any judgment granted and the Bank cannot predict the outcome. Except for the above, the Bank is not involved in other material litigations within 2018 and as of the printing date of the Annual Report.

(XI) Other Critical Risks and Responsive Actions Thereof :

None

VII. Emergency Response Mechanism

To ensure that the Bank is capable of continuing critical business operations to reduce any potential risks of severe disruption to business, financial and reputational damage, the Bank has instituted the "Crisis Management Team" and "Recovery Control Center" with dedicated assignment of responsibilities to carry out Crisis Management Plan whilst facing an unexpected disaster.

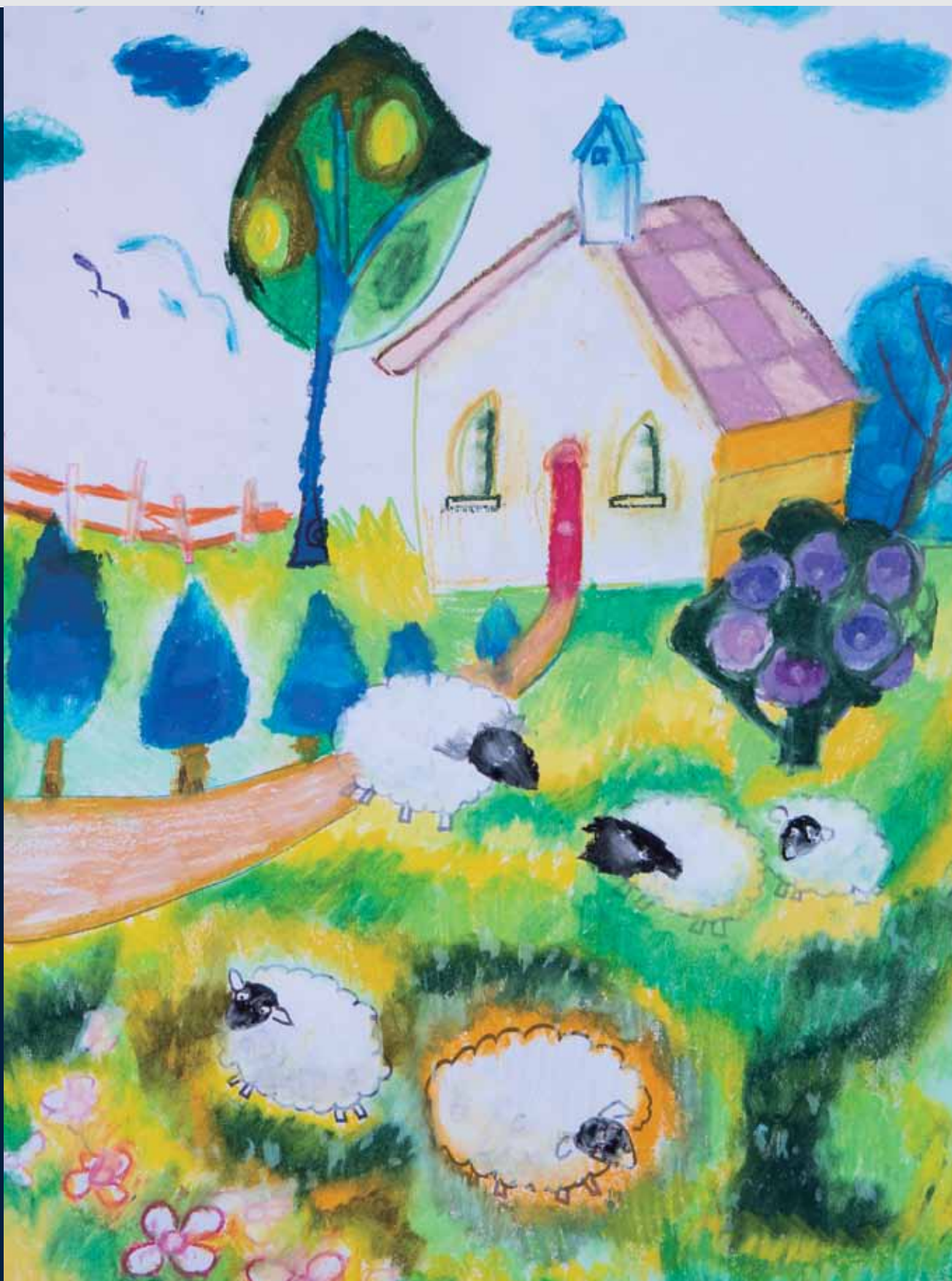
Crisis Management Team convened by Chief Executive Officer collectively formulate response strategies & actions with Executive Management team to address critical incidents, which may bring severe impact on the business operation of the Bank. Recovery Control Center will base upon the decision to manage the emergency response actions to mitigate the impact on the business operation.

The Country Business Continuity Plan ("BCP") Strategy and departmental Business Continuity Plans are reviewed and updated, and BCP drills are conducted annually. IT Disaster Recovery Plan is developed and tested by IT to ensure that system recovery capabilities are sufficient to facilitate the implementation of all BCPs.

The significant incidents will be notified to concerned key stakeholders based on the "Standard Chartered Bank Taiwan Limited Rules Governing the Handling of Material Incidents". Corporate Affairs is the designated unit for media inquiries if necessary.

VIII. Other Important Matters :

None



Painting by Yi-Fen Kang, Down Syndrome Foundation R.O.C. / The happy smiley goat (Color Pen, Pastel)
The smiley goat lives in a green field, where the air is full of joy.

Special Notes

8



Standard Chartered Taipei Charity Marathon successfully raised public awareness on the employment of the visually impaired.

Special Notes

- 134** Information on Affiliated Enterprises
- 137** Private Placement of Securities and Bank Debentures
- 137** Shares Held or Disposed of by the Subsidiaries
- 137** Other Supplementary Notes

I. Information on Affiliated Enterprises

(I) Organizational Chart, Basic Information and Business Overview of Affiliated Enterprises :

Not applicable.

(II) Consolidated Financial Statements of Affiliated Enterprises :

Not applicable.

(III) Affiliation Reports

Declaration

The 2018 Affiliation Reports of Standard Chartered Bank (Taiwan) Limited for the period between 1 January 2018 and 31 December 2018 have been prepared in conformity with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises". No material discrepancy was found in the Reports as compared to the relevant information disclosed in the Notes to the Financial Statements for the same period.

Standard Chartered Bank (Taiwan) Limited



Chairman : Gregory John Powell



25 March 2019



安侯建業聯合會計師事務所

KPMG

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Independent Auditors' Review of the Affiliation Report

Standard Chartered Bank (Taiwan) Limited

We have conducted the review of the 2018 Affiliation Report of Standard Chartered Bank (Taiwan) Limited (the 'Bank') in accordance with articles promulgated on dated 30 November, 1999 in the letter of Ref. No. (88)-Tai-Tsai-Zheng-(VI)-04448 issued by the Securities and Futures Bureau, Financial Supervisory Commission R.O.C (formerly known as Securities and Exchange Commission, Ministry of Finance Securities). This review opinion is to verify if the 2018 Affiliation Report of the Bank are in compliance with "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" and if the information disclosed in the 2018 Affiliation Report has material inconsistency corresponding to those in the Notes to the Financial Statements audited by KPMG dated 25 March, 2019.

Based on our review, we are not aware of any violations of "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" regarding the preparation of the Affiliation Report mentioned above; furthermore, neither material inconsistency found between the information disclosed in the Affiliation Report and those in the Notes to the audited Financial Statements.

KPMG

Taipei, Taiwan (Republic of China)

March 25, 2019

Notes to Readers

The Affiliation Report is 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 Affiliation Report, the Chinese version shall prevail.

1. Relationship with the Holding Company

Unit : Share ; %

Name of the Controlling Entity	Reason of Control	Controlling Entity's Shareholding and Pledged			Directors, Supervisors or Managers Representing the Controlling Entity	
		Number of Shares ('000)	Shareholding	Number of Pledged Shares	Title	Name
Standard Chartered Bank	Shareholding 100 percent	2,910,572	100 percent	None	Chairman	Gregory John Powell
					Director	Yuen Tung Anthony Lin
					Director	Norman Lyle
					Director	Wei-Chih Chen
					Director	Rangus Hok Hoi Tse
					INED (Note)	Nei-Ping Yin
					INED (Note)	Man-Jung Chan
					INED (Note)	Ban-Ren Chen

Note : INED, Independent Non-Executive Director

2. The transactions with controlling entity

- (1) Purchase & sale transaction : None.
- (2) Property transaction : None.
- (3) Working capital financing : Not applicable.
- (4) Asset lease: None.
- (5) Other significant transactions :

For the year ended 31 December 2018, the Bank's transactions with Standard Chartered Bank ("SCB") were as follows :

- a) The fair value for the foreign exchange and derivative transactions was loss NTD 12,973 thousand. The premium receivables resulting from option contracts were NTD 2,159 thousand.
- b) The deposit with banks was NTD 1,361,771 thousand and the service charge from the deposits was NTD -98 thousand.
- c) The call loans to banks was NTD 12,141,256 thousand; the interest income from call loans to banks was NTD 286,857thousand and the interest receivables resulting from the call loans to banks was NTD 2,838 thousand.
- d) The interest expense for overdrafts on banks was NTD 3 thousand.
- e) The call loans from banks Interest expense was NTD -170 thousand.
- f) The securities purchased under resell agreement and debt instruments acquired was NTD 346,779 thousand; the interest income totaled NTD 6,506 thousand and the interest receivables resulting from the securities purchased under resell agreement and debt instruments acquired was NTD 329 thousand.

- g) The issuance of financial debentures payable to SCB was NTD6,147,471 thousand; the interest expense incurred from the above transactions was NTD 275,203 thousand and the interest payable totaled NTD 10,758 thousand.
- h) The operational and advisory service fees, consulting and technical support service fees and wholesale banking business service fees were NTD 961,341 thousand, NTD 485,519 thousand, and NTD 105,578 thousand, respectively. Related expense payables to SCB were NTD 5,662,056 thousand.
- i) The group insurance expenses for entering the group insurance amounted to NTD 21,468 thousand.
- j) The related cost of the executive share option scheme amounted to NTD 26,752 thousand. The accounts payable to SCB for the share-based payment scheme costs amounted to NTD 73,574 thousand, and the prepaid fee to SCB for the share-based payment scheme costs amounted to NTD 857 thousand.
- k) The technical support service fees were NTD 7,558 thousand and the technical support service fees payable were NTD -435 thousand.
- l) The consultant service income, origination income, and trading income amounted to NTD 228,781 thousand. The origination income and trading income receivables were NTD 36,408 thousand.
- m) The consultant service fees and origination fees were NTD 52,681 thousand. The consultant service fees and origination fees payable were NTD 67,182 thousand.

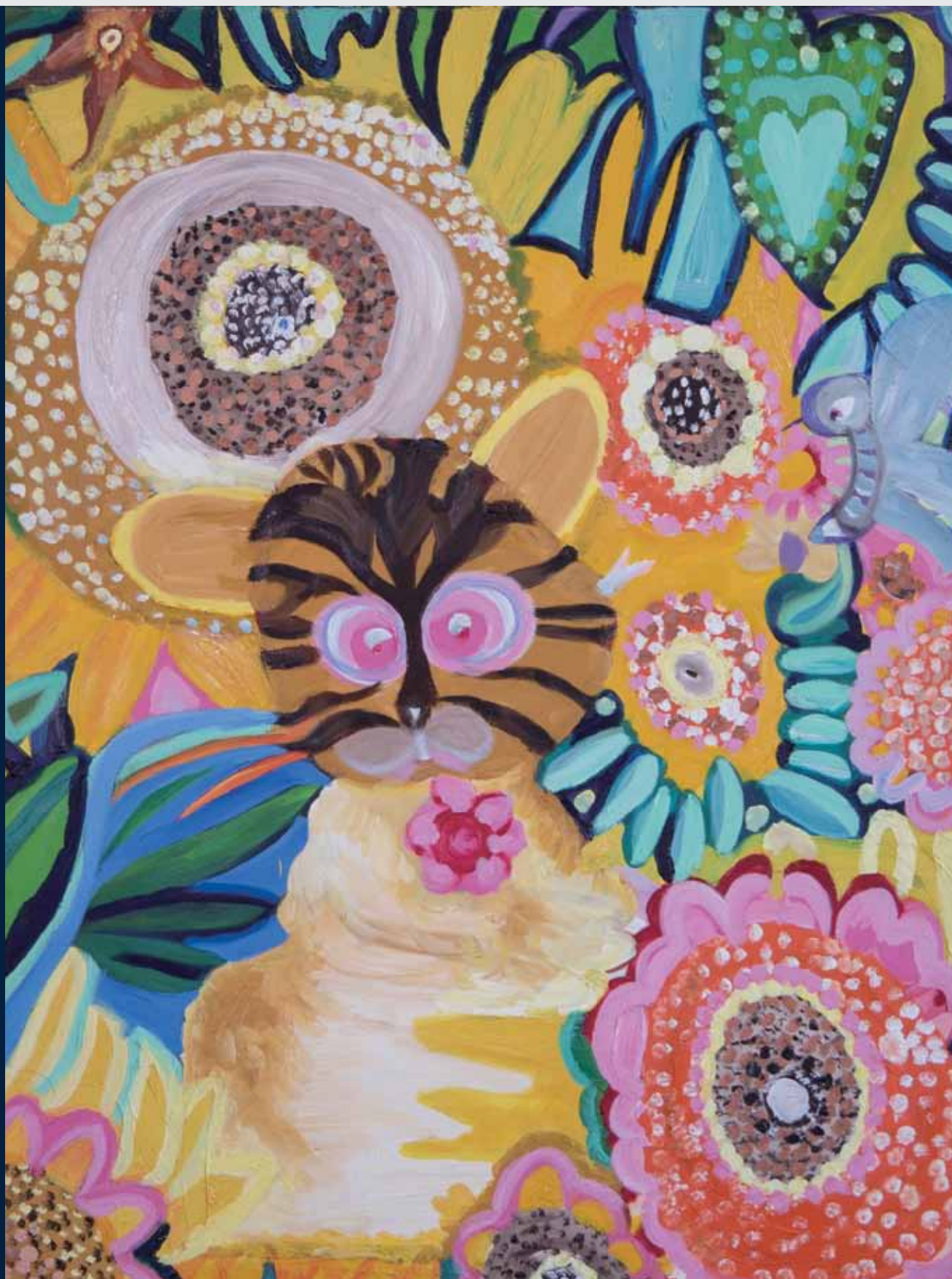
3. Endorsements & guarantees of the Company to the controlling entity : Not Applicable.

4. Other material transactions which were significant to Financial and Business : None.

II. Private Placement of Securities and Bank Debentures : None.

III. Shares Held or Disposed of by the Subsidiaries : None.

IV. Other Supplementary Notes : None.



Painting by Ru-Ting Yang, Down Syndrome Foundation R.O.C. / Sunflower and Tabby Cat (Oil Painting)
I like cats, so Kitty is my nickname. This painting shows the dialogue between the flower and the cat inside me.

Appendix



Then Bank promotes the volunteering culture and encourages our employees to take part in charitable activities. Participating in "Nice Day Hiking" organized by the Syin-Lu Social Welfare Foundation is one example of volunteering activities from our employees.

Appendix

140 Appendix 1 : 2018 CPA Audited Financial Statements of the Bank

258 Appendix 2 : Directory of Branches and Offices

Appendix 1 : 2018 CPA Audited Financial Statements of the Bank

Stock Code:2807

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017**



安侯建業聯合會計師事務所
KPMG

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Independent Auditors' Report

To the Board of Directors of Standard Chartered Bank (Taiwan) Limited:

Opinion

We have audited the financial statements of Standard Chartered Bank (Taiwan) Limited ("the Bank"), which comprise the statements of financial position as of December 31, 2018 and 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2018 and 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to the first paragraph present fairly, in all material respects, the financial position of the Bank as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years ended December 31, 2018 and 2017, in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and the International Financial Reporting Standards ("IFRs"), International Accounting Standards ("IASs"), International Financial Reporting Interpretations Committee ("IFRICs"), and the Standing Interpretations Committee ("SICs") endorsed by the FSC (hereinafter referred to as "the IFRSs" endorsed by the FSC").

Basis for Opinion

We conducted our audit in accordance with the Rules Governing Auditing and Certification of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Certified Public Accountants Code of Professional Ethics in the Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Impairment of loans and receivables

Refer to note 4(e) "Financial instruments" for the accounting policies of impairment. Refer to note 5(a) "Impairment evaluation of loans and receivables" for the uncertainty of accounting estimates and assumptions for loans and advances impairment. Refer to notes 6(h), (i) and (al) "Information on financial risk" for the description of loans and advances loss provision and impairment assessment.



1) Risk and descriptions of the key audit matter:

Loans and advances refer to financial assets measured at amortised cost where quoted market prices are not available. The risk is that the estimation of the provision for allowance of bad debt may be misstated due to the application of estimation which often involve the exercise of judgment, the use of assumptions, and the estimated recoverability. Wholesale banking clients are evaluated and monitored individually, based on the knowledge of financial and non-financial information of each individual. However, the consumer banking clients comprise much smaller value loans to a much greater number of customers. Accordingly, loans and receivables are grouped and monitored by product into homogeneous exposures, which also drive the assessment of loan loss provisions.

Despite the overall growth in Taiwan's export trades, wholesale banking clients have struggled for revenue and profitability against heating up China-US trade friction, increase in global trade and economic uncertainty, as well as intense industry competition, adding uncertainty to the recoverability on loans and advances; residential mortgage is one of the major components of loans. Due to the correction of property market in recent years, causing the values of the collaterals to drop which increased the probability of insufficient guarantee. This matter requires significant attention of our audit for the financial statements.

Please refer to notes 6(h) and (i) for further description of impairment loss of loans and advances.

2) Procedures performed:

- Testing the key control over the credit grading and monitoring processes, to assess if the risk grades allocated to the counterparties which follow the Bank's policy and loans were identified, on a timely basis, into early alert or higher credit grades.
- Performing credit assessments by sampling of all loans with a significant carrying value and high-risk loans that are on the Early Alert Report. For these selected loans, we assessed the reasonableness of the forecast of recoverable cash flows, realization of collateral and other possible sources of repayment.
- For expected credit loss, our procedures included:
 - Assessing the appropriateness of the models used for calculating the Expected Credit Loss.
 - Testing the appropriateness of the inputs into the model.
- Assessing whether the loan loss provision is in line with the minimum requirement of the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans and Regulation Governing Institutions Engaging In Credit Card Business.

2. Valuation of financial instruments

Refer to note 4(e) "Financial instruments" for the accounting policy of financial instruments valuation. Refer to note 5(c) "Valuation of financial instruments" for the uncertainty of accounting estimates and assumption for the financial instruments valuation. Refer to note 6(al) for the fair value hierarchy information of financial instruments.



1) Risk and descriptions of the key audit matter:

The risk is that the valuation of financial instruments may be misstated due to the application of valuation techniques which often involve the exercise of judgment and the use of assumptions and estimates. Of the financial instruments that are held at fair value through profit and loss or at fair value through other comprehensive income in the Bank's balance sheet, majority were qualified as being measured using level 1 or 2 inputs in the fair value hierarchy as of December 31, 2018. This means they were valued using prices that were observable in the market place or through models with market observable inputs, including those inputs that can be observed directly (quoted prices) or indirectly (derived from quoted prices) from active markets, resulting in the valuation risk being low. The measurement of the fair value of the input parameters of Level 3 are not based on observable market data, therefore, during the valuation process, those related to the modeling assumptions used by the Bank in measuring expected exposures of derivatives and the appropriateness of the proxies used (for estimating loss rates) for counterparties may cause differences in calculation.

Please refer to note 6(al) for further description of valuation of financial instruments.

2) Procedures performed:

Testing of the controls over the identification, measurement and management of valuation risk including independent price verification control, the governance over valuation models model validation and the management reporting of valuation risk.

- Understanding and assessing the Bank's valuation model and valuation methodology for financial instrument.
- Testing, for a selection of pricing inputs used, that they were externally sourced and were correctly input into pricing models.
- Valuing a selection of debt securities, equity investments and derivative instruments positions individually, independently verifying the fair value of the selected samples, and comparing their valuation to the Bank's valuation.
- We also performed a range of additional procedures on the credit and funding valuations adjustments which included:
 - Assessing the appropriateness of the methodology and to assess the key underlying models used.
 - Checked the selections of counterparty exposures to assess whether these were appropriately netted in arriving at the final exposures.
 - Assessed the appropriateness of the Bank's credit risk valuation adjustment.

3. Recognition of deferred tax assets

Refer to note 4(o) "Income tax" for the accounting policy of deferred tax assets. Refer to note 5(d) "Recognition of deferred tax assets" for the uncertainty of accounting estimates and assumption for the deferred tax assets recognition. Refer to note 6(w) for further description of disclosures on deferred tax assets.

1) Risk and descriptions of the key audit matter:

The Bank's deferred tax assets recognized included the carryforward of unused tax losses and deductible temporary differences. The audit risk lies in the recognition and measurement of the deferred tax assets, which requires the management's subjective judgment and estimate, to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized.

Please refer to note 6(w) for further description of the recognition of deferred tax assets.



2) Procedures performed:

Assessing the reasonableness of the deferred tax assets, specifically on the amount recognized, the related procedure performed as below:

- Comparing the relating assumption on the prediction of future operation with the Bank's financial forecast, and taking into account the quality of profit forecast and book-tax difference of prior years.
- Evaluating the assumption of growth rate made by the Bank, based on our understanding and relating information of banking industry.
- Assessing whether the disclosures of the deferred tax assets are appropriate.

4. Goodwill impairment

Refer to note 4(i) "Intangible assets" for the accounting policy of goodwill impairment. Refer to note 5(e) "Goodwill impairment" for the uncertainty of accounting estimates and assumption for the goodwill impairment. Refer to note 6(m) for further description of disclosures on goodwill.

1) Risk and descriptions of the key audit matter:

The Bank's goodwill, \$3,156,048 thousand, as stated on the balance sheet, were arose through the acquisition of Asia Trust Investment Company Limited ("ATIC") in 2008. The main audit risk lies in the assessment of impairment of goodwill which requires the management to make subjective judgments to estimate the recoverable amount of relevant cash-generating units, which may not fully represent the recoverability of the goodwill.

Please refer to note 6(m) for further description of the impairment of goodwill.

2) Procedures performed:

- Assessing the consistency of key assumptions used by management in impairment test, and assessing the appropriateness of valuation methodology used by management for measuring recoverable amount.
- Taking into account the quality of profit forecast, comparing the inputs used in impairment test with external sources, and performing sensitivity test.

5. Disclosures on related party transactions

Refer to note 7 for further description of disclosures on related party transactions.

1) Risk and descriptions of the key audit matter:

The Bank is one of the subsidiaries under Standard Chartered PLC ("The SC PLC Group"). The Bank has service agreements with multiple individuals under the Group, with significant amount. Main services include interbank fund transferring, trading of derivatives, service income and cost, etc. There are potential undisclosed related party transactions; however, the amounts do not result in material related party transactions.

2) Procedures performed:

- Understanding of the Bank's related party recognition process.
- Cross checking the balance of related party transactions with the Bank's financial statements to ensure whether they matched with the balance on counterparty's financial statements. Otherwise, the balance is being reconciled.
- Reviewing the details of related party transaction provided by the Bank; and assessing whether details of the transaction containing significant balances are disclosed completely in the financial statements.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, and the IFRSs endorsed by the FSC, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the audit committee) are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Generally Accepted Auditing Standards in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Generally Accepted Auditing Standards in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yung-Sheng Wang and Yuan-Sheng Yin.

A handwritten signature of the KPMG firm, written in black ink.

KPMG

Taipei, Taiwan (Republic of China)

March 25, 2019

Notes to Readers

The accompanying financial statements are intended only to present the statement of financial position, financial performance and its 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.

Balance Sheets

(Expressed in thousands of New Taiwan Dollars)

See accompanying notes to financial statements.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(expressed in thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

	2018		2017		Change
	Amount	%	Amount	%	%
41000 Interest income (notes 6(aa) and 7)	\$ 10,320,477	77	9,605,338	72	7
51000 Less : Interest expense (notes 6(aa) and 7)	<u>6,264,170</u>	<u>47</u>	<u>4,275,089</u>	<u>32</u>	47
Net interest income	4,056,307	30	5,330,249	40	(24)
Net non-interest income					
49100 Net service fee income (notes 6(ab) and 7)	4,474,787	34	4,457,844	33	-
49200 Gain on financial assets or liabilities at fair value through profit or loss (notes 6(ac) and 7)	3,280,060	25	1,460,296	11	125
49300 Realized gain on available-for-sale financial assets (note 6(ad))	-	-	9,061	-	(100)
49310 Realized gain on financial assets at fair value through other comprehensive income(note 6(ae))	28,053	-	-	-	-
49600 Foreign exchange gain	1,640,157	12	2,042,932	15	(20)
49700 Impairment losses on assets(note)	(124,377)	(1)	(6,396)	-	(1,845)
49800 Net other non-interest income (notes 6(f), (k), (af) and 7)	<u>1,727</u>	<u>-</u>	<u>168,261</u>	<u>1</u>	(99)
Net revenue	<u>13,356,714</u>	<u>100</u>	<u>13,462,247</u>	<u>100</u>	(1)
58200 Bad debt expense, commitment and guarantee liability provision (notes 6(i) and (ah))	<u>630,050</u>	<u>5</u>	<u>768,347</u>	<u>6</u>	(18)
Operating expenses:					
58500 Employee benefits expenses (notes 6(v), (y), (ai) and 7)	5,197,854	39	5,058,352	38	3
59000 Depreciation and amortisation expenses (notes 6(l), (m) and (aj))	172,722	1	153,182	1	13
59500 Other general and administrative expenses (notes 6(ak) and 7)	<u>4,547,926</u>	<u>34</u>	<u>4,891,674</u>	<u>36</u>	(7)
Total operating expenses	<u>9,918,502</u>	<u>74</u>	<u>10,103,208</u>	<u>75</u>	(2)
Income before tax	2,808,162	21	2,590,692	19	8
61003 Less: income tax expenses (note 6(w))	<u>84,743</u>	<u>1</u>	<u>395,552</u>	<u>3</u>	(79)
Profit	<u>2,723,419</u>	<u>20</u>	<u>2,195,140</u>	<u>16</u>	24
65000 Other comprehensive income:					
65200 Items that may not be reclassified subsequently to profit or loss:					
65201 Remeasurements of defined benefit plan (note 6(v))	(59,336)	-	(104,614)	(1)	43
65204 Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income (note 6(x))	120,844	1	-	-	-
65220 Income tax benefit related to items that may not be reclassified subsequently to profit or loss (note 6(w))	<u>14,026</u>	<u>-</u>	<u>17,785</u>	<u>-</u>	(21)
Total items that may not be reclassified subsequently to profit or loss	<u>75,534</u>	<u>1</u>	<u>(86,829)</u>	<u>(1)</u>	187
65300 Items that may be reclassified subsequently to profit or loss:					
65302 Change in fair value of available-for-sale financial assets recognized (note 6(x))	-	-	165,753	1	(100)
65303 Change in fair value of cash flow hedges recognized (note 6(x))	-	-	35,494	-	(100)
65309 Equity instruments valuation profit or loss measured at fair value through other comprehensive income (note 6(x))	(76,971)	(1)	-	-	-
65310 Impairment reversal on investments in debt instruments measured at fair value through other comprehensive income (note 6(ag))	(1,017)	-	-	-	-
65305 Gains (losses) on hedging instrument (note 6(x))	3,032	-	-	-	-
65320 Income tax benefit related to items that may be reclassified subsequently to profit or loss (note 6(w))	<u>3,234</u>	<u>-</u>	<u>14,141</u>	<u>-</u>	(77)
Total items that may be reclassified subsequently to profit or loss	<u>(71,722)</u>	<u>(1)</u>	<u>215,388</u>	<u>1</u>	(133)
65000 Other comprehensive income, net of tax	<u>3,812</u>	<u>-</u>	<u>128,559</u>	<u>-</u>	(97)
Total comprehensive income	<u>\$ 2,727,231</u>	<u>20</u>	<u>2,323,699</u>	<u>16</u>	17
Basic earnings per share(NTD) (note 6(z))	<u>\$ 0.94</u>		<u>0.75</u>		

See accompanying notes to financial statements.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Statements of Changes in Equity

For the years ended December 31, 2018 and 2017
(expressed in thousands of New Taiwan Dollars)

	Share capital		Retained earnings			Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income		Other items in stockholders' equity			
	Ordinary shares	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	Gains (losses) on hedging instruments	Total equity
Balance at January 1, 2017	\$ 29,105,720	5,794,771	6,381,790	342,222	266,400	-	-	(121,316)	(40,427)	-	41,729,160
Appropriation and distribution of retained earnings:											
Legal reserve (note 6(x))	-	-	50,105	-	(50,105)	-	-	-	-	-	-
Special reserve (note 6(x))	-	-	-	835	(835)	-	-	-	-	-	-
Cash dividends of ordinary share (note 6(x))	-	-	-	-	(215,460)	-	-	-	-	-	(215,460)
Net income	-	-	-	-	2,195,140	-	-	-	-	-	2,195,140
Other comprehensive income	-	-	-	-	(86,829)	-	-	185,928	29,460	-	128,559
Total comprehensive income	-	-	-	-	2,108,311	-	-	185,928	29,460	-	2,323,699
Balance at December 31, 2017	29,105,720	5,794,771	6,431,895	343,057	2,108,311	-	-	64,612	(10,967)	-	43,837,399
Effects of retrospective application	-	-	-	-	78,588	-	-	(64,612)	10,967	(10,967)	19,945
Equity at beginning of period after adjustments	29,105,720	5,794,771	6,431,895	343,057	2,186,899	-	-	-	-	(10,967)	43,857,344
Appropriation and distribution of retained earnings:											
Legal reserve (note 6(x))	-	-	658,542	-	(658,542)	-	-	-	-	-	-
Special reserve (note 6(x))	-	-	-	10,976	(10,976)	-	-	-	-	-	-
Cash dividends of ordinary share (note 6(x))	-	-	-	-	(1,438,793)	-	-	-	-	-	(1,438,793)
Net income	-	-	-	-	2,723,419	-	-	-	-	-	2,723,419
Other comprehensive income	-	-	-	-	(45,310)	-	-	-	-	2,822	3,812
Total comprehensive income	-	-	-	-	2,678,109	-	-	-	-	2,822	2,727,231
Balance at December 31, 2018	\$ 29,105,720	5,794,771	7,090,437	354,033	2,756,697	-	-	-	-	(8,145)	45,145,782

See accompanying notes to financial statements.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(expressed in thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) operating activities:		
Profit before tax	\$ 2,808,162	2,590,692
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	166,216	153,182
Amortisation expense	6,506	-
Bad debt expense, commitment and guarantee liability provision	630,050	768,347
Interest expense	6,264,170	4,275,089
Interest income	(10,320,477)	(9,605,338)
Net change in other provisions	(157,891)	(1,738)
Gain on disposal of property and equipment	-	(130,460)
Impairment losses on assets	124,377	6,396
Total adjustments to reconcile profit (loss)	(3,287,049)	(4,534,522)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Due from the Central Bank and call loans to banks	2,493,530	(5,639,492)
Financial assets at fair value through profit or loss	(416,325)	10,615,490
Financial assets at fair value through other comprehensive income	22,945,035	-
Decrease in investments in debt instruments measured at amortised cost	(1,937,067)	-
Receivables	(3,720,576)	(1,704,015)
Discounts and loans	(15,117,967)	3,570,463
Available-for-sale financial assets	-	(27,088,982)
Other financial assets	(7,665,326)	6,794,261
Total changes in operating assets	(3,418,696)	(13,452,275)
Changes in operating liabilities:		
Deposits from the Central Bank and banks	(22,596,254)	27,680,472
Financial liabilities at fair value through profit or loss	720,864	(7,497,935)
Payables	(1,350,386)	(1,948,185)
Deposits and remittances	5,358,008	12,803,327
Other financial liabilities	(935,196)	231,113
Other liabilities	2,042,933	277,602
Total changes in operating liabilities	(16,760,031)	31,546,394
Total changes in operating assets and liabilities	(20,178,727)	18,094,119
Total adjustments	(23,465,776)	13,559,597
Cash outflow generated from operations	(20,657,614)	16,150,289
Interest received	10,241,090	9,100,165
Interest paid	(5,921,550)	(4,178,114)
Income taxes paid	(178,468)	(51,614)
Net Cash flows used in operating activities	(16,516,542)	21,020,726
Cash flows used in investing activities:		
Acquisition of property and equipment	(217,362)	(148,131)
Proceeds from disposal of property and equipment	-	383,436
Increase in derivatives collateral	(472,255)	(175,203)
Proceeds from disposal of intangible assets	(108,479)	-
(Increase) decrease in other assets	(113,354)	369,567
Net cash flows used in investing activities	(911,450)	429,669
Cash flows used in financing activities:		
(Decrease) increase in financial instruments for hedging/ derivative financial instruments for hedging	(272,380)	149,037
Decrease in financial debentures	(6,551,000)	(1,000,000)
Cash dividends paid	(1,438,793)	(215,460)
Net cash flows used in financing activities	(8,262,173)	(1,066,423)
Change in foreign exchange rate	177,914	(487,129)
Net (decrease) increase in cash and cash equivalents	(25,512,251)	19,896,843
Cash and cash equivalents at beginning of period	116,225,381	96,328,538
Cash and cash equivalents at end of period	<u>\$ 90,713,130</u>	<u>116,225,381</u>
Composition of cash and cash equivalents:		
Cash and cash equivalents reported in the statement of financial position	\$ 23,637,632	26,535,866
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	55,336,782	86,333,330
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	11,738,716	3,356,185
Cash and cash equivalents at end of period	<u>\$ 90,713,130</u>	<u>116,225,381</u>

See accompanying notes to financial statements.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

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 issued beginning March, 1982 and 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 in August at the same year. In September 1994, pursuant to approval granted by the Taiwan provincial government MOF, the Bank started cross-regional operations. 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. As of December 31, 2018, the Bank comprises 65 branches, a business department, a trust department, and an offshore banking unit.

The Bank acquired the outstanding assets, liabilities and operations of American Express Bank, Taipei Branch ("AEB") and Asia Trust Investment Co., Ltd. ("ATIC") on August 1 and December 27, 2008, respectively.

On October 9, 2014, the Bank 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.

On May 6, 2015, the Bank was approved to start engaging in underwriting of bonds and marketable securities (limited to fixed income securities).

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Approved by the board of directors in June 2016 and by the Insurance Bureau in July 2016, Standard Chartered Life Insurance Agency Co. Ltd. ("SCLIA") and Taiwan Standard Chartered Insurance Agency Co. Ltd. ("TSCIA"), which are 100 percent owned subsidiaries, will be merged into the Bank through absorption on October 1, 2016. The Bank's stockholders' equity are not affected by the merger. After the merger, the assets, liabilities, rights and obligations of these two subsidiaries, as of the date of merger, were generally assumed by the Bank. Since the Bank no longer has other subsidiaries, therefore, the Bank only issues individual financial statements as of the fourth quarter of 2016.

The Bank was approved by the Financial Supervisory Commissions R.O.C. ("FSC") to dissolve the International Business Department on October 21, 2016.

(2) Approval date and procedures of the financial statements:

The financial statements were authorized for issuance by the Board of Directors on March 25, 2019.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Except for the following items, the Bank believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 “Financial Instruments: Recognition and Measurement” which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Bank adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Bank classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(e).

The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with the ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(e).

3) Hedge accounting

When initially applying IFRS 9, the Bank can choose to adopt the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9 as its accounting policy. The Bank has chosen to continue the application of hedge accounting requirements of IAS 39 as its accounting policy.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

4) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below :

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation of certain investments in equity instruments not held for trading as at FVOCI.
- If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Bank assumed that the credit risk on its asset will not increase significantly since its initial recognition.

5) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Bank's financial assets as of January 1, 2018.

	IAS 39		IFRS 9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Cash and cash equivalents	Amortised cost	26,535,866	Amortised cost	26,535,661
Due from the Central Bank and call loans to banks	Amortised cost	115,118,255	Amortised cost	115,118,169
Financial assets at fair value through profit or loss	Fair value through profit or loss	15,915,189	Fair value through profit or loss	15,915,189
Derivative financial assets for hedging	Fair value through profit or loss	9,784	Fair value through profit or loss	9,784
Securities purchased under resell agreements and debt instruments	Amortised cost	3,356,185	Amortised cost	3,356,175
Receivables—net	Amortised cost	20,975,429	Amortised cost	20,856,378

(Continued)

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

	IAS 39		IFRS 9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Discounts and loans — net	Amortised cost	262,812,237	Amortised cost	262,951,592
Available-for-sale financial assets — net	Fair value through other comprehensive income	185,135,013	Fair value through other comprehensive income (note1)	185,135,013
Other financial assets — net	Fair value through profit or loss (restricted assets)	7,460,090	Fair value through profit or loss	7,460,090
	Financial assets carried at cost	127,362	Fair value through other comprehensive income (note 2)	266,682
Other assets — net	Amortised cost (Refundable deposits)	281,008	Amortised cost	280,996

Note1: When applying IAS 39, some of the debt instruments were classified as available-for-sale financial assets, in which the Bank believes that the bond is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the bond; in addition, the contractual terms of the financial asset states that cash flows are solely payments of principal and interest on the principal amount outstanding. When applying IFRS 9, the asset should be classified as financial asset at fair value through other comprehensive income. In the initial implementation of IFRS 9, the provision for impairment had increased by \$4,978 thousand, while the retained earnings for January 1, 2018 had decreased by \$4,978 thousand, and the other equity had increased by \$4,978 thousand according to the transitional procedures.

Note2: Equity instruments measured at cost should be classified as fair value through other comprehensive income when applying IFRS 9. In the initial implementation, as of January 1, 2018, the other equity had decreased by \$63,621 thousand, and retained earnings had increased by \$202,941 thousand according to the transitional procedures.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on January 1, 2018.

	December 31, 2017 IAS39	Reclassification	Remeasurement	January 1, 2018 IFRS9 Book value	January 1, 2018 Retained earnings effect	January 1, 2018 Other equity effect
Cash and cash equivalents	\$			26,535,866		
Due from the Central Bank and call loans to banks	115,118,255	-	(205)	26,535,661	(205)	
At fair value through profit or loss				115,118,169	(86)	
From fair value through profit or loss (IAS39)						
Change in fair value through profit or loss	15,915,189	-				
At fair value through other comprehensive income	15,915,189	-		15,915,189		
Additions — debt instruments						
From available-for-sale financial assets(IAS39)	185,135,013	-			(4,978)	4,978
From amortised cost (Financial assets carried at cost under IAS39)	-	127,362	139,320		202,941	(63,621)
Change in fair value through other comprehensive income	185,135,013	127,362	139,320	185,401,695	197,963	(58,643)
Derivative financial assets for hedging	9,784	-		9,784		
Securities purchased under resale agreements and debt instruments	3,356,185	-	(10)	3,356,175	(10)	
Receivables — net	20,975,429	-				
Additions :						
Partial allowance for bad debts are reclassified to allowance for bad debts of provisions and loans	-	-	(119,051)		(119,051)	
Change in net receivables	20,975,429	-	(119,051)	20,856,378		
Discounts and loans — net	262,812,237	-				
Subtractions :						
Allowance for bad debts reclassified from allowance for bad debts of receivables	-	-	139,355		139,355	
Change in net discounts and loans	262,812,237	-	139,355	262,951,592		
Other financial assets — net	7,587,452	-				
Subtractions :						
Equity instruments reclassified to fair value through other comprehensive income (Financial assets carried at cost under IAS39)	-	(127,362)				
Change in other financial assets—net	7,587,452	(127,362)		7,460,090		
Other assets — refundable deposits	281,008	-	(12)	280,996	(12)	

Note: Retained earnings are pre-tax effect numbers.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

The adjustments of January 1, 2018 made for the impairment loss recognized under the incurred-loss model of IAS 39 to the expected loss impairment model of IFRS 9 are as follows:

	Impairment allowance under IAS 39 and provision under IAS 37	Reclassification	Remeasurement	Impairment allowance under IFRS 9
Loans and receivables (IAS 39)/ financial assets measured at amortised cost (IFRS 9)				
Cash and cash equivalents	\$ -	-	205	205
Due from central bank and call loans to banks	-	-	86	86
Receivables	217,817	-	119,051	336,868
Discounts and loans	1,977,330	-	652,989	2,630,319
Reverse repo and bond investments	-	-	10	10
Other financial assets	45,213	-	-	45,213
Other assets	-	-	12	12
Additional impairment provision required under "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	2,865,148	-	(792,344)	2,072,804
	<u>5,105,508</u>	<u>-</u>	<u>(19,991)</u>	<u>5,085,517</u>
Available-for-sale financial instruments (IAS 39)/financial assets at fair value through other comprehensive income (IFRS 9)				
Classified to financial assets at fair value through other comprehensive income (IFRS 9)	-	4,978	-	4,978
Loan commitments and guarantees				
Financing commitments	-	-	98,749	98,749
Guarantee receivables and letter of credit receivables	-	-	1,080	1,080
Additional impairment provision required under "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	33,210	-	27,705	60,915
	<u>33,210</u>	<u>4,978</u>	<u>127,534</u>	<u>165,722</u>
Total	<u>\$ 5,138,718</u>	<u>4,978</u>	<u>107,543</u>	<u>5,251,239</u>

Note: The effects are pre-tax amount.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Bank believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(i) IFRS 16“Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Bank can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Bank plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Bank can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The Bank plans to apply the modified retrospective on transition to IFRS 16, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can select, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Bank is assessing the potential impact of using these practical expedients.

- apply a single discount rate to a portfolio of leases with similar characteristics.
- adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

- 3) So far, the most significant impact identified is that the Bank will have to recognize the new assets and liabilities for the operating leases of its offices, branches, ATMs and main trading system server. On January 1, 2019, the Bank estimated that the right-of-use assets and the lease liabilities to increase by \$1,988,459 thousand and \$1,971,868 thousand, respectively. Also, the Bank is not required to make any adjustments for leases where the Bank is the intermediate lessor in a sub-lease.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Bank will evaluate the impact of the abovementioned standards or interpretations on its financial position and financial performance.

(4) Summary of significant accounting policies:

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

- (a) Statement of compliance

The financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), International Financial Reporting Interpretations Committee ("IFRICs"), and the Standing Interpretations Committee ("SICs") endorsed by the FSC (hereinafter referred to as "the IFRSs endorsed by the FSC").

- (b) Basis of preparation

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

- (i) Financial instruments at fair value through profit or loss (including derivative financial instruments);
 - (ii) Financial instruments at fair value through other comprehensive income (adopted since January 1, 2018);
 - (iii) Available-for-sale financial assets at fair value (adopted before January 1 2018);
 - (iv) Financial instruments for hedging at fair value;
 - (v) Liabilities for cash-settled share-based payment arrangements at fair value; and
 - (vi) Net defined benefit liability represents the difference between plan assets and the present value of the defined benefit obligation.
- (c) 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 report date, the financial statements amounts in all foreign currencies are translated into New Taiwan Dollars at ruling exchange rates assigned on that date. The Bank's 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 exchange differences arising on the translation of a foreign currency transaction are recognized in current period profit or loss.

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, checks 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.

(e) Financial instruments

(i) Financial assets (adopted since January 1, 2018)

Financial assets held by the Bank are recorded on the trading date.

Financial assets are classified into the following categories: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Bank shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

1) Financial assets measured at amortised cost

a) Debt instrument investment measured by amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

-it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

-its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortised cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

b) 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.

c) 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 and 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.

(Continued)

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

However, when requested by the competent authority or any financial examination agency (organization), loans must be immediately written off, a report must be made to the subsequent board meeting. Collections after written 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.

With regards to loans and receivables, the objective evidence shall be identified first to reveal any 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 shall be included in a set of financial assets with similar credit risk characteristics and collectively assessed for impairment. Assets that are individually assessed for impairment are not required to be collectively assessed because impairment is or continues to be recognized. Another estimate will also be reached following Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Non-accrual Loans issued by the FSC and other related regulations. Final provision will be based on the higher of the two estimates.

Reserves for guarantees and financing commitments are appropriately provided based on the possibilities of bad debts arising from off balance sheet loan commitments and financial guarantee contracts.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Debt instrument investments at fair value through other comprehensive income should be valued by using the fair value on the reporting date, and the changes in value shall be listed in other comprehensive income as adjustment items. It should also use the effective rate to amortise the discount premium and calculate the interest payable on an accrual basis, as well as recognize the credit impairment loss. If the impairment loss related to the events after impairment recognition is reduced in the subsequent period, it is reversed and recognized as profit or loss in the current period. The reversal is limited by the fact that other comprehensive income recognized as impairment adjustment items cannot be negative. Prior to derecognition, the changes in the remaining book values of financial assets, other than foreign currency related financial asset exchange losses, interest income calculated according to effective interest rate, and impairment losses recognized in income, should be recognized in other comprehensive income and accumulated under equity in "Unrealized profit or loss on financial assets at fair value through other comprehensive income." Upon derecognition, the accumulated profit or loss under equity should be reclassified as profit or loss in the current period.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Dividends deriving from equity investments are recognized as income in profit or loss, and other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of equity investments are reclassified to retained earnings.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortised cost or FVOCI described as above are measured at FVTPL, including derivative financial assets and accounts receivable (except for those presented as accounts receivable but measured at FVTPL). On initial recognition, the Bank may irrevocably designate a financial asset, which meets the requirements to be measured at amortised cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

4) Impairment of financial assets

The Bank assesses whether the financial assets have been credit impaired on the reporting date. The financial assets have been credit impaired when an event with negative impact on the estimated future cash flow of the financial assets has occurred.

The Bank recognizes loss allowances for expected credit losses on financial assets measured at amortised cost (including cash and cash equivalents, amortised costs, notes and accounts receivable, leases receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI, accounts receivable and contract assets.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

The Bank takes into consideration the reasonable information supported by evidence that can be obtained without excessive cost or input, which includes qualitative and quantitative information, an analysis based on the Bank's past experience, credit evaluation, and prospective information, when determining whether there is a significant increase in the credit risk of financial assets since initial recognition. If a financial asset or portfolio of financial assets does not experience a significant increase in credit risk since initial recognition, the loss allowances are measured at 12-month ECL; and such assets are classified as stage 1 assets. However, if a financial asset, or portfolio of financial assets, experiences a significant increase in credit risk since initial recognition, an ECL allowance should be recognized for default events that may occur over the lifetime of the asset; and such assets are classified as stage 2 assets.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Bank is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Bank recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Bank determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

Please refer to note 6(al) for Information on financial risks for the Bank's judgment on whether the credit risk has significantly increased after initial recognition and prospective adjustments.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Bank transfers substantially all the risks and rewards of ownership of the financial assets.

If majority of the risks and rewards are not kept nor transferred, while the Bank still possess the ownership of the financial assets, then the Bank shall continuously recognize it as assets according to the extent of its own involvement.

6) Reclassification of financial assets

Only when the business model of financial assets management is changed does the Bank reclassifies the affected financial assets according to regulations.

(ii) Financial assets (adopted before January 1, 2018)

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.

1) 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 report date, the fair value is remeasured, and the resulting gain or loss from such remeasurement is recognized in current profit or loss.

2) Available-for-sale financial assets—net

At each reporting 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 amortised 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 amortised 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 asset, 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.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

3) 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.

4) 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 and 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 allowance of bad debts. In accordance with the Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans approved by FSC, an allowance for bad debts 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:

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

However, when requested by the competent authority or any financial examination agency (organization), loans must be immediately written off, a report must be made to the subsequent board meeting must be notified for acknowledgement. Collections after written 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.

5) Financial assets carried at cost

Equity instruments with no quoted market price are initially recognized at whose fair value plus transaction costs. At each report 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:

- The variability in the range of reasonable fair value estimates is not significant for that instrument or;
- 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.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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.

- 6) 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:

- 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 fair value on the date of reclassification, which will become their new cost or amortised cost, as applicable. Any previous gain or loss already recognized in profit or loss shall not be reversed.
- 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 amortised cost, as applicable. Any previous gain or loss already recognized in profit or loss shall not be reversed.
- 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 fair value on the date of reclassification, which will become their new cost or amortised cost, as applicable.
- 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 amortised to current profit or loss over the remaining life of the financial asset; if not, the gain or loss remains under owners' equity.

- 7) 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.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

The aforesaid objective evidence includes:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- 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;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of the issuer's financial difficulties;
- Adverse changes in the payment status of the borrower; and
- Changes in national or local economic conditions that correlate with defaults on the assets.

8) 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.

(iii) 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 amortised cost and hedge derivatives.

1) 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.

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

2) Financial liabilities at amortised cost

Financial liabilities are classified at amortised 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.

3) 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 amortised 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.

4) Derecognition of a financial liability

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

(iv) 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 and cash flow hedge 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:

1) 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.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

2) 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.

(f) Non-financial asset impairment

In terms of International Accounting Standard No. 36, the Bank, at each report 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 amortised balance of the assets assuming no impairment loss was recognized in prior periods.

(g) 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".

(h) Property and equipment

Property and equipment are measured at cost on acquisition. Subsequently, property and equipment are measured at cost plus any revaluation increments (land revaluation based on the announcement of the adjustment in current land value). 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 remaining useful lives, depreciation method, and residual value on a yearly basis. Changes in the estimated remaining useful lives, depreciation method, and residual value are accounted for as changes in accounting estimates.

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Notes to the Financial Statements

Except for land, depreciation of property and equipment is calculated using the straight-line method over its estimated useful life at cost. Gains or losses on the disposal of property and equipment are recognized as net other non-interest income. 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

(i) Intangible assets

(i) Computer software

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

(ii) 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.

(j) 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 amortisation 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.

(k) Provisions

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

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

The Bank shall not recognize provisions for future operating losses.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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.

(l) Revenue and expense recognition

Other than those classified as financial assets at fair value through profit or loss, all the interests and expenses resulting from the interest accrual financial instruments are required to be calculated using the effective interest rate method according to the related policies, and recognized in the income statement under “Interest income” and “Income expense”.

Service fee income and expenses can only be recognized after the completion of loans and other services; if the service fee are earned from performing major projects, it should only be recognized after completion of the major projects. For example, service fee resulting from syndication loans, the service fee income and expenses are related to subsequent loans, it should amortise according to the materiality within the service period or included in the calculation of the effective rates of loans and receivables.

(m) Employee benefit

- (i) 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.
- (ii) Post-employment benefit: The Bank pension plan comprises defined contribution plan and defined benefit plan.
 - 1) 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.

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

- 2) 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 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.

(n) Share-based compensation

IFRS 2 "Share-based payment" requires that all share-based payments are accounted for using a fair value method and the fair value of the employee services received in exchange for the grant of the options is recognized as an expense. For deferred share awards granted as part of an annual performance award, the expense is recognized over the period from the start of the performance period to the vesting date.

For equity-settled awards, the total amount to be expensed over the vesting period is determined by reference to the fair value of the options at the date of grant, which excludes the impact of any non-market vesting conditions (for example, profitability and growth targets). The fair value of equity instruments granted is based on market prices, if available, at the date of grant. In the absence of market prices, the fair value of the instruments is estimated using an appropriate valuation technique, such as a binomial option pricing model. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each report date, the Bank revises its estimates of the number of options that are expected to vest. It recognizes the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. Forfeitures prior to vesting attributable to factors other than the failure to satisfy a non-market vesting condition are treated as a cancellation and the remaining unamortised charge is debited to the income statement at the time of cancellation. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Cash-settled awards are revalued at each report date and a liability recognized on the balance sheet for all unpaid amounts, with any changes in fair value charged or credited to staff costs in the income statement until the awards are exercised. Where forfeitures occur prior to vesting that are attributable to factors other than a failure to satisfy market-based performance conditions, the cumulative charge incurred up to the date of forfeiture is credited to the income statement.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(o) Income tax

Income tax expense include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profits or losses. Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years. Deferred taxes arise due to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled, based on statutory tax rate on the reporting date or the actual legislative tax rate.

A deferred tax asset should be recognized for the carryforward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

In accordance with the Income Tax Act, a surtax of 10 percent on 2017 undistributed earnings (starting from 2018 undistributed earnings are subject to a surtax at the rate of 5 percent) is recognized as current income tax expense in the year of the resolution of earnings distribution proposal by its board of directors on behalf of the shareholders' meeting.

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 liable by the Bank.

(p) 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 report date but before the issuance date of the financial statements, such EPS calculations are also adjusted retrospectively. When calculating diluted EPS, the net income (or loss) attributable to common shareholders and the weighted-average number of shares outstanding shall be adjusted for the effects of all dilutive potential common shares.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

When preparing financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and the IFRSs endorsed by the FSC, the Bank is required to make judgments, estimates, and assumptions on valuation of below assets that may causes differences between actual results and estimates. Subsequently, it affects the adoption of accounting policies, reported amounts of assets, liabilities, revenues, and expenses.

The Bank keeps testing applicable assumptions and estimations. Adjustment will be done due to any impacts of changes in the uncertainty mentioned above; and changes will be recognized in the period when they applied.

Below shows the management judgments, estimates, and assumptions that contain risk, and may cause adjustments in the current and future accounting period due to uncertainty.

(a) Impairment evaluation of loans and receivables (adopted since January 1, 2018)

The Bank's financial asset impairment losses are measured using the 12-months and lifetime expected credit loss value based on whether the credit risks after initial recognition has significant increased or not. To measure expected credit loss, the Bank considers the default rate of the financial assets, issuer, or the counterparty, and multiply by the default exposure value after including in the default loss rate as well as taking into the consideration the impact of time value of money, to estimate the 12-months and lifetime expected credit losses. The Bank's assumption is based on historical experiences, current market conditions and prospective information. The impairment valuation inputs are then determined subsequently. Please refer to note 6(al) for detailed information of primary assumption used for fair value of financial instruments of such assumption.

(b) Impairment of loans and receivables (adopted before January 1, 2018)

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 amounts and schedule of expected cash flow, to reduce the difference between expected and actual loss. Please refer to note 6(i) for impairment loss on loans.

(c) 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, the 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), the management shall estimate volatility and correlation.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(d) Recognition of deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires management's subjective judgment and estimate, including the future revenue growth and profitability. Changes in the economic environment, industry trends, and relevant laws and regulations may result in adjustments to the deferred tax assets. Please refer to note 6(w) for further description of the recognition of deferred tax assets.

(e) Goodwill impairment

The assessment of goodwill impairment requires the Bank to make subjective judgments to identify cash-generating units and estimate the recoverable amount of relevant cash-generating units. Please refer to note 6(m) for further description of goodwill recognition.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	\$ 3,464,926	3,811,025
Checks for clearing	109,863	84,480
Deposits with other banks	4,452,856	12,445,306
Deposits with other banks — affiliates	<u>15,610,062</u>	<u>10,195,055</u>
Subtotal	23,637,707	26,535,866
Less: allowance for bad debts	<u>75</u>	-
Total	<u><u>\$ 23,637,632</u></u>	<u><u>26,535,866</u></u>

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:

	December 31, 2018	December 31, 2017
Cash and cash equivalents reported in the statement of balance sheets	\$ 23,637,632	26,535,866
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	55,336,782	86,333,330
Securities purchased under resell agreements and debt instruments qualifying for cash and cash equivalents under the definition of IAS 7	<u>11,738,716</u>	<u>3,356,185</u>
Cash and cash equivalents reported in the statement of cash flows	<u><u>\$ 90,713,130</u></u>	<u><u>116,225,381</u></u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018 changes in the allowance for bad debts of cash and cash equivalents are as below:

	2018							
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	Lifetime expected credit losses (non- purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment losses according to IFRS 9 (total)	Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past- Due/Non-Performing Loans"	Total
Beginning balance	\$ 285	6	-	-	-	291	-	291
Transferred to 12-months expected credit losses	19	(19)	-	-	-	-	-	-
Financial assets derecognized during the period	(705)	(14)	-	-	-	(719)	-	(719)
New financial assets originated or purchased	1,368	46	-	-	-	1,414	-	1,414
Foreign currency exchange and other changes	(892)	(19)	-	-	-	(911)	-	(911)
Ending balance	<u>\$ 75</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>75</u>	<u>-</u>	<u>75</u>

(b) Due from the Central Bank and call loans to banks

	December 31, 2018	December 31, 2017
Required reserve — checking account	\$ 6,198,363	9,694,604
Required reserve — demand account	11,111,655	11,155,771
Required reserve — foreign currency	245,899	208,934
Required reserve — settlement account	1,506,088	1,519,654
Call loans to banks	22,443,194	32,265,692
Call loans to banks — affiliates	40,122,773	55,010,147
Trade finance receivables	-	5,263,453
Total	<u>\$ 81,627,972</u>	<u>115,118,255</u>

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

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

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

For the year ended December 31, 2018, change in the allowance for bad debts of due from the Central Bank and call loans to banks please refer to note 6(a).

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

(c) 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:

	December 31, 2018
Designation as financial assets at fair value through profit or loss:	
Government bonds	\$ 6,975,343
Corporate bonds	<u>1,559,691</u>
Subtotal	<u>8,535,034</u>
Financial assets mandatorily measured at fair value through profit or loss:	
Interest rate swap	1,825,915
Interest rate option	103,898
Spot/forward/swap	5,460,247
Cross currency swap	150,972
Foreign exchange option	<u>255,362</u>
Subtotal	<u>7,796,394</u>
Total	<u>\$ 16,331,428</u>
	December 31, 2017
Financial assets held for trading:	
Interest rate instruments:	
Government bonds	\$ 5,704,661
Corporate bonds	3,163,920
Financial debentures	<u>99,992</u>
Subtotal	8,968,573
Derivative financial:	
Interest rate swap	1,766,254
Interest rate option	66,646
Spot/forward/swap	3,936,287
Cross currency swap	489,106
Foreign exchange option	561,699
Commodity swap	<u>126,624</u>
Subtotal	<u>6,946,616</u>
Total	<u>\$ 15,915,189</u>

(Continued)

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

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

	December 31, 2018	December 31, 2017
Derivative financial liabilities		
Interest rate swap	\$ 1,797,086	1,724,803
Interest rate option	4,108	-
Spot/forward/swap	5,845,608	4,946,649
Cross currency swap	204,826	25,098
Foreign exchange option	254,140	561,716
Commodity swap	-	126,638
Total	\$ 8,105,768	7,384,904

(d) Financial assets at fair value through other comprehensive income

	December 31, 2018
Debt instrument:	
Negotiable certificates of deposit	\$ 97,513,252
Treasury Bills	999,728
Government bonds	63,595,061
Subtotal	<u>162,108,041</u>
Equity instrument:	
Non-listed stock	387,042
Subtotal	<u>387,042</u>
Total	\$ 162,495,083
The total calculation above includes the revaluation adjustment of hedge items	\$ 6,396

The above debt instruments invested on December 31, 2017 was recorded under available-for-sale financial assets. As the bond investments are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the bond, they have since been recorded under financial assets at fair value through other comprehensive income upon the application of IFRS 9 starting from January 1, 2018.

Please refer to note 6(a) for credit risk and market risk information.

The above debt instrument investments on December 31, 2017 were recorded under other financial assets- financial assets at costs. Upon the application of IFRS 9, the debt instrument investments shall be recorded under financial assets at fair value through other comprehensive income starting from January 1, 2018.

For the year ended December 31, 2018, dividend income of the above debt instrument investments was \$16,435 thousand, recorded under realized gain on financial assets at fair value through other comprehensive income.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018, changes in the allowance for impairments of the above debt instrument investments are as follows:

	2018				
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (non- purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment Losses according to IFRS 9 (total)
Beginning balance	\$ 4,978	-	-	-	4,978
Financial assets derecognized during the period	(63,832)	-	-	-	(63,832)
New financial assets originated or purchased	62,815	-	-	-	62,815
Ending Balance	<u>\$ 3,961</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,961</u>

Changes in the book value of the financial assets at fair value through other comprehensive income-debt instruments mentioned above for the year ended December 31, 2018 are as follow:

	2018				
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (non- purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment Losses according to IFRS 9 (total)
Beginning balance	\$ 185,135,013	-	-	-	185,135,013
Financial assets derecognized during the period	(1,287,084,753)	-	-	-	(1,287,084,753)
New financial assets originated or purchased	1,263,544,362	-	-	-	1,263,544,362
Foreign currency exchange and other changes	513,419	-	-	-	513,419
Ending Balance	<u>\$ 162,108,041</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>162,108,041</u>

(e) Amortized cost financial assets

	December 31, 2018
Government bonds	<u>\$ 1,937,067</u>

(f) Financial instruments for hedging

Financial assets for hedging/ derivative financial assets for hedging were as follows:

	December 31, 2018	December 31, 2017
Fair value hedge:		
Interest rate swap	\$ -	9,784
Cash flow hedge:		
Cross currency swap	247,374	-
Total	<u>\$ 247,374</u>	<u>9,784</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Financial liabilities for hedging/ derivative financial liabilities for hedging were as follows:

	December 31, 2018	December 31, 2017
Fair value hedge:		
Interest rate swap	\$ 8,518	1,269
Cash flow hedge:		
Interest rate swap	-	349
Cross currency swap	-	42,150
Total	<u>\$ 8,518</u>	<u>43,768</u>

(i) Fair value hedge

A fair value hedge is the hedging of the hedged items exposure to change in fair value of recognized assets or liabilities that are attributable to particular hedged risks that could affect profit or loss. As of December 31, 2018 and 2017, marked-to-market adjustments of hedged items and the corresponding hedging instruments accounted as fair value hedge were as follows:

Hedged items	December 31, 2018	Hedging instruments	December 31, 2018
Underlying instruments		Contract type	
Financial assets at fair value through other comprehensive income:			
Government bonds	\$ <u>6,396</u>	Interest rate swap	\$ <u>(8,518)</u>
Hedged items	December 31, 2017	Hedging instruments	December 31, 2017
Underlying instruments		Contract type	
Available-for-sale financial assets:			
Government bonds	\$ 945	Interest rate swap	\$ (1,269)
Financial debentures	(8,023)	Interest rate swap	9,784
	<u>\$ (7,078)</u>		<u>\$ 8,515</u>

For the years ended December 31, 2018 and 2017, net losses on the hedging financial instruments listed above amounted to \$12,971 thousand and \$20,703 thousand, respectively, and net gains from the hedged risk of the hedged items amounted to \$15,240 thousand and \$22,246 thousand, respectively.

(ii) Cash flow hedge

The Bank currently holds floating rate loans and fixed rate foreign currency time deposits with floating rate, which are exposed to cash flow risk arising from the fluctuation of interest rate and foreign exchange rate. Interest rate swap and cross currency swap are designated as hedging instruments to reduce the cash flow risk resulting from the changes in interest rate and foreign exchange rate.

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

Hedged items	Financial instruments designated as hedging instruments	Fair value	
		December 31, 2018	December 31, 2017
Discounts and loans — floating interest rate	Cross currency swap	\$ 247,374	-
Discounts and loans — floating interest rate	Interest rate swap	-	(349)
Deposits and remittances — fixed interest rate	Cross currency swap	-	(42,150)
Total		\$ 247,374	(42,499)

(g) Securities purchased under resell agreements and debt instruments

	December 31, 2018	December 31, 2017
Securities purchased under resell agreements	\$ 11,738,716	3,356,185
Face value of debt instruments	\$ 11,848,111	3,388,782
Interest rate	0.40%~2.65%	0.33%~1.29%
Last settlement date	108.1.22	107.1.12
Resell price	\$ 11,741,474	3,356,710

For the year ended December 31, 2018, allowance for impairments of the above debt securities purchased under resell agreements and instruments was \$63 thousand, recorded under securities purchased under resell agreements.

For the year ended December 31, 2018, changes in the allowance for bad debts of securities purchased under resell agreements and instruments are as below:

	2018						Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	Total
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment losses according to IFRS 9 (total)		
Beginning balance	\$ 10	-	-	-	-	10	-	10
Financial assets derecognized during the period	(190)	-	-	-	-	(190)	-	(190)
New financial assets originated or purchased	243	-	-	-	-	243	-	243
Ending balance	\$ 63	-	-	-	-	63	-	63

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(h) Receivables—net

	December 31, 2018	December 31, 2017
Accounts receivable factoring	\$ 15,315,482	11,880,235
Credit cards accounts receivable	4,740,800	3,787,310
Accounts receivable	670,803	693,261
Interest receivable	1,854,547	1,814,970
Acceptances receivable	1,048,000	413,858
Accounts receivable—related parties	882,854	2,484,972
Other	554,455	247,882
Subtotal	25,066,941	21,322,488
Less: allowance for bad debts	490,381	347,059
Total	<u>\$ 24,576,560</u>	<u>20,975,429</u>

Please refer to note 6(al) for relating information on credit risk and market risk.

For the year ended December 31, 2018, changes in the allowance for bad debts of receivables listed above are as below:

	2018						Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	Total
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment losses according to IFRS 9 (total)		
Beginning balance	\$ 51,555	7,391	-	277,922	-	336,868	129,242	466,110
Changes due to financial instrument recognition :								
Transferred to lifetime expected credit losses	(13,679)	15,942	-	(2,263)	-	-	-	-
Transferred to credit impaired financial asset	(4,604)	(27,264)	-	31,868	-	-	-	-
Transferred to 12-months expected credit losses	7,521	(5,984)	-	(1,537)	-	-	-	-
Financial assets derecognized during the period	(41,406)	(5,981)	-	(33,370)	-	(80,757)	-	(80,757)
New financial assets originated or purchased	72,108	3,291	-	46,524	-	121,923	-	121,923
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	45,687	45,687
Bad-Debt Write offs	(767)	(1,552)	-	(114,363)	-	(116,682)	-	(116,682)
Foreign currency exchange and other changes	(7,378)	20,914	-	40,564	-	54,100	-	54,100
Ending balance	<u>\$ 63,350</u>	<u>6,757</u>	<u>-</u>	<u>245,345</u>	<u>-</u>	<u>315,452</u>	<u>174,929</u>	<u>490,381</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018, changes in the book value of receivables are as below:

	2018						Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	Total
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment losses according to IFRS 9 (total)		
Beginning balance	\$ 14,231,633	2,541,822	-	83,768	-	16,857,223	4,465,265	21,322,488
Changes due to financial instrument recognition :								
Transferred to lifetime expected credit losses	(4,301,628)	4,304,101	-	(2,473)	-	-	-	-
Transferred to credit impaired financial asset	(532,343)	(82,339)	-	614,682	-	-	-	-
Transferred to 12-months expected credit losses	3,934,558	(3,919,093)	-	(15,465)	-	-	-	-
Financial assets derecognized during the period	(52,226,444)	(7,587,849)	-	(40,687)	-	(59,854,980)	-	(59,854,980)
New financial assets originated or purchased	57,337,799	5,759,115	-	59,338	-	63,156,252	-	63,156,252
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	(2,485,850)	(2,485,850)
Bad-Debt Write offs	(767)	(1,552)	-	(114,363)	-	(116,682)	-	(116,682)
Foreign currency exchange and other changes	2,550,999	514,358	-	(19,644)	-	3,045,713	-	3,045,713
Ending balance	\$ 20,993,807	1,528,563	-	565,156	-	23,087,526	1,979,415	25,066,941

Please refer to note 6(i) for changes in allowance for bad debts of receivables for the year ended December 31, 2017.

As of December 31, 2017, receivables included in the total amounts of impairment assessment to determine the allowance for bad debts were as follows:

Item		December 31, 2017	
		Receivables	Allowance for bad debts
With objective evidence of impairment	Individual assessment of impairment	\$ 196,516	196,311
	Portfolio assessment of impairment	425,026	5,316
Without objective evidence of impairment	Portfolio assessment of impairment	20,700,946	145,432
Total		\$ 21,322,488	347,059

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

(i) Discounts and loans—net

	December 31, 2018	December 31, 2017
Bills negotiations and bills and notes discounted	\$ 1,283,594	410,590
Short-term loans and overdrafts	42,282,793	44,664,250
Short-term secured loans	6,663,986	7,836,299
Medium-term loans	45,726,084	39,023,197
Medium-term secured loans	3,360,990	4,044,137
Long-term loans	8,342,852	6,756,665
Long-term secured loans	174,162,652	164,249,576
Overdue loans	<u>429,658</u>	<u>523,957</u>
Subtotal	282,252,609	267,508,671
Add: premium adjustments on discounts and loans	53,559	11,743
Less: allowance for bad debts	<u>4,821,391</u>	<u>4,708,177</u>
Total	<u><u>\$ 277,484,777</u></u>	<u><u>262,812,237</u></u>

Please refer to note 6(al) for relating information on credit risk and market risk.

As of December 31, 2018 and 2017, the Bank's loan with floating rate mentioned above has adopted interest rate swaps and cross currency swap as the instrument for cash flow hedging 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.

As of December 31, 2018 and 2017, the amounts of outstanding loans with interest charges suspended amounted to \$429,658 thousand and \$523,957 thousand, respectively. The amounts of interest not accrued derived from the aforementioned loans were \$8,102 thousand and \$7,303 thousand, respectively.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018, changes in the allowance for bad debts of discounts and loans-net are as below:

	2018							
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	Lifetime expected credit losses (non- purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment Losses according to IFRS 9 (total)	Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past- Due/Non-Performing Loans"	Total
Beginning balance	\$ 535,352	344,806	-	1,750,161	-	2,630,319	1,938,503	4,568,822
Changes due to financial instrument recognition :								
Transferred to lifetime expected credit losses	(93,248)	124,195	-	(30,947)	-	-	-	-
Transferred to credit impaired financial asset	(4,583)	(280,816)	-	285,399	-	-	-	-
Transferred to 12-months expected credit losses	588,162	(570,805)	-	(17,357)	-	-	-	-
Financial assets derecognized during the period	(114,328)	(98,300)	-	(187,857)	-	(400,485)	-	(400,485)
New financial assets originated or purchased	416,827	40,563	-	122,421	-	579,811	-	579,811
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	498,823	498,823
Bad-Debt Write offs	(6)	(2,460)	-	(602,508)	-	(604,974)	-	(604,974)
Foreign currency exchange and other changes	(720,437)	697,009	-	202,822	-	179,394	-	179,394
Ending balance	\$ 607,739	254,192	-	1,522,134	-	2,384,065	2,437,326	4,821,391

For the year ended December 31, 2018, changes in the book values of discounts and loans-net are as below:

	2018							
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	Lifetime expected credit losses (non- purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment losses according to IFRS 9 (total)	Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past- Due/Non-Performing Loans"	Total
Beginning balance	\$ 253,090,680	8,363,644	-	6,054,347	-	267,508,671	-	267,508,671
Changes due to financial instrument recognition :								
Transferred to lifetime expected credit losses	(12,453,894)	12,559,374	-	(105,480)	-	-	-	-
Transferred to credit impaired financial asset	(219,948)	(700,571)	-	896,148	-	(24,371)	-	(24,371)
Transferred to 12-months expected credit losses	10,353,656	(10,258,505)	-	(95,151)	-	-	-	-
Financial assets derecognized during the period	(235,665,111)	(9,878,949)	-	(1,014,835)	-	(246,558,895)	-	(246,558,895)
New financial assets originated or purchased	283,258,784	7,022,074	-	367,013	-	290,647,871	-	290,647,871
Bad-Debt Write offs	(6)	(2,460)	-	(602,508)	-	(604,974)	-	(604,974)
Foreign currency exchange and other changes	(27,624,667)	(974,535)	-	(116,491)	-	(28,715,693)	-	(28,715,693)
Ending balance	\$ 270,739,494	6,130,072	-	5,383,043	-	282,252,609	-	282,252,609

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

For the year ended December 31, 2017, movements of allowance for bad debts of receivables, discounts and loans and other financial assets; and movement of provisions for guarantee liability are disclosed below:

	2017				
	Allowance for bad debt				Total
	Receivables	Discounts and loans	Other financial assets	Provision for guarantee	
Beginning balance	\$ 435,408	5,200,241	326,181	31,258	5,993,088
Add: Bad debt expense and guarantee liability (reversal) provision	(162,355)	898,757	29,993	1,952	768,347
Bad debt recovery	93,105	476,280	-	-	569,385
Less: Write-off	143,425	1,444,602	281,293	-	1,869,320
Exchange rate and others	(124,326)	422,499	24,609	-	322,782
Ending balance	<u>\$ 347,059</u>	<u>4,708,177</u>	<u>50,272</u>	<u>33,210</u>	<u>5,138,718</u>

As of December 31, 2017, discounts and loans included in the total amounts of impairment assessment to determine the allowance for bad debts are as follows:

Item		December 31, 2017	
		Discounts and loans	Allowance for bad debts
With objective evidence of impairment	Individual assessment of impairment	\$ 2,632,019	1,777,879
	Portfolio assessment of impairment	2,953,346	41,646
Without objective evidence of impairment	Portfolio assessment of impairment	261,923,306	2,888,652
Total		<u>\$ 267,508,671</u>	<u>4,708,177</u>

(j) Available-for-sale financial assets—net

	December 31, 2017
Negotiable certificates of deposit	\$ 106,966,306
Government bonds	78,168,707
Total	<u>\$ 185,135,013</u>
Marked-to-market adjustments for hedged assets included in the above balance	<u>\$ 945</u>

Please refer to note 6(d) for details on the recognition of the above underlying investments as financial assets at fair value through other comprehensive income on December 31, 2018 as a result of the Bank's application of IFRS 9.

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

(k) Other financial assets

	December 31, 2018	December 31, 2017
Financial assets carried at cost-net	\$ -	127,362
Restricted assets-debt instruments	15,145,361	7,460,090
Overdue receivable	30,327	50,272
Less: allowance for bad debts-overdue receivables	<u>30,327</u>	<u>50,272</u>
Total	<u><u>\$ 15,145,361</u></u>	<u><u>7,587,452</u></u>

Please refer to note 6(d) for the recognition of the unlisted equity commodity as financial assets at fair value through other comprehensive income on December 31, 2018 as a result of the Bank's application of IFRS 9.

For the year ended December 31, 2018, changes in the allowance for bad debts of overdue receivables are as below:

	2018						Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past- Due/Non-Performing Loans"	Total
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	Lifetime expected credit losses (non- purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Losses according to IFRS 9 (total)		
Beginning balance	\$ -	-	-	45,213	-	45,213	5,059	50,272
Changes due to financial instrument recognition :								
Financial assets derecognized during the period	-	-	-	(134)	-	(134)	-	(134)
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	2,389	2,389
Bad-Debt Write offs	-	-	-	(15,712)	-	(15,712)	-	(15,712)
Foreign currency exchange and other changes	-	-	-	(6,488)	-	(6,488)	-	(6,488)
Ending balance	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>22,879</u></u>	<u><u>-</u></u>	<u><u>22,879</u></u>	<u><u>7,448</u></u>	<u><u>30,327</u></u>

	December 31, 2017		
	Percentage of ownership %	Investment cost	Book value
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
TSC Bio Venture Management, Inc.	5.00	8,505	8,505
Universal Venture Investment, Inc.	4.76	7,949	7,949
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
Subtotal		330,303	330,303
Less: accumulated impairment		-	202,941
		<u><u>\$ 330,303</u></u>	127,362
Restricted assets-debt instruments			7,460,090
Overdue receivable			50,272
Less: allowance for bad debts-overdue receivable			<u><u>50,272</u></u>
			<u><u>\$ 7,587,452</u></u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Please refer to note 6(i) for the changes in allowance for bad debts of overdue receivables for the year ended December 31, 2017.

For the year ended December 31, 2017, the Bank's dividend income resulting from the financial assets measured at cost recognized was \$15,669 thousand, recorded under other non-interest income.

(l) Property and equipment—net

December 31, 2018	Cost	Accumulated depreciation	Accumulated impairment	Net
Land	\$ 2,653,772	-	83,975	2,569,797
Buildings	2,774,228	1,280,824	59,502	1,433,902
Office equipment	355,850	350,322	-	5,528
Leasehold improvements	607,366	479,402	-	127,964
Other equipment	525,748	347,323	-	178,425
Work in progress	35,441	-	-	35,441
Total	\$ 6,952,405	2,457,871	143,477	4,351,057

December 31, 2017	Cost	Accumulated depreciation	Accumulated impairment	Net
Land	\$ 2,653,772	-	20,632	2,633,140
Buildings	2,776,918	1,214,261	-	1,562,657
Office equipment	453,445	450,650	-	2,795
Leasehold improvements	640,675	525,350	-	115,325
Other equipment	449,012	340,173	-	108,839
Total	\$ 6,973,822	2,530,434	20,632	4,422,756

Change in cost movement:

	January 1, 2018	Increase	Decrease	Reclassify	December 31, 2018
Land	\$ 2,653,772	-	-	-	2,653,772
Buildings	2,776,918	1,595	16,965	12,680	2,774,228
Office equipment	453,445	4,507	102,102	-	355,850
Leasehold improvements	640,675	39,127	72,436	-	607,366
Other equipment	449,012	124,012	47,276	-	525,748
Work in progress	-	48,121	-	(12,680)	35,441
Total	\$ 6,973,822	217,362	238,779	-	6,952,405

	January 1, 2017	Increase	Decrease	Reclassify	December 31, 2017
Land	\$ 2,820,096	-	166,324	-	2,653,772
Buildings	2,986,290	24,086	233,458	-	2,776,918
Office equipment	466,944	1,648	15,147	-	453,445
Leasehold improvements	598,713	88,962	47,000	-	640,675
Other equipment	455,208	33,435	39,631	-	449,012
Total	\$ 7,327,251	148,131	501,560	-	6,973,822

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

Change in accumulated depreciation:

	January 1, 2018	Increase	Decrease	Reclassify	December 31, 2018
Buildings	\$ 1,214,261	83,527	16,964	-	1,280,824
Office equipment	450,650	1,775	102,103	-	350,322
Leasehold improvements	525,350	26,488	72,436	-	479,402
Other equipment	340,173	54,426	47,276	-	347,323
Total	<u>\$ 2,530,434</u>	<u>166,216</u>	<u>238,779</u>	<u>-</u>	<u>2,457,871</u>

	January 1, 2017	Increase	Decrease	Reclassify	December 31, 2017
Buildings	\$ 1,245,184	88,007	118,930	-	1,214,261
Office equipment	461,359	4,200	14,909	-	450,650
Leasehold improvements	551,264	21,085	46,999	-	525,350
Other equipment	339,914	39,890	39,631	-	340,173
Total	<u>\$ 2,597,721</u>	<u>153,182</u>	<u>220,469</u>	<u>-</u>	<u>2,530,434</u>

Change in accumulated impairment:

	January 1, 2018	Increase	Decrease	December 31, 2018
Land	\$ 20,632	63,343	-	83,975
Buildings	-	59,502	-	59,502
Total	<u>\$ 20,632</u>	<u>122,845</u>	<u>-</u>	<u>143,477</u>

	January 1, 2017	Increase	Decrease	December 31, 2017
Land	<u>\$ 42,351</u>	<u>6,396</u>	<u>28,115</u>	<u>20,632</u>

(m) Intangible assets—net

	December 31, 2018	December 31, 2017
Goodwill	\$ 3,156,048	3,156,048
Other	101,973	-
Total	<u>\$ 3,258,021</u>	<u>3,156,048</u>

Change in intangible assets:

	January 1, 2018	Increase	Decrease	December 31, 2018
Goodwill	\$ 3,156,048	-	-	3,156,048
Other	-	108,479	6,506	101,973
Total	<u>\$ 3,156,048</u>	<u>108,479</u>	<u>6,506</u>	<u>3,258,021</u>

	January 1, 2017	Increase	Decrease	December 31, 2017
Goodwill	<u>\$ 3,156,048</u>	<u>-</u>	<u>-</u>	<u>3,156,048</u>

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

(n) Other assets—net

	December 31, 2018	December 31, 2017
Refundable deposits	\$ 260,504	281,008
Refundable deposits—derivative financial instruments	1,180,788	708,533
Prepaid fee	245,768	121,369
Other	9,506	2,694
Total	<u>\$ 1,696,566</u>	<u>1,113,604</u>

As of December 31, 2018, allowance for impairments of the above debt other assets was \$9 thousand, recorded under refundable deposits.

For the year ended December 31, 2018, changes in the allowance for impairments of other assets are as below:

	2018							
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	Lifetime expected credit losses (non- purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment losses according to IFRS 9 (total)	Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past- Due/Non-Performing Loans"	Total
Beginning balance	\$ 12	-	-	-	-	12	-	12
Financial assets derecognized during the period	(429)	-	-	-	-	(429)	-	(429)
New financial assets originated or purchased	426	-	-	-	-	426	-	426
Ending balance	<u>\$ 9</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9</u>	<u>-</u>	<u>9</u>

(o) Deposits from the Central Bank and banks

	December 31, 2018	December 31, 2017
Deposits from banks	\$ 109,675	751,093
Deposits from banks—affiliates	211,519	1,283,826
Overdrafts on banks	6,902	37,588
Overdrafts on banks—affiliates	45,561	-
Call loans from banks	-	11,685,857
Call loans from banks—affiliates	36,122,616	45,334,163
Total	<u>\$ 36,496,273</u>	<u>59,092,527</u>

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

(p) Payables

	December 31, 2018	December 31, 2017
Accounts payable	\$ 17,918	6,912
Accrued interest	605,832	363,308
Accrued expenses	1,890,062	1,948,540
Collection payable	63,374	40,362
Unsettled bonds payable	364,726	-
Acceptances payable	1,048,000	413,858
Temporary receipts in advance	27,318	60,372
Other	773,519	842,991
Total	\$ 4,790,749	3,676,343

(q) Deposits and remittances

	December 31, 2018	December 31, 2017
Checking accounts deposits	\$ 2,271,306	2,533,695
Demand deposits:		
Demand deposits	154,934,454	206,692,694
Saving account deposits	126,343,265	126,917,638
Subtotal of demand deposits	281,277,719	333,610,332
Time deposits:		
Time deposits	195,972,625	132,260,271
Time savings deposits	31,022,509	36,838,365
Subtotal of time deposits	226,995,134	169,098,636
Remittances	224,109	167,597
Total	\$ 510,768,268	505,410,260

As of December 31, 2018, the Bank's foreign currency time deposits with fixed rate mentioned above has adopted cross currency swap of cash flow hedge in order to reduce the impact of cash flow that was affected by interest rate and foreign exchange rate fluctuation.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(r) Financial debentures

As of December 31, 2018 and 2017, details of financial debentures issued by the Bank were as follows:

Bond	Conditions for issuance	December 31, 2018	December 31, 2017
91-1A	5 year term, interest accrued and paid semiannually, 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 semiannually, based on the average one year regular floating rate of the nine largest banks plus 1.493%	1,100	2,100
94-2	No maturity date, interest accrued and paid semiannually, based on the average one year regular floating rate of the nine largest banks plus 1.493%	100	100
100-1F	7 year term, interest accrued and paid quarterly, annual interest rate is 1.60%; maturity date: May 19, 2018	-	2,550,000
100-1I	7 year term, interest accrued and paid quarterly, TWD 90 day CP interest rate and TWD 90 day TIBOR interest rate from February 19, 2015 ; maturity date: May 19, 2018	-	4,000,000
100-4D	10 year term, interest accrued and paid quarterly, TWD 90 day CP interest rate plus 0.15% and TWD 90 day TIBOR interest rate plus 0.15% from March 29, 2015 ; maturity date: June 29, 2021	2,000,000	2,000,000
103-2	10 year term, USD based, interest accrued and paid semiannually, annual rate is 4.50%; maturity date: December 18, 2024	6,147,471	5,969,557
		<u>8,149,671</u>	<u>14,522,757</u>
Marked-to-market adjustment on hedged items		-	8,023
Total		<u><u>\$ 8,149,671</u></u>	<u><u>14,530,780</u></u>

(s) Other financial liabilities

	December 31, 2018	December 31, 2017
Structured deposits	<u><u>\$ 329,190</u></u>	<u><u>1,264,386</u></u>

(t) Provisions

	December 31, 2018	December 31, 2017
Provision for employee benefits	<u>\$ 1,347,503</u>	<u>1,388,865</u>
Provision for decommissioning, restoration and rehabilitation cost	149,273	150,425
Provision for guarantee liability	48,392	33,210
Provision for loan commitment	48,549	-
Other miscellaneous provisions	8,014	14,895
Total	<u><u>\$ 1,601,731</u></u>	<u><u>1,587,395</u></u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018, the movements of book values of guarantee liability and loan commitment are disclosed below:

	2018							
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	Lifetime expected credit losses (non- purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Losses according to IFRS 9 (total)	Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past- Due/Non-Performing Loans"	Total
Beginning balance	\$ 50,248	49,581	-	-	-	99,829	60,915	160,744
Changes due to financial instrument recognition :								
Transferred to lifetime expected credit losses	(2,802)	2,802	-	-	-	-	-	-
Transferred to 12-months expected credit losses	12,286	(12,286)	-	-	-	-	-	-
Financial assets derecognized during the period	(32,743)	(2,860)	-	(1)	-	(35,604)	-	(35,604)
New financial assets originated or purchased	80,273	193	-	1	-	80,467	-	80,467
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	(13,135)	(13,135)
Foreign currency exchange and other changes	(58,541)	(36,872)	-	-	-	(95,413)	-	(95,413)
Ending balance	\$ 48,721	558	-	-	-	49,279	47,780	97,059

Please refer to note 6(i) for changes in guarantee liabilities for the year ended December 31, 2017.

(u) Other liabilities

	December 31, 2018	December 31, 2017
Advance received from customers	\$ 1,820,623	27,858
Derivatives collateral	1,317,955	1,149,472
Tax payable	451,572	620,731
Deferred income	185,449	98,694
Guarantee deposits received	24,775	27,658
Other	274,792	107,820
Total	\$ 4,075,166	2,032,233

(v) Employee benefits

(i) Defined contribution plan

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

For the years ended December 31, 2018 and 2017, the pension expense under defined contribution plan of the Bank amounted to \$161,765 thousand and \$157,013 thousand, respectively, recorded under operating expenses — employee benefits expense.

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

(ii) Provision for employee benefits

1) Defined benefit obligation

	December 31, 2018	December 31, 2017
Defined benefit plan	\$ 1,347,503	1,388,865

The reconciliation between present value of defined benefits obligation and fair value of defined benefits plan assets was disclosed below:

	December 31, 2018	December 31, 2017
Present value of defined benefits obligation	\$ 2,567,446	2,550,155
Less: fair value of defined benefits plan assets	1,219,943	1,161,290
Liability recognized in balance sheets	\$ 1,347,503	1,388,865

The Bank adopted the defined benefit plan, which contributes 5% of eligible employees' monthly salary to the retirement reserve trust account at the 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.

2) The percentage of plan assets were as follows:

Unit: %

	December 31, 2018	December 31, 2017
Cash	18.90	18.00
Stocks	53.50	50.80
Short-term notes	4.70	3.20
Bonds	22.90	28.00
Total	100.00	100.00

3) Change in defined benefit obligation

The change in defined benefit obligation for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
DBO at beginning of period	\$ 2,550,155	2,532,742
Current service cost and interest cost	87,796	98,943
Remeasurements of the net defined benefit liabilities		
Actuarial loss (gain)–experience changes	75,183	32,498
Actuarial loss (gain)–financial assumption changes	22,539	68,235
Benefits paid from plan assets	(111,381)	(105,142)
Benefits paid directly by the Bank	(56,846)	(77,121)
DBO at end of period	\$ 2,567,446	2,550,155

(Continued)

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

4) Change in plan assets

The change in defined benefit plan assets for the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Fair value of plan assets beginning of period	\$ 1,161,290	1,210,764
Interest income	11,197	15,616
Remeasurements of the net defined benefit assets		
Actuarial loss–return on plan assets (exclude interest)	37,344	(3,881)
Employers contributions	121,493	43,933
Benefit paid from plan assets	(111,381)	(105,142)
Fair value of plan assets at end of period	<u>\$ 1,219,943</u>	<u>1,161,290</u>

5) Change in asset ceiling

The Bank has an unconditional right to the surplus of the plan. As a result, the asset ceiling does not apply to the defined benefit plan.

6) Recognized as profit and loss cost

The recognized as profit and loss cost for the years ended December 31, 2018 and 2017, were as follows:

	<u>2018</u>	<u>2017</u>
Current service cost	\$ 63,260	67,253
Net interest on the net defined benefit liabilities	13,339	16,074
	<u>\$ 76,599</u>	<u>83,327</u>

7) Recognized as other comprehensive income of remeasurements of defined benefit plan

Recognized as other comprehensive income of remeasurements of defined benefit plan for the years ended December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Cumulated surplus at beginning of period	\$ 73,901	(30,713)
Recognized in current period	59,336	104,614
Cumulated surplus at end of period	<u>\$ 133,237</u>	<u>73,901</u>

8) Primary actuarial assumptions

	<u>2018</u>	<u>2017</u>
Defined benefit plan discount rate	0.90 %	1.00 %
Incremental rate of future compensation levels	3.00 %	3.00 %

The estimated payment of the Bank's employer contribution to its defined benefit plan is amount to \$125,137 thousand and \$46,609, which is expected to be paid within a year of its balance sheet date in 2018 and 2017.

Weighted average duration of the defined benefit obligation is 8.6 years.

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

9) The sensitivity analysis

When calculating the present value of defined benefits obligation, the Bank must make judgments and estimates to determine the actuarial assumptions, including changes in discount rate and future salaries. Any changes in the actuarial assumptions may materially affect the amount of defined benefit obligation of the Bank.

As of December 31, 2018 and 2017 the effects of changes in actuarial assumptions on the present value of defined benefit obligation were as follows:

	Effect on DBO	
	<u>0.50% Increase</u>	<u>0.50% Decrease</u>
December 31, 2018		
Discount rate	(107,197)	114,760
Salary increase rate	113,526	(107,098)
December 31, 2017		
Discount rate	(109,522)	117,486
Salary increase rate	116,196	(109,391)

Except significant assumptions independently used for the aforementioned sensitivity analysis, the other assumptions were kept unchanged to estimate the effect of the change of single assumption. In real case, changes of several assumptions might be connected together. Sensitivity analysis was performed under the same approach as that adopted to calculate the defined benefit obligation in balance sheets.

The approach adopted to perform the sensitivity analysis during this period remained the same as previous period.

(w) Income tax

The President announced the amended Income Tax Act on February 7, 2018, which prescribes that the corporate income tax rate is increased from 17% to 20% in tax year 2018 onwards. The Bank has adjusted the amount of deferred tax assets and liabilities to reflect the impact of tax rate increase on deferred taxes.

For the years ended December 31, 2018 and 2017, the income tax expense and related accounts were as follows:

	<u>2018</u>	<u>2017</u>
Current income tax expense	\$ 17,518	48,889
Deferred income tax expense	67,225	346,663
Income tax expense	<u>\$ 84,743</u>	<u>395,552</u>

As of December 31, 2018 and 2017, the current tax assets of the Bank amounted to \$448,497 thousand and \$289,519 thousand, respectively, and the current tax liabilities of the Bank amounted to \$18,611 thousand and \$20,583 thousand, respectively.

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

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

	2018	2017
Income tax from profit before tax at statutory rate	\$ 561,632	440,418
Permanent difference	(21,360)	(81,776)
Prior-year income tax adjustments	(1,093)	805
Basic income tax	18,611	20,583
Other adjustments per tax regulation	(473,047)	15,522
Income tax expense	<u>\$ 84,743</u>	<u>395,552</u>

For the years ended December 31, 2018 and 2017, the components of tax benefit recognized as other comprehensive income were as follows:

	2018	2017
Item that may not to be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit plan	<u>\$ (14,026)</u>	<u>(17,785)</u>
Items that may be reclassified subsequently to profit or loss:		
Unrealized profit or loss on available-for-sale financial assets	\$ -	(20,175)
Unrealized profit or loss on financial assets measured at fair value through other comprehensive income	(3,444)	-
Cash flow hedge	-	6,034
Gains or losses on hedging instruments	210	-
Total	<u>\$ (3,234)</u>	<u>(14,141)</u>

The components of deferred income tax expense (benefit) were as follows:

	2018	2017
Bad debt expense and guarantee liability provision	\$ (103,580)	21,370
Depreciation expense	(6,539)	(131)
Impairment loss on assets	22,599	-
Expenses from share-based payments	(5,990)	(3,048)
Employee benefits	(19,367)	6,414
Deferred income	-	27,114
Provisions	(2,887)	18,379
Loss carryforwards	12,312	222,032
Unrealized interest income on financial assets	34,967	881
Amortisation of goodwill	135,710	53,652
	<u>\$ 67,225</u>	<u>346,663</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

The Bank's temporary difference of deferred tax components, based on the income tax rate for December 31, 2018 and 2017 were as follows:

	December 31, 2018	December 31, 2017
Deferred tax assets:		
Bad debt expense and guarantee liability provision	\$ 441,808	357,349
Depreciation expense	35,531	28,992
Impairment loss on assets	11,901	34,500
Expenses from share-based payments	45,813	39,823
Employee benefits	269,498	236,105
Provisions	18,618	8,442
Loss carryforwards	766,868	779,180
Unrealized loss on financial assets measured at fair value through other comprehensive income	4,608	-
Loss on hedging instruments	2,036	-
Unrealized loss on available-for-sale financial assets	-	2,417
Unrealized loss on cash flow hedge	-	2,246
Total	<u>\$ 1,596,681</u>	<u>1,489,054</u>
Deferred tax liabilities:		
Unrealized interest income on financial assets	\$ 112,071	77,104
Amortisation of goodwill	618,585	482,875
Land value increment tax	120,468	120,468
Unrealized gain on financial assets measured at fair value through other comprehensive income	819	-
Unrealized gain on available-for-sale financial assets	-	2,072
Total	<u>\$ 851,943</u>	<u>682,519</u>

The movements of deferred tax items were as follows:

	2018	2017
Beginning balance	\$ 806,535	1,121,272
The adjustment of beginning balance due to IFRS 9	(11,832)	-
Recognized in current period profit and loss	(67,225)	(346,663)
Recognized in other comprehensive income	17,260	31,926
Ending balance	<u>\$ 744,738</u>	<u>806,535</u>

The income tax returns of the prior years have been assessed up to the year 2016.

(x) Stockholders' equity

(i) Capital

As of December 31, 2018, 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.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(ii) 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.

(iii) Legal reserve

Whenever the Bank generates a profit in accordance with "The Banking Act of The Republic of China". The bank, at the time of distributing its earnings for each fiscal year, shall set aside thirty percent (30%) of its after tax earnings as legal reserve, until the legal reserve equals its paid-in capital. Otherwise, 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 after being approved during the stockholders' meeting.

The board of directors approved the distribution of the 2017 and 2016 earnings on June 26, 2018 and June 28, 2017, amounting to \$658,542 thousand and \$50,105 thousand, respectively.

(iv) 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 the special reserve set aside previously may be reversed 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.

In 2016, due to a disposal of assets mentioned above by the Bank, the proportional amount of the special reserve resulted from the first time adoption of IFRS was reversed and increased unappropriated retained earnings amounted to \$5,484 thousand.

In accordance with Jin Guan Yin Fa Zhi No. 10510001510 issued by the Financial Supervisory Commission dated May 25, 2016, public banks shall appropriate special reserves between 0.5%~1% of their net profit after tax while distributing the earnings for the fiscal years 2016-2018 in response to the development of financial technology in order to protect the rights and interests of bank practitioners. The board of directors, representing the shareholders, approved the appropriation of special reserves amounting to \$10,976 thousands and \$835 thousands at 0.5% of the net profit after tax on June 26, 2018 and June 28, 2017.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(v) Other equity interest

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

	Unrealized gains (losses) on available-for-sale financial assets	Gains (loss) on effective portion of cash flow hedges	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Gains (losses) on effective portion of cash flow hedges	Total
January 1, 2018	\$ 64,612	(10,967)	-	-	53,645
Effects of retrospective application	(64,612)	10,967	5,969	(10,967)	(58,643)
Balance at January 1, 2018 after adjustment	-	-	5,969	(10,967)	(4,998)
Financial assets at fair value through other comprehensive income	-	-	-	2,822	2,822
— Valuation adjustment	-	-	46,300	-	46,300
December 31, 2018	\$ -	-	52,269	(8,145)	44,124

	Unrealized gains (losses) on available- for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	Total
January 1, 2017	\$ (121,316)	(40,427)	(161,743)
Available-for-sale financial assets — net			
— Valuation adjustment	185,928	-	185,928
Cash flow hedge			
— Unrealized loss	-	29,460	29,460
December 31, 2017	\$ 64,612	(10,967)	53,645

(vi) Dividend policy and appropriation of earnings

After the amendment to the Articles of Incorporation approved by the board of directors on November 24, 2015, from the profit earned by the Bank as shown in the final annual account after tax, 30% of the profit shall be first set aside for the legal reserve, then an amount shall be set aside for the special reserve. The remaining profits, if any, shall be distributed to shareholders as dividend and bonus in accordance with the shareholders' resolution.

On June 26, 2018 and June 28, 2017, the board of directors, representing shareholders, approved the distribution of retained earnings and distributed cash dividends for 2017 and 2016 were as follows:

	2017	2016
Legal reserve appropriated	\$ 658,542	50,105
Special reserve appropriated	10,976	835
Cash dividends of ordinary share	1,438,793	215,460
Total	\$ 2,108,311	266,400

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

(Continued)

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

(y) Share-based payments

The SC PLC Group operates a number of share-based arrangements for its executive directors and employees. For the years ended, December 31, 2018 and 2017, the share-based payment schemes adopted by the Bank were as follows:

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

Under the All Employee Sharesave Plans ("AESP"), employees may open a savings contract. Within a period of six months after the third anniversary, as appropriate, employees may purchase ordinary shares in the SC PLC Group at a discount of up to 20 percent on the share price at the date of invitation (this is known as the "option exercise price"). There are no performance measures attached to options granted under the AESP and no grant price is payable to receive an option.

The option movements of the AESP were as follows:

	<u>2018 Units</u>	<u>2017 Units</u>
Beginning balance	324,523	381,569
Add: granted	147,189	42,771
Less: exercised	40,184	455
lapsed	<u>84,503</u>	<u>99,362</u>
Ending balance	<u><u>347,025</u></u>	<u><u>324,523</u></u>

For the years ended December 31, 2018 and 2017, the costs of the AESP charged to profits or losses were \$4,999 thousand and \$7,141 thousand, respectively, recorded under operating expenses — employee benefits expense.

Options under the AESP are valued using a binomial option-pricing model. The same fair value is applied to all employees including executive directors.

The fair value per option granted and the assumptions used in the calculation are as follows:

	<u>2018</u>
	<u>October 2</u>
Grant date	
Share price at grant date	£ 6.16
Exercise price	£ 5.13
Vesting period (years)	3
Expected volatility (%)	33.80
Expected option life (years)	3.33
Risk-free rate (%)	0.87
Expected dividend yield (%)	5.00
Fair value	£ 1.39

(Continued)

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

	2017
	October 3
Grant date	
Share price at grant date	£ 7.71
Exercise price	£ 6.20
Vesting period (years)	3
Expected volatility (%)	34.90
Expected option life (years)	3.33
Risk-free rate (%)	0.47
Expected dividend yield (%)	1.87
Fair value	£ 2.32

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

(ii) Restricted Share Award (Original: Restricted Share Scheme "RSS")

Restricted Share Awards ("RSA") are used to deliver 2 types of awards, buy-out awards and deferred awards.

Buy-out awards are made outside of the annual performance process as compensation to new joiners who forfeit granted-but-unvested variable remuneration awards on leaving their previous employers, vest in instalments on the anniversaries of the award date specified at the time of grant. This enables the Bank to meet regulatory requirements relating to buyouts, and is in line with market practice. In line with similar plans operated by the competitors of the Bank, RSA is not subject to an annual limit and do not have any performance measures.

Deferred awards are used to deliver the deferred portion of variable remuneration, in line with both market practice and regulatory requirements. These awards vest in instalments on anniversaries of the award date specified at the time of grant. Deferred awards are not subject to any plan limit. This enables the Bank to meet regulatory requirements relating to deferral levels, and is in line with market practice.

The option movements of the RSA were as follows:

	2018 Units	2017 Units
Beginning balance	141,483	133,354
Add: granted	37,505	70,061
dividend	890	-
Less: exercised	56,836	55,399
lapsed	17,083	6,533
Ending balance	105,959	141,483

For the years ended December 31, 2018 and 2017, the costs of the RSA charged to profits or losses were \$22,674 thousand and \$10,916 thousand, respectively, recorded under operating expenses—employee benefits expense.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

The fair value for deferred awards which are not granted to Material Risk Takers (“MRTs”) is based on 100 percent of the face value of the shares at the date of grant as the share price will reflect expectations of all future dividends. For award granted to MRTs in 2018, the fair value of awards takes into account the lack of dividend equivalents, calculated by reference to market consensus dividend yield.

Grant date	2018					
	November 28		October 2		June 18	
Share price at grant date	£	6.11	£	6.16	£	7.12
Vesting period (years)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)
1	5.00	5.82	5.00	5.86	5.00	6.78, 6.45
2	5.00	5.54	5.00	5.58	5.00	6.45, 6.15
2/3	5.00	5.41	-	-	-	-
3	5.00	5.28	5.00	5.32	5.00	6.15, 5.85
4	-	-	5.00	5.06	5.00	5.57
5	-	-	5.00	4.82	-	-

Grant date	2018	
	March 9	
Share price at grant date	£	7.78
Vesting period (years)	Expected dividend yield (%)	Fair value (£)
1	5.00	7.41
2	5.00	7.06
3	5.00	6.72
4	5.00	6.40
5	5.00	6.10

Grant date	2017					
	November 29		October 3		June 15	
Share price at grant date	£	7.43	£	7.56	£	7.69
Vesting period (years)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)
1	-	7.43	-	7.56	-	7.69
2	-	7.43	-	7.56	0.50	7.61
3	1.60	7.08	1.60	7.21	2.10	7.23
4	2.20	6.80	2.20	6.92	2.50	6.96
5	2.40	6.58	2.40	6.70	-	-
6	2.60	6.36	2.60	6.47	-	-

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

	2017	
	March 13	
Grant date		
Share price at grant date	£	7.43
	Expected dividend yield (%)	Fair value (£)
Vesting period (years)		
0.5	-	7.43
1	-	7.43
2	0.50	7.35
2/3	1.90	7.08
3	2.10	6.99
4	2.50	6.72

(iii) Performance Share Award (Original: Performance Share Plan "PSP")

The Bank's previous plan for delivering performance shares is now closed to new grants; however, there remain outstanding vested awards. Under the PSA, half the award was dependent upon total shareholder return ("TSR") performance and the balance was subject to a target of defined Earnings Per Share ("EPS") growth. Both measures used the same three-year period and were assessed independently.

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

	2018 Units	2017 Units
Beginning balance	4,580	40,980
Less: exercised	2,859	-
lapsed	885	36,400
Ending balance	836	4,580

For the years ended December 31, 2018 and 2017, the costs of the PSA (PSP) charged to profits or losses were \$272 thousand and \$314 thousand, respectively, recorded under operating expenses — employee benefits expense.

(iv) Supplementary Restricted Share Scheme ("SRSS")

The Supplementary Restricted Share Award ("SRSS") is now closed to new grants and is replaced by Restricted Share Awards ("RSA"); there is no outstanding vested award. Awards were generally in the form of nil cost options and did not have any performance measures. Generally deferred restricted share awards vested equally over three years and for non-deferred awards half vested two years after the date of grant and the balance after three years.

The option movements of the SRSS were as follows:

	2018 Units	2017 Units
Beginning balance	-	11,905
Less: exercised	-	11,693
lapsed	-	212
Ending balance	-	-

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017, no related cost of stock warrants was recorded.

(v) Long-term Incentive Plan Awards

Long-term Incentive Plan Awards ("LTIP") are granted with vesting subject to performance measures. Before 2016, performance measures attached to awards granted previously include: total shareholder return ("TSR"); return on equity ("RoE") with a Common Equity Tier 1 ("CET1") underpin; strategic measures; earnings per share ("EPS") growth; and return on risk-weighted assets ("RoRWA"). Each measure is assessed independently over a three-year period. Awards granted from 2016 have an individual conduct gateway requirement that results in the award lapsing if not met.

The option movements of the LTIP were as follows:

	2018 Units	2017 Units
Beginning balance	51,263	51,263
Add: granted	827	-
Ending balance	52,090	51,263

For the years ended December 31, 2018 and 2017, no related cost of stock warrants was recorded.

	2018	
	March 9	March 9
Grant date		
Share price at grant date	£ 7.78	£ 7.78
Vesting period (years)	3/4/5/6/7	3/4/5/6/7
Expected dividend yield (%)	5.00	5.00
Fair value (RoE)	£ 2.59	£ 2.59
Fair value (TSR)	£ 1.14	£ 1.11
Fair value (Strategic)	£ 2.59	£ 2.59

	2017	
	March 13	March 13
Grant date		
Share price at grant date	£ 7.43	£ 7.43
Vesting period (years)	3/4/5/6/7	3/4/5/6/7
Fair value (RoE)	£ 2.48	£ 2.48
Fair value (TSR)	£ 1.81	£ 1.38
Fair value (Strategic)	£ 2.48	£ 2.48

For the years ended December 31, 2018 and 2017, the vesting of awards granted is subject to the satisfaction of RoE (subject to a capital underpin) and relative TSR performance measures and achievement of a strategic scorecard. The fair value of the TSR component is calculated using the probability of meeting the measures over a three year performance period, using a Monte Carlo simulation model. The number of shares expected to vest is evaluated at each reporting date, based on the expected performance against the RoE and strategic measures in the scorecard, to determine the accounting charge.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED**Notes to the Financial Statements****(vi) Upfront Shares Awards (UFSA)**

Upfront Shares are awards to the Material Risk Takers (MRTs) who are met specific criteria after assessment and identification process as part of their non-deferred variable compensation for that performance year. Typically, upfront shares are ordinary Standard Chartered PLC shares that are purchased with beneficial ownership transferred to the individual (after any relevant tax deductions or withholdings) through a specified nominee arrangement. Upfront shares awarded to MRTs are subject to a minimum retention period of twelve months from the award date. During this holding period, the upfront shares cannot be sold or transferred.

For the years ended December 31, 2018 and 2017, the cost of the UFSA reversed and charged to profits or losses were \$1,192 thousand and \$7,667 thousand, respectively, recorded under operating expenses – employee benefits expense.

(z) Earnings per share

	2018	2017
Net income attributable to common stockholders (after tax)	<u>\$ 2,723,419</u>	<u>2,195,140</u>
Common stock (in thousands)	<u>\$ 2,910,572</u>	<u>2,910,572</u>
Basic EPS (in dollars)	<u>\$ 0.94</u>	<u>0.75</u>

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

(aa) Net interest income

	2018	2017
Interest income		
Interest income, discounts and loans	\$ 6,947,986	6,715,260
Interest income, accounts receivable factoring	223,866	154,947
Interest income, due from banks	1,695,940	1,285,256
Interest income, investment securities	870,384	1,045,311
Interest income, credit card recurrence	220,544	238,423
Interest income, other	<u>361,757</u>	<u>166,141</u>
Subtotal	10,320,477	9,605,338
Interest expense		
Interest expense, deposits	4,738,792	3,314,402
Interest expense, due to banks	1,189,680	558,194
Interest expense, financial debentures	308,847	389,392
Interest expense, other	<u>26,851</u>	<u>13,101</u>
Subtotal	<u>6,264,170</u>	<u>4,275,089</u>
Total	<u>\$ 4,056,307</u>	<u>5,330,249</u>

(Continued)

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

(ab) Net service fee income

	<u>2018</u>	<u>2017</u>
Service fee		
Service fee, loan	\$ 190,142	126,618
Service fee, agency	5,004	6,259
Service fee, insurance commission	1,930,236	1,855,818
Service fee, remittance and interbank	103,990	102,990
Service fee, guarantee, import, export and acceptance payable	64,983	53,645
Service fee, credit card	138,241	269,501
Service fee, trust	2,214,066	2,200,082
Service fee, factoring	9,042	20,395
Service fee, underwriting	194,825	134,286
Service fee, other	<u>232,828</u>	<u>203,451</u>
Subtotal	5,083,357	4,973,045
Service charge		
Service charge, interbank	153,143	152,553
Service charge, agency	131,791	109,949
Service charge, custodian	127,147	132,126
Service charge, other	<u>196,489</u>	<u>120,573</u>
Subtotal	<u>608,570</u>	<u>515,201</u>
Total	<u><u>\$ 4,474,787</u></u>	<u><u>4,457,844</u></u>

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

	<u>2017</u>	<u>2017</u>
Gain on disposal		
Interest-rate instruments	\$ 7,811	61,888
Derivative financial instruments	<u>536,753</u>	<u>582,878</u>
Subtotal	544,564	644,766
Gain on valuation		
Interest-rate instruments	995	17,589
Derivative financial instruments	<u>2,682,661</u>	<u>736,410</u>
Subtotal	2,683,656	753,999
Interest income	<u>51,840</u>	<u>61,531</u>
Total	<u><u>\$ 3,280,060</u></u>	<u><u>1,460,296</u></u>

(ad) Realized gain on available-for-sale financial assets

	<u>2017</u>
Profit on sale — debt instruments	<u><u>\$ 9,061</u></u>

(ae) Realized gain on financial assets at fair value through other comprehensive income

	<u>2018</u>
Dividend income - equity instruments	\$ 16,435
Profit on sale - debt instruments	<u>11,618</u>
Total	<u><u>\$ 28,053</u></u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED**Notes to the Financial Statements****(af) Net other non-interest income**

	2018	2017
Administrative support service income	\$ 3,180	3,184
Net gain on disposal of assets	-	130,460
Gain on financial assets carried at cost	-	15,669
Rental income	6,280	8,607
Net gain on fair value hedge	2,269	1,543
Other	(10,002)	8,798
Total	\$ <u>1,727</u>	<u>168,261</u>

(ag) Impairment losses and reversal of impairment losses on assets

	2018	2017
Impairment loss—buildings and equipment	\$ 122,845	6,396
Impairment loss—other	2,549	-
Gains on reversal of impairment losses of financial assets or liabilities at fair value through profit or loss	(1,017)	-
Total	\$ <u>124,377</u>	<u>6,396</u>

(ah) Bad debt expense, commitments and guarantee liability provision

	2018	2017
Bad debt expense	\$ 693,032	766,395
Guarantee liabilities provision	14,645	1,952
Reversal of loan commitment	(77,180)	-
Reversal of other provision	(447)	-
Total	\$ <u>630,050</u>	<u>768,347</u>

(ai) Employee benefits expense

	2018	2017
Salary expense	\$ 4,383,472	4,216,809
Employee insurance	305,388	300,213
Pension		
Defined contribution plan	161,765	157,013
Defined benefit plan	76,599	83,327
Other	270,630	300,990
Total	\$ <u>5,197,854</u>	<u>5,058,352</u>

In accordance with the Articles of Incorporation, from the profit earned by the Bank as shown in the final annual account before tax, 0.01% shall be reserved as employees' remuneration. However, if the Bank has accumulated deficit, it shall be set aside first to compensate the loss.

The accrued employee's remuneration of the Bank for the year ended December 31, 2018 was \$281 thousand, recorded under operating expenses—employee benefits expense. Any difference between the actual and estimated distributed bonus in 2019 shall be treated as changes in accounting estimates and recognized as profit or loss in 2019.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

The accrued employee's remuneration of the Bank for the year ended December 31, 2017 was \$259 thousand, recorded under operating expenses— employee benefits expense, with no difference between the actual and estimated distributed bonus. Relevant information can be accessed through Market Observation Post System.

For the years ended December 31, 2018 and 2017, the average numbers of the Bank's employees were 3,183 and 3,276, of which the number of directors who had not served concurrently as employees were 6 and 7, respectively.

For the year ended December 31, 2018, the average amount of the employee benefits expense \$1,636 thousand and the average amount of the salary expense was \$1,380 thousand.

(aj) Depreciation and amortisation expenses

	2018	2017
Depreciation expense		
Buildings	\$ 83,527	88,007
Office equipment	1,775	4,200
Leasehold improvements	26,488	21,085
Other equipment	54,426	39,890
Subtotal	166,216	153,182
Amortisation expense	6,506	-
Total	<u>\$ 172,722</u>	<u>153,182</u>

(ak) Other general and administrative expenses

	2018	2017
Rental expense	\$ 404,457	447,876
Office supplies	83,418	90,238
Postage	194,727	173,753
Repairs and maintenance	153,345	273,566
Advertising expense	278,416	193,037
Utilities fee	74,379	81,062
Taxes	625,101	611,444
Professional service fee	113,528	75,765
Operational and advisory service fee	961,341	1,042,050
Consulting and technical support service fee	485,519	530,087
Wholesale banking business service fee	105,578	128,997
Building management fee	149,664	139,807
Computer management fee	411,926	326,560
Director's remuneration	8,250	7,138
Other	498,277	770,294
Total	<u>\$ 4,547,926</u>	<u>4,891,674</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(al) Disclosure of financial instruments

(i) Financial instruments measured at fair value

1) Valuation of financial instruments measured at fair value:

- a) Financial assets and liabilities at fair value through profit or loss financial assets at fair value through other comprehensive income (adopted since January 1, 2018), available-for-sale financial assets—net (adopted before January 1, 2018), financial instruments 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.
- b) 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.

- 2) 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.

3) The definition of fair value hierarchy of financial instruments measured at fair value

- a) 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.
- b) 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:

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

- i) The quoted price in similar financial instruments' active market was referred to the fair value of financial instruments held by and based on similar financial instruments' recent quoted prices; the judgment of similar financial instruments should follow the characteristics of the financial instruments and trading conditions. The factors that require the fair value of financial instruments to be adjusted with compatible similar financial instruments which have observable trading prices might include recent financial instruments trading price already have time gap (i.e. has been a while since last trading time), the difference between the financial instruments trading conditions, transaction prices involved with a related party, and the correlation between observable transaction price of similar financial instruments and the price of financial instruments held.
 - ii) Quoted prices for identical or similar assets or liabilities in markets those are not active.
 - iii) Fair value determined based on a valuation model. Inputs for the model (for example, interest rates, yield curves, volatilities, etc.) can be observed from the market (these observable inputs are obtained from market information, and when they are being used in the model, the resulting valuation for the asset or liability shall represent prices anticipated by the market participants).
 - iv) Inputs are derived principally from or corroborated by observable market data by correlation or other means.
- c) Level 3 means to measure the fair value of the input parameters are not based on observable market data (inputs which are unobservable). For example, the option pricing model with historical volatility cannot represent the expectation of future volatility for the overall market participant.
- 4) Fair value hierarchy information of financial instruments measured at fair value:

Financial instruments at fair value	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss				
Debt instruments	\$ 8,535,034	-	8,535,034	-
Financial assets at fair value through other comprehensive income				
Debt instruments	162,108,041	-	162,108,041	-
Equity instruments	387,042	-	-	387,042
Other financial assets—net				
Restricted assets—debt instruments	15,145,361	-	15,145,361	-
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	7,796,394	113,032	7,683,362	-
Financial assets for hedging	247,374	-	247,374	-
Liabilities:				
Financial liabilities at fair value through profit or loss	8,105,768	151,895	7,953,873	-
Financial liabilities for hedging	8,518	-	8,518	-

(Continued)

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Notes to the Financial Statements

Financial instruments at fair value	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss				
Debt instruments	\$ 8,968,573	-	8,968,573	-
Available-for-sale financial assets—net				
Debt instruments	185,135,013	-	185,135,013	-
Other financial assets—net				
Restricted assets-debt instruments	7,460,090	-	7,460,090	-
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	6,946,616	13,197	6,933,419	-
Derivative financial assets for hedging	9,784	-	9,784	-
Liabilities:				
Financial liabilities at fair value through profit or loss	7,384,904	30,925	7,353,979	-
Derivative financial liabilities for hedging	43,768	-	43,768	-

- 5) For the years ended December 31, 2018 and 2017, the Bank did not have any transfer of financial assets measured at fair value between Level 1 and Level 2.
- 6) The table shows the changes for financial assets measured at fair value classified as Level 3:

Name	2018				
	Beginning balance	Profit	Other comprehensive income	Purchased or issued	Transferred out from level 3
Financial assets at fair value through other comprehensive income	\$ 266,682	-	120,360	-	-
					Ending balance
					387,042

- 7) For fair value of Level 3, the sensitivity analysis that fair value have on reasonable possible substitution assumption.

The Bank is measurement of financial instruments at fair value was reasonable. Only when using different models of valuations would the results of the valuations be different.

Level 3 financial instruments of the Bank is non-listed equity investment, sensitivity analysis conducted for those equity investments. Below are the valuation techniques and the range of reasonable changes for the material unobservable inputs that the Bank applied. The impact to other comprehensive income under this assumption is describe below:

	Fair value changes reflected in profit or loss of the period		Fair value changes reflected on other comprehensive income	
	Beneficial changes	Adverse changes	Beneficial changes	Adverse changes
December 31, 2018				
Financial assets at fair value through other comprehensive income-equity instruments	-	-	47,807	(35,165)

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

- 8) The quantitative information on significant unobservable inputs (Level 3) used in the fair value measurement

Item	December 31, 2018				
	Fair value	Valuation technique	Material unobservable inputs	Reasonable change range	Correlation between input and fair value
Financial asset at fair value through other comprehensive income-equity instruments	42,767	Net asset value approach	Net asset value	(-0.10%~0.10%)	The higher the net asset value, the higher the fair value
	302,675	Income approach	Discount rate sustainable growth rate	Discount rate is 6.25%~8.25% Sustainable growth rate is -0.10%~1.17%	The higher the discount rate the lower the fair value. The higher the sustainable growth rate, the higher the fair value
	41,600	Asset approach	Unlisted marketability discount	19.66%~29.66%	The higher the unlisted marketability discount rate, the lower the fair value

- 9) The valuation procedure of fair value attributed to Level 3

The fair value of the level 3 financial instruments of the Bank are valued by independent department and external specialists. Appropriate valuation methods are applied according to the underlying characteristics and data collections. The applied valuation model and related inputs are in accordance with that of the market and the basic principles that the industry approves. The Bank checks the valuation model on a periodic basis. When necessary, the Bank will calibrate and adjust accordingly to ensure the reasonableness of the valuation results, and that they are in line with the market condition.

- (ii) Financial instruments measured at amortised cost

- 1) Valuation of financial instruments measured at amortised cost:
 - a) 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.
 - b) 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.
 - c) 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.

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

- d) Discounts and loans—net: 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.
- e) Financial assets carried at cost (adopted before January 1, 2018): 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.
- f) 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.
- g) Financial debentures payables—net: the aggregate fair values are calculated based on quoted market prices. For those notes which 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. The fair value of subordinated debt is estimated based on its book value on the balance sheet.
- 2) Fair value of financial instruments measured at amortised cost:

	December 31, 2018	
	Book value	Fair value
Financial assets		
Cash and cash equivalents	\$ 23,637,632	23,637,632
Due from the Central Bank and call loans to banks	81,627,972	81,631,061
Securities purchased under resell agreements and debt instruments	11,738,716	12,516,095
Receivables—net	24,576,560	24,576,560
Discounts and loans—net	277,484,777	277,955,177
	December 31, 2017	
	Book value	Fair value
Financial assets		
Cash and cash equivalents	\$ 26,535,866	26,535,866
Due from the Central Bank and call loans to banks	115,118,255	115,132,696
Securities purchased under resell agreements and debt instruments	3,356,185	3,419,567
Receivables—net	20,975,429	20,975,429
Discounts and loans—net	262,812,237	263,175,665
Other financial assets—net		
Financial assets carried at cost	127,362	127,362

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Notes to the Financial Statements

Financial liabilities	December 31, 2018	
	Book value	Fair value
Deposits from the Central Bank and banks	\$ 36,496,273	36,496,543
Payables	4,790,749	4,790,749
Related parties payable	6,231,122	6,231,122
Deposits and remittances	510,768,268	510,505,914
Financial debentures	8,149,671	8,149,671
Other financial liabilities	329,190	329,190

Financial liabilities	December 31, 2017	
	Book value	Fair value
Deposits from the Central Bank and banks	\$ 59,092,527	59,121,670
Payables	3,676,343	3,676,343
Related parties payable	8,353,294	8,353,294
Deposits and remittances	505,410,260	505,207,361
Financial debentures	14,530,780	14,530,780
Other financial liabilities	1,264,386	1,264,386

3) Fair value hierarchy information of financial instruments measured at amortised cost:

Financial instruments measured at amortised cost	December 31, 2018				
	Book value	Level 1	Level 2	Level 3	Total
Non-derivative financial instruments					
Assets:					
Cash and cash equivalents	\$ 23,637,632	-	23,637,632	-	23,637,632
Due from the Central Bank and call loans to banks	81,627,972	-	81,631,061	-	81,631,061
Securities purchased under resell agreements and debt instruments	11,738,716	-	12,516,095	-	12,516,095
Receivables—net	24,576,560	-	24,576,560	-	24,576,560
Discounts and loans—net	277,484,777	-	-	277,955,177	277,955,177
Liabilities:					
Deposits from the Central Bank and banks	36,496,273	-	36,496,543	-	36,496,543
Payables	4,790,749	-	4,790,749	-	4,790,749
Related parties payable	6,231,122	-	6,231,122	-	6,231,122
Deposits and remittances	510,768,268	-	510,505,914	-	510,505,914
Financial debentures	8,149,671	-	8,149,671	-	8,149,671
Other financial liabilities	329,190	-	329,190	-	329,190

(Continued)

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Notes to the Financial Statements

	December 31, 2017				
Financial instruments measured at amortised cost	Book value	Fair value			
		Level 1	Level 2	Level 3	Total
Non-derivative financial instruments					
Assets:					
Cash and cash equivalents	\$ 26,535,866	-	26,535,866	-	26,535,866
Due from the Central Bank and call loans to banks	115,118,255	-	115,132,696	-	115,132,696
Securities purchased under resell agreements and debt instruments	3,356,185	-	3,419,567	-	3,419,567
Receivables—net	20,975,429	-	20,975,429	-	20,975,429
Discounts and loans—net	262,812,237	-	3,500,000	259,675,665	263,175,665
Other financial assets—net					
Financial assets carried at cost	127,362	-	-	127,362	127,362
Liabilities:					
Deposits from the Central Bank and banks	59,092,527	-	59,121,670	-	59,121,670
Payables	3,676,343	-	3,676,343	-	3,676,343
Related parties payable	8,353,294	-	8,353,294	-	8,353,294
Deposits and remittances	505,410,260	-	505,207,361	-	505,207,361
Financial debentures	14,530,780	-	14,530,780	-	14,530,780
Other financial liabilities	1,264,386	-	1,264,386	-	1,264,386

(iii) 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.

1) Market risk

a) 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.

b) 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 company's limits is 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.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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.

c) 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.

	2018			2017		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Foreign exchange VaR \$	3,621	7,479	1,228	5,579	13,231	1,755
Interest rate VaR	44,401	50,330	39,553	51,660	64,065	38,593
Total VaR	44,561	50,376	39,649	52,028	65,311	38,816

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.

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

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

(Continued)

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

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.

- e) Method used for regulatory capital calculation

Standardized Approach / Delta-Plus for Options.

- f) Exchange rate risk exposure information

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

	December 31, 2018			December 31, 2017		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Long position						
USD	\$23,149,484	30.737	711,553,944	18,691,183	29.848	557,890,443
CNY	16,210,757	4.478	72,589,986	3,810,556	4.578	17,443,602
AUD	900,380	21.673	19,513,515	396,906	23.297	9,246,900
JPY	59,150,194	0.278	16,443,030	33,517,246	0.265	8,873,235
EUR	412,901	35.187	14,528,563	805,809	35.690	28,759,253
HKD	1,794,734	3.926	7,045,881	1,531,397	3.819	5,848,896
Short position						
USD	23,122,966	30.737	710,738,859	18,687,982	29.848	557,794,894
CNY	16,195,736	4.478	72,522,726	3,797,477	4.578	17,383,734
AUD	896,241	21.673	19,423,819	396,911	23.297	9,247,000
JPY	58,640,679	0.278	16,301,391	33,543,041	0.265	8,880,064
EUR	425,934	35.187	14,987,140	806,274	35.690	28,775,841
HKD	1,790,530	3.926	7,029,376	1,526,808	3.819	5,831,369

- g) Interest rate sensitivity information

- i) Interest rate sensitivity analysis (NTD)

December 31, 2018

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	\$ 384,516,113	24,445,452	45,771,036	47,053,603	501,786,204
Interest rate sensitive liabilities	230,637,235	21,593,503	41,680,948	15,901,758	309,813,444
Interest rate sensitive gap	153,878,878	2,851,949	4,090,088	31,151,845	191,972,760
Net worth					45,226,171
Ratio of interest rate sensitive assets to liabilities (%)					161.96
Ratio of interest rate sensitive gap to net worth (%)					424.47

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Notes to the Financial Statements

December 31, 2017

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	\$ 394,628,534	18,046,763	40,808,345	52,368,804	505,852,446
Interest rate sensitive liabilities	266,219,926	20,149,415	23,469,517	4,435,721	314,274,579
Interest rate sensitive gap	128,408,608	(2,102,652)	17,338,828	47,933,083	191,577,867
Net worth					43,628,188
Ratio of interest rate sensitive assets to liabilities (%)					160.96
Ratio of interest rate sensitive gap to net worth (%)					439.11

ii) Interest rate sensitivity analysis (USD)

December 31, 2018 Units: in thousands of US Dollars

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	\$ 2,639,210	308,541	971,489	-	3,919,240
Interest rate sensitive liabilities	5,399,509	1,010,205	1,095,339	200,000	7,705,053
Interest rate sensitive gap	(2,760,299)	(701,664)	(123,850)	(200,000)	(3,785,813)
Net worth					797
Ratio of interest rate sensitive assets to liabilities (%)					50.87
Ratio of interest rate sensitive gap to net worth (%)					(475,007.90)

December 31, 2017 Units: in thousands of US Dollars

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	\$ 3,510,244	216,598	264,009	376	3,991,227
Interest rate sensitive liabilities	8,153,556	417,954	564,783	202,750	9,339,043
Interest rate sensitive gap	(4,643,312)	(201,356)	(300,774)	(202,374)	(5,347,816)
Net worth					6,883
Ratio of interest rate sensitive assets to liabilities (%)					42.74
Ratio of interest rate sensitive gap to net worth (%)					(77,696.00)

2) Operational risk

a) Strategy and procedure of operational risk management

Operational risk is defined as the potential for loss resulting from failure of processes, people, or systems 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 Framework, 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 Defense.

b) Operational risk management organization and structure

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

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Notes to the Financial Statements

The Risk committee is designed to oversee and to challenge the effectiveness of risk management and control. It is also authorised to take certain risk acceptance and control decisions which are outside the authority of individual managers. The Risk committee delegates the authority to Country Operational Risk Committee ("CORC") to determine the Bank's approach to the management of operational risk in accordance with the Operational Risk Management Framework, and has the continuously to ensure its effective application.

The Country Operational Risk Committee ("CORC") oversees the management of operational risks across the Bank, supported by business and country level committees. The CORC is responsible for ensuring the effectiveness of the Taiwan's Operational Risk Framework and committee structure and that it is implemented continuously.

The Bank also receives strong support from SCB's regional and group business and risk management functions.

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

According to the nature and the activities of operational risk, the 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 regulations, Liability, Legal enforceability, Damage or loss of physical assets, Safety & security, Internal fraud or dishonesty, External fraud, Information security, Processing failure, Model, People management, Vendor management, Data quality management, Business contingency management, Financial management, and Corporate authorities & structure, etc.

The on-going effectiveness of operational risk controls is ensured through an assurance approach that comprises the responsibility of three lines of defences. It is based on 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.

d) 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 built based on Risk Management Framework. This process is performed at all levels across the Bank and is the foundation of the management approach. The identified risks are assessed against operational risk matrices to determine their significance and mitigation actions to reduce the exposure to acceptable levels. Risk mitigation plans are overseen by the appropriate operational risk forum(s) and/or CORC, and determine whether to accept remain risks in risk tolerances.

e) Method used for regulatory capital calculation

Basic Indicator Approach.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

3) Compliance and legal risk

Compliance and legal risks arise from the possibility that an entity may not be able to comply with regulations, and a contract or legal documentation may likely cause potential loss due to illegality, incompleteness or unfairness, which results in a regulations breach. The Compliance Department of the Bank is responsible for the implementation of compliance system of the Bank. The Legal Department of the Bank is responsible for providing advisory services to legal aspects of transaction documents including legality and enforceability of such transaction documents. The two departments together are to make sure that the financial structure and operations of the Bank follows relevant regulatory compliance and legal matters.

4) Credit risk management

a) Credit risk strategy, goal, policy and procedure

The management of risk lies at the heart of the Bank'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 continuously and sustainably and is thus a central part of the financial and operational management of the Bank.

i) Strategy and Goal

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

Under this policies, we use a set of principles that describe the risk management culture we wish to sustain:

1. **Balancing Risk and Return:** A sustainable franchise is built by managing the integrate risks and in the interest of all the stakeholders; risks that the Bank is taken are consistent with the approved strategy and within the Bank's risk tolerances and risk appetite. The Bank manages the risk profile to maintain a low probability of an unexpected loss event that would materially undermine the confidence of the investors;
2. **Conduct of Business:** The Bank demonstrate the 'Here for Good' through the conduct. The Bank seeks to achieve good outcomes for clients and investors in the markets which the Bank operates, while abiding by the relevant laws and regulations. The Bank treats all colleagues fairly and with respect;

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

3. Responsibility and Accountability: The Bank takes individual responsibility to ensure risk-taking is disciplined and focused, particularly within our area of authority. The Bank makes sure risk taking is transparent, controlled and reported in line with the RMF as well as within risk appetite;
4. Anticipation: The Bank seeks to anticipate material future risks, learn lessons from events that have produced adverse outcomes and ensure awareness of known risks; and
5. Competitive Advantage: The Bank seeks competitive advantage through efficient and effective risk management and control.

ii) 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.

b) 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.

c) 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.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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.

- d) 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.

- e) Method used for regulatory capital calculation

Standardized Approach.

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

f) Maximum exposure to credit risk

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

Off-balance-sheet items	Maximum exposure to credit risk	
	December 31, 2018	December 31, 2017
Other guarantees	\$ 4,350,959	3,271,993
Unused amount of irrevocable loan commitments	1,404,882	527,051
Unused amount of irrevocable letters of credit	781,855	1,796,637
Total	<u>\$ 6,537,696</u>	<u>5,595,681</u>

Due to the Bank's use of a stricter 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.

g) 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 is derived from assets, liabilities or off-balance sheets 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:

i) By industry

	December 31, 2018	December 31, 2017
Individual	\$ 191,090,166	177,887,463
Manufacturing	48,279,793	44,258,875
Transportation and warehousing	15,373,969	17,322,363
Commercial	6,804,584	9,645,771
Government	-	3,500,000
Financial industry	9,697,751	9,219,616
Other	11,006,346	5,674,583
Total	<u>\$ 282,252,609</u>	<u>267,508,671</u>

(Continued)

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

ii) By area

	December 31, 2018	December 31, 2017
Domestic	\$ 245,458,951	237,964,615
Overseas	<u>36,793,658</u>	<u>29,544,056</u>
Total	<u>\$ 282,252,609</u>	<u>267,508,671</u>

iii) By collateral

	December 31, 2018	December 31, 2017
Unsecured	\$ 87,313,358	82,826,631
Secured		
— Real estate	168,713,972	157,477,009
— Movable asset	13,647,381	15,494,988
— Debt instrument	9,454,406	8,857,182
— Other	<u>3,123,492</u>	<u>2,852,861</u>
Total	<u>\$ 282,252,609</u>	<u>267,508,671</u>

h) Credit quality and impairment analysis on financial asset

The main criteria for identifying significant increase in credit risk since initial recognition are as follows:

- i) Internal/external risk rating of credit extensions at the reporting date deteriorates significantly compared to that at the initial recognition date.
- ii) Significant change in the probability of default over the lifetime since origination.
- iii) Borrowers that fail to make payment and are past due over 30 days.
- iv) Borrowers that have outstanding amounts unpaid past maturity dates and are overdue for the agreed grace period.
- v) Borrowers that have significant deterioration in ability to repay and face the compulsory enforcement, debt restructuring or legal action.
- vi) Borrowers that have been placed as Early Alert – Non Purely Precautionary (EA-NPP) are concluded by Credit Issue Committee (CIC) to have fundamental deterioration in creditworthiness which require closer scrutiny and monitoring.

Definitions of default and credit impaired financial assets:

An account is in default when the borrower fails to make payments and account is over 90 days past due.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Besides, if there is objective evidence that borrower cannot make payments or there is evidence that borrower is in financial difficulty, the account can be considered as impaired:

- i) Borrower is deceased
- ii) Borrower has declared bankruptcy or may declare bankruptcy or financial restructuring.
- iii) Borrower has applied for debt restructuring program (including internal or government programs) due to financial difficulty.

To determine if there has either been a significant increase in credit risk post deal origination and to assess expected credit loss (ECL) for financial assets, the Company adopts a forward looking approach to generate multiple macroeconomic scenarios to ensure that ECL has been evaluated in a range of possible outcomes. The Company applies historical data to analyze and to identify key macroeconomic variables, such as real GDP, import and export values, consumer price index, and unemployment rate, that will have critical impact on the portfolio's credit performance as well as credit expected loss.

The Company generates base macroeconomic scenario by obtaining the forecasts of exchange rates, GDP and inflation rates from the economic research team. Moreover, to incorporate the non-linearity of ECL as well as to increase the visibility of macroeconomic forecasts, multiple macroeconomic scenarios are generated via Monte Carlo simulation, and the weighted average result of multiple scenario outcomes is applied to evaluate against the criteria of significant increase in credit risk and as well as to estimate ECL.

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, financial assets at fair value through other comprehensive income, 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.

i) Credit quality analysis

December 31, 2018												
Stage 1				Stage 2				Stage 3				
Investment grade	Sub-investment grade	High risk grade	Subtotal	Investment grade	Sub-investment grade	High risk grade	Subtotal	Individually impaired	Collectively impaired	Allowance of bad debt	Total	
Balance sheet items												
Accounts receivable												
— Accounts receivable factoring	\$ 12,164,489	1,674,109	-	13,838,598	173,463	1,303,421	-	1,476,884	-	-	157,155	15,158,327
— Credit cards receivable	2,184,401	1,983,152	6,147	4,173,700	4	11,966	5,476	17,446	162,522	387,132	313,199	4,427,601
Discounts and loans												
— Consumer banking	157,618,715	27,429,202	562,820	185,610,737	369,088	986,414	697,230	2,052,732	692,094	2,994,382	3,305,748	188,044,197
— Wholesale banking	52,931,526	32,184,821	12,410	85,128,757	1,934,220	2,138,409	4,711	4,077,340	1,213,157	53,752	1,221,178	89,251,828
— Non-accrual loans	-	-	-	-	-	-	-	-	305,584	124,074	294,465	135,193
Other financial assets												
— Overdue receivable	-	-	-	-	-	-	-	-	30,327	-	30,327	-
Off-balance sheet items												
Loan commitment and guarantees												
	4,510,609	1,518,732	-	6,029,341	395,043	113,312	-	508,355	-	-	97,059	6,440,637

(Continued)

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

December 31, 2017						
	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	\$ 3,097,056	72,131	618,123	193,098	23,364	3,570,848
Accounts receivable factoring	11,880,235	-	-	-	118,802	11,761,433
Discounts and loans						
Consumer banking	171,815,568	2,696,770	3,815,580	902,733	2,525,237	174,899,948
Wholesale banking	87,394,517	16,451	1,769,785	875,146	405,061	87,900,546
Available-for-sale financial assets	185,135,013	-	-	-	-	185,135,013
Other financial assets						
Overdue receivable	-	-	50,272	50,272	-	-
	<u>\$ 459,322,389</u>	<u>2,785,352</u>	<u>6,253,760</u>	<u>2,021,249</u>	<u>3,072,464</u>	<u>463,267,788</u>

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

December 31, 2017				
	Investment grade	Sub-investment grade	High risk grade	Total
Receivables				
Credit cards accounts receivable	\$ 1,141,817	1,936,598	18,641	3,097,056
Accounts receivable factoring	4,986,510	181,294	6,712,431	11,880,235
Discounts and loans				
Consumer banking	145,372,325	25,751,419	691,824	171,815,568
Wholesale banking	25,282,655	34,081,588	28,030,274	87,394,517
Total	<u>\$ 176,783,307</u>	<u>61,950,899</u>	<u>35,453,170</u>	<u>274,187,376</u>

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

December 31, 2017				
	Investment grade	Sub-investment grade	High risk grade	Total
Receivables				
Credit cards accounts receivable	\$ 2	57,508	14,621	72,131
Discounts and loans				
Consumer banking	144	1,394,605	1,302,021	2,696,770
Wholesale banking	-	14,985	1,466	16,451
Total	<u>\$ 146</u>	<u>1,467,098</u>	<u>1,318,108</u>	<u>2,785,352</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

December 31, 2017				
	Investment grade	Sub-investment grade	High risk grade	Total
Available-for-sale financial assets				
Debt instruments	\$ <u>185,135,013</u>	<u>-</u>	<u>-</u>	<u>185,135,013</u>

- i) 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.

December 31, 2017					
	Up to 1 month	1-2 months	2-3 months	Over 3 months	Total
Receivables					
Credit cards					
accounts receivable \$	35,952	12,155	9,725	14,299	72,131
Discounts and loans					
Consumer banking	1,841,292	580,273	151,067	124,138	2,696,770
Wholesale banking	10,119	3,294	2,609	429	16,451
Total	\$ <u>1,887,363</u>	<u>595,722</u>	<u>163,401</u>	<u>138,866</u>	<u>2,785,352</u>

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

- i) Asset quality of the Bank

Units: in thousands of New Taiwan Dollars, %

Period		December 31, 2018					
		Non-performing loan	Loan balances	NPL ratio	Allowance for bad debts	Coverage ratio	
Wholesale Banking	Secured	27,339	20,506,153	0.13 %	370,799	1,356.30 %	
	Unsecured	298,882	70,279,933	0.43 %	1,139,341	381.20 %	
Consumer Banking	Mortgage	154,848	139,455,833	0.11 %	2,145,210	1,385.37 %	
	Personal loan		100,710	25,687,281	0.39 %	1,129,390	1,121.43 %
	Others	Secured	75,029	24,519,565	0.31 %	34,058	45.39 %
		Unsecured	-	1,803,844	- %	2,593	- %
Total		656,808	282,252,609	0.23 %	4,821,391	734.06 %	
		Overdue	Accounts receivable	Overdue ratio	Allowance for bad debts	Coverage ratio	
Credit card		12,868	4,740,800	0.27 %	313,199	2,433.94 %	
Factoring loan receivable without recourse		-	15,315,482	- %	157,155	- %	

(Continued)

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

Period			December 31, 2017				
			Non-performing loan	Loan balances	NPL ratio	Allowance for bad debts	Coverage ratio
Product	Wholesale Banking	Secured	35,054	25,036,215	0.14 %	262,657	749.29 %
		Unsecured	497,711	64,144,538	0.78 %	1,017,550	204.45 %
Consumer Banking		Mortgage	217,072	130,191,100	0.17 %	2,323,977	1,070.60 %
		Personal loan	157,388	24,846,390	0.63 %	1,019,835	647.98 %
	Others	Secured	73,292	21,291,429	0.34 %	81,568	111.29 %
		Unsecured	54	1,998,999	- %	2,590	4,796.30 %
Total			980,571	267,508,671	0.37 %	4,708,177	480.15 %
			Overdue	Accounts receivable	Overdue ratio	Allowance for bad debts	Coverage ratio
Credit card			15,463	3,787,310	0.41 %	216,462	1,399.87 %
Factoring loan receivable without recourse			-	11,880,235	- %	118,802	- %

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

Units: in thousands of New Taiwan Dollars

	December 31, 2018		December 31, 2017	
	Loans that may be exempted from reporting as overdue loans	Receivables that may be exempted from reporting as overdue receivables	Loans that may be exempted from reporting as overdue loans	Receivables that may be exempted from reporting as overdue receivables
The amount under inter-bank debt relief program without default by debtors	\$ 3,639	12,096	4,466	16,150
The amount under debt discharge program and rehabilitation program without default by debtors	271,949	37,473	280,901	42,738
	<u>\$ 275,588</u>	<u>49,569</u>	<u>285,367</u>	<u>58,888</u>

(Continued)

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

ii) Concentration of corporate credit risk for the bank

Units: in thousands of New Taiwan Dollars, %

December 31, 2018				
Rank	Industry classification of group enterprise		Outstanding credit	% of net assets
1	A Group	Manufacture or integrated circuits	5,739,494	12.71 %
2	B Company	Other financial service activities not elsewhere classified	5,532,724	12.26 %
3	C Group	Ocean transportation	5,076,777	11.25 %
4	D Group	Air transport	4,038,491	8.95 %
5	E Group	Manufacture of other electronic parts and components not elsewhere classified	3,918,841	8.68 %
6	F Group	Chemical products not elsewhere classified	3,684,241	8.16 %
7	G Group	Smelting and refining of iron and steel	2,817,900	6.24 %
8	H Group	Manufacture of cement	2,489,347	5.51 %
9	I Group	Manufacture of footwear	2,303,173	5.10 %
10	J Company	Real estate development activities	1,634,504	3.62 %

December 31, 2017				
Rank	Industry classification of group enterprise		Outstanding credit	% of net assets
1	B Company	Other financial service activities not elsewhere classified	5,372,601	12.26 %
2	D Group	Air transport	4,561,277	10.40 %
3	E Group	Manufacture of other electronic parts and components not elsewhere classified	4,329,451	9.88 %
4	K Group	Air transport	3,102,934	7.08 %
5	C Group	Ocean transportation	3,043,884	6.94 %
6	L Group	Investment advisory services	2,941,977	6.71 %
7	I Group	Manufacture of footwear	2,557,243	5.83 %
8	M Group	Manufacture of other electronic parts and components not elsewhere classified	2,548,478	5.81 %
9	N Group	Ocean Transportation	2,303,448	5.25 %
10	O Group	Chemical products not elsewhere classified	1,800,000	4.11 %

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.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

5) Liquidity risk management mechanism

a) 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.

b) 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 201.1 billion, which is equivalent to 32.10% 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.

c) Financial assets held for liquidity risk management

The Bank holds cash and high quality liquid 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 financial assets at fair value through other comprehensive income.

d) Maturity analysis of non-derivatives liabilities

The table below shows the analysis of non-derivatives liabilities based on time remaining until the contractual maturity date.

	December 31, 2018				
	Within 3 months	3 months~ 1 year	1~5 years	Over 5 years	Total
Deposits from the Central Bank and banks	\$ 33,335,037	3,161,236	-	-	36,496,273
Payables	4,790,749	-	-	-	4,790,749
Related parties payable	6,231,122	-	-	-	6,231,122
Deposits and remittances	390,860,075	117,092,836	2,815,357	-	510,768,268
Financial debentures	2,200	-	2,000,000	6,147,471	8,149,671
Other financial liabilities	244,663	84,527	-	-	329,190
Total	\$ 435,463,846	120,338,599	4,815,357	6,147,471	566,765,273

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

December 31, 2017					
	Within 3 months	3 months~ 1 year	1~5 years	Over 5 years	Total
Deposits from the Central Bank and banks	\$ 58,580,313	512,214	-	-	59,092,527
Payables	3,676,343	-	-	-	3,676,343
Related parties payable	8,353,294	-	-	-	8,353,294
Deposits and remittances	414,279,670	86,667,158	4,463,432	-	505,410,260
Financial debentures	3,200	6,558,023	2,000,000	5,969,557	14,530,780
Other financial liabilities	1,182,304	-	82,082	-	1,264,386
Total	<u>\$ 486,075,124</u>	<u>93,737,395</u>	<u>6,545,514</u>	<u>5,969,557</u>	<u>592,327,590</u>

e) 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:

i) Maturity analysis of net settled derivatives

December 31, 2018						
	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 or loss						
— Foreign exchange derivative instruments	\$ 110,005	27,322	52,417	8,148	77	197,969
— Interest rate derivative instruments	9,415	11,211	25,805	87,574	1,667,189	1,801,194
Derivative financial instruments for hedging						
— Interest rate derivative instruments	-	-	-	-	8,518	8,518
	<u>\$ 119,420</u>	<u>38,533</u>	<u>78,222</u>	<u>95,722</u>	<u>1,675,784</u>	<u>2,007,681</u>
December 31, 2017						
	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 or loss						
— Foreign exchange derivative instruments	\$ 312,226	70,197	216,670	46,713	12	645,818
— Interest rate derivative instruments	2,237	20,175	26,385	101,820	1,574,186	1,724,803
Derivative financial instruments for hedging						
— Interest rate derivative instruments	-	349	-	-	1,270	1,619
	<u>\$ 314,463</u>	<u>90,721</u>	<u>243,055</u>	<u>148,533</u>	<u>1,575,468</u>	<u>2,372,240</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

ii) Maturity analysis of gross settled derivatives

December 31, 2018						
	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 or loss						
— Foreign exchange derivative instruments						
— Cash outflow	\$ 219,033,271	165,344,241	136,984,890	79,034,162	3,210,423	603,606,987
— Cash inflow	217,402,560	163,810,744	134,929,654	78,098,563	3,144,110	597,385,631
Net cash flow	<u>\$ (1,630,711)</u>	<u>(1,533,497)</u>	<u>(2,055,236)</u>	<u>(935,599)</u>	<u>(66,313)</u>	<u>(6,221,356)</u>
December 31, 2017						
	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 or loss						
— Foreign exchange derivative instruments						
— Cash outflow	\$ 202,310,421	196,721,970	111,032,584	47,749,363	969,916	558,784,254
— Cash inflow	200,633,954	195,843,615	110,969,432	47,891,081	967,142	556,305,224
Derivative financial instruments for hedging						
— Foreign exchange derivative instruments						
— Cash outflow	-	-	-	3,438,539	-	3,438,539
Net cash flow	<u>\$ (1,676,467)</u>	<u>(878,355)</u>	<u>(63,152)</u>	<u>(3,296,821)</u>	<u>(2,774)</u>	<u>(5,917,569)</u>

f) 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 balance sheets.

December 31, 2018						
	0~30 days	31~90 Days	91 days~ 1 year	Over 1 year	Total	
Other guarantees	\$ 805,381	1,207,883	1,922,148	415,547	4,350,959	
Unused amount of irrevocable loan commitments	373,719	747,438	136,732	146,993	1,404,882	
Unused amount of irrevocable letters of credit	215,503	516,886	49,466	-	781,855	
	<u>\$ 1,394,603</u>	<u>2,472,207</u>	<u>2,108,346</u>	<u>562,540</u>	<u>6,537,696</u>	
December 31, 2017						
	0~30 days	31~90 Days	91 days~ 1 year	Over 1 year	Total	
Other guarantees	\$ 407,106	1,158,723	1,291,569	414,595	3,271,993	
Unused amount of irrevocable loan commitments	118,119	236,237	43,216	129,479	527,051	
Unused amount of irrevocable letters of credit	552,558	1,199,116	44,963	-	1,796,637	
	<u>\$ 1,077,783</u>	<u>2,594,076</u>	<u>1,379,748</u>	<u>544,074</u>	<u>5,595,681</u>	

g) Structure Analysis of Maturity Date New Taiwan Dollars

December 31, 2018

	Total	Remaining period to expiration					
		0~10 days	11~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year
Capital provided	\$ 879,050,471	197,718,458	89,276,860	147,557,086	111,477,953	125,750,669	207,269,445
Capital used	929,410,633	131,962,719	113,698,157	180,788,010	135,545,161	119,975,061	247,441,525
Gap	(50,360,162)	65,755,739	(24,421,297)	(33,230,924)	(24,067,208)	5,775,608	(40,172,080)

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

December 31, 2017

	Total	Remaining period to expiration					
		0~10 days	11~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year
Capital provided	\$ 837,366,729	138,360,109	107,913,408	172,566,579	112,648,324	95,636,932	210,241,377
Capital used	921,466,623	83,827,113	112,360,386	226,571,544	146,958,873	80,982,897	270,765,810
Gap	(84,099,894)	54,532,996	(4,446,978)	(54,004,965)	(34,310,549)	14,654,035	(60,524,433)

h) Structure Analysis of Maturity Date US Dollars

December 31, 2018

Units: in thousands of US Dollars

	Total	Remaining period to expiration				
		0~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year
Capital provided	\$ 25,447,302	10,758,549	5,713,459	4,434,006	3,776,362	764,926
Capital used	27,066,857	11,126,424	7,016,212	4,021,223	3,370,580	1,532,418
Gap	(1,619,555)	(367,875)	(1,302,753)	412,783	405,782	(767,492)

December 31, 2017

Units: in thousands of US Dollars

	Total	Remaining period to expiration				
		0~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year
Capital provided	\$ 23,562,097	9,265,128	7,150,820	4,419,703	2,024,576	701,870
Capital used	24,415,026	9,540,294	7,642,905	3,625,569	2,032,605	1,573,653
Gap	(852,929)	(275,166)	(492,085)	794,134	(8,029)	(871,783)

(iv) 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:

December 31, 2018						
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)	Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial assets	\$ 8,043,768	-	8,043,768	3,339,296	1,317,955	3,386,517
Securities purchased under resell agreements	11,738,716	-	11,738,716	-	11,738,716	-
Total	\$ 19,782,484	-	19,782,484	3,339,296	13,056,671	3,386,517

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

December 31, 2018					
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)	Cash collateral pledged
					Net amount (e)=(c)-(d)
Derivative financial liabilities	\$ 8,114,286	-	8,114,286	3,339,296	1,180,788
					3,594,202
December 31, 2017					
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)	Cash collateral received
					Net amount (e)=(c)-(d)
Derivative financial assets	\$ 6,956,400	-	6,956,400	3,071,079	1,149,472
Securities purchased under resell agreements	3,356,185	-	3,356,185	-	3,356,185
Total	\$ 10,312,585	-	10,312,585	3,071,079	4,505,657
					2,735,849
December 31, 2017					
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)	Cash collateral pledged
					Net amount (e)=(c)-(d)
Derivative financial liabilities	\$ 7,428,672	-	7,428,672	3,071,079	708,533
					3,649,060

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

(v) Capital management

1) Summary

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

- Meeting the regulatory capital requirement and the minimum capital adequacy ratio is the Bank's fundamental goal for capital management. The Bank calculates qualified capital and regulatory capital requirement in accordance with rules issued by the regulator.
- To ensure keeping adequate capital to support all the risks surrounding its business, the Bank should take the risk portfolio 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.

2) 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":

(Continued)

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

- a) Tier 1 Capital: The aggregate amount of Common Equity and additional Tier 1 Capital.

- i) 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, unamortised 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:

1. Common stock and additional paid-in capital in excess of par-common stock
2. Capital collected in advance
3. Capital reserves
4. Legal reserves
5. Special reserves
6. Accumulated profit or loss
7. Non-controlling interests
8. Other items in stockholders' equity

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

- b) 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.

(Continued)

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

3) Capital adequacy

Period-end			December 31, 2018	December 31, 2017
Item				
Self-owned capital	Common stock capital		40,752,246	39,686,736
	Other Tier 1 capital		-	-
	Tier 2 capital		9,600,646	9,433,516
	Total self-owned capital		50,352,892	49,120,252
Risk-weighted assets	Credit risk	Standard approach (SA)	274,205,939	261,584,019
		Internal ratings-based approach (IRB)	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach (BIA)	24,373,762	24,233,455
		Standardized approach(SA)/alternative approach	-	-
		Advanced measurement approach (AMA)	-	-
	Market risk	Standardized approach (SA)	20,198,732	17,487,767
		Internal model-based approach (IMA)	-	-
	Total risk-weighted assets		318,778,433	303,305,241
Capital adequacy ratio			15.80 %	16.19 %
Ratio of common stock to total risk-based assets			12.78 %	13.08 %
Ratio of Tier 1 capital to risk-based assets			12.78 %	13.08 %
Leverage ratio			6.19 %	5.90 %

Note : Capital Adequacy was prepared in compliance with Regulations Governing the Capital Adequacy and Capital Category of Banks.

(7) Related-party transactions:

(a) 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
Standard Chartered Global Business Services Private Limited	Affiliate
Standard Chartered Global Business Services Sdn Bhd	Affiliate
Standard Chartered Bank Hong Kong Limited ("SCB Hong Kong")	Affiliate
Standard Chartered Bank China Limited ("SCB China")	Affiliate
Standard Chartered Bank Thailand Limited ("SCB Thailand")	Affiliate

(Continued)

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

Name	Relationship
Standard Chartered Bank Korea Limited ("SCB Korea")	Affiliate
Standard Chartered Bank Vietnam Limited ("SCB Vietnam")	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 Dubai ("SCB Dubai")	Affiliate
Standard Chartered Bank Mauritius ("SCB Mauritius")	Affiliate
Standard Chartered Bank France ("SCB France")	Affiliate
Standard Chartered Bank Australia ("SCB Australia")	Affiliate
Standard Chartered Bank India ("SCB India")	Affiliate
Standard Chartered Bank Qatar ("SCB Qatar")	Affiliate
Standard Chartered Bank Malaysia ("SCB Malaysia")	Affiliate
Standard Chartered Bank UAE ("SCB UAE")	Affiliate
Standard Chartered Bank Sweden ("SCB Sweden")	Affiliate
Directors, President and Vice Presidents	The senior management of the Bank
Others	According to IAS No.24, "Related Party Disclosure", related party should include: 1) Members of key management personnel or directors. 2) Spouse, and first-or second-degree blood relatives of senior management, members of key management personnel or directors. 3) Senior management, members of key management personnel or directors and entities which people listed above are their directors, supervisors or presidents.

(Continued)

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

(b) Significant transactions with related parties

(i) Deposits

December 31, 2018			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties not over 1% of total deposits	\$ <u>315,102</u>	<u>0.06</u>	0.00~7.00
December 31, 2017			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties not over 1% of total deposits	\$ <u>438,144</u>	<u>0.09</u>	0.00~6.80

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 years ended December 31, 2018 and 2017, interest expenses on the above deposits were \$2,121 thousand and \$2,564 thousand, respectively. As of December 31, 2018 and 2017, the interest payables on the above transaction were \$263 thousand and \$239 thousand, respectively.

For the year ended December 31, 2018, interest expense on the time deposit of SCB Hong Kong was \$66,068 thousand.

(ii) Loans

2018							
Type of loan	Maximum balance during the period	Number of accounts or name of related party	Ending balance	Repayment		Collateral	Difference between terms and conditions offered to the accounts and to the general public
				On-schedule	Overdue		
Employee consumer loans	9,448	19	6,077	6,077	-	Unsecured lending	None
Mortgage	93,038	16	82,942	82,942	-	House	None
Other	3,765	Other individuals	3,155	3,155	-	Overdraft on the comprehensive deposits	None
2017							
Type of loan	Maximum balance during the period	Number of accounts or name of related party	Ending balance	Repayment		Collateral	Difference between terms and conditions offered to the accounts and to the general public
				On-schedule	Overdue		
Employee consumer loans	8,703	15	5,746	5,746	-	Unsecured lending	None
Mortgage	194,339	19	146,105	146,105	-	House	None
Other	4,363	Other individuals	3,765	3,765	-	Overdraft on the comprehensive deposits	None

For the years ended December 31, 2018 and 2017, interest income on the above loans were \$1,405 thousand and \$2,110 thousand, respectively. As of December 31, 2018 and 2017, the interest receivables from the above transaction were \$68 thousand and \$112 thousand.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(iii) Foreign exchange and derivative transactions

December 31, 2018						
Name	Contracts	Contracts	Notional	Gain (loss) on valuation	Balance sheet	
		duration period			Account	Balance
SCB Singapore	Interest rate swap	2019.1.3~ 2028.11.29	\$ 182,151,962	(131)	Financial assets at fair value through profit or loss	357,198
					Financial liabilities at fair value through profit or loss	(382,678)
	Spot/forward/swap	2019.1.2~ 2020.6.15	63,379,934	(296,763)	Financial assets at fair value through profit or loss	323,090
					Financial liabilities at fair value through profit or loss	(111,917)
	Foreign exchange option	2019.1.2~ 2020.10.13	80,866,194	311,012	Financial assets at fair value through profit or loss	15,999
					Financial liabilities at fair value through profit or loss	(239,362)
	Cross currency swap	2021.6.8~ 2021.10.4	737,531	38,943	Financial assets at fair value through profit or loss	24,697
					Financial liabilities at fair value through profit or loss	(108,050)
	Spot/forward/swap	2019.1.2~ 2019.11.17	42,213,398	464,268	Financial assets at fair value through profit or loss	395,844
					Financial liabilities at fair value through profit or loss	(108,050)
SCB Hong Kong	Spot/forward/swap	2019.1.2~ 2019.8.20	62,099,765	(45,193)	Financial assets at fair value through profit or loss	177,247
					Financial liabilities at fair value through profit or loss	(177,876)
December 31, 2017						
Name	Contracts	Contracts	Notional	Gain (loss) on valuation	Balance sheet	
		duration period			Account	Balance
SCB	Interest rate swap	2018.1.26~ 2027.12.7	\$ 203,171,847	78,908	Financial assets at fair value through profit or loss	214,926
					Financial liabilities at fair value through profit or loss	(240,275)
	Spot/forward/swap	2018.1.2~ 2020.1.14	36,887,397	1,381,499	Financial assets at fair value through profit or loss	804,879
					Financial liabilities at fair value through profit or loss	(296,943)
	Foreign exchange option	2018.1.2~ 2018.12.28	115,253,516	1,869,975	Financial assets at fair value through profit or loss	13,662
					Financial liabilities at fair value through profit or loss	(548,037)
	Commodity swap	2018.1.3~ 2018.6.4	2,122,265	(118,764)	Financial assets at fair value through profit or loss	10,970
					Financial liabilities at fair value through profit or loss	(115,655)
	Cross currency swap	2018.1.5~ 2018.1.29	5,969,560	(1,077,908)	Financial liabilities at fair value through profit or loss	(14,246)
					Derivative financial liabilities for hedging	(349)
Interest rate swap (Hedge)	2018.2.13~ 2018.2.20	507,413	14,611	Derivative financial liabilities for hedging	(349)	
				Financial assets at fair value through profit or loss	95,388	
SCB Singapore	Spot/forward/swap	2018.1.2~ 2018.12.21	40,076,907	(1,623,498)	Financial assets at fair value through profit or loss	95,388
					Financial liabilities at fair value through profit or loss	(271,862)
SCB Hong Kong	Spot/forward/swap	2018.1.2~ 2018.12.21	19,971,299	149,198	Financial assets at fair value through profit or loss	215,651
					Financial liabilities at fair value through profit or loss	(171,087)

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

As of December 31, 2018 and 2017, the premium receivables resulting from the above option contracts were \$2,159 thousand and \$10,707 thousand, respectively, recorded under receivables – net; and as of December 31, 2018 of the premium payables resulting from the above option contracts was \$3,468 thousand recorded under related parties payable. As of December 31, 2017, the interest payable from the above interest rate swap was \$548 thousand, recorded under related parties payable.

(iv) Deposits with banks – affiliates

	2018		
	Balance	Interest rate %	Interest income
SCB Taipei	\$ 6,600,000	0.16~0.24	8,183
SCB New York	3,233,520	1.20	17,323
SCB China	1,571,771	1.84	11,788
SCB Germany	1,453,462	-	-
SCB	1,361,771	-	-
SCB Japan	1,142,204	-	-
SCB Hong Kong	172,199	-	-
SCB Singapore	74,400	-	-
SCB Thailand	570	-	-
SCB Philippines	165	-	-
	\$ 15,610,062		37,294

	2017		
	Balance	Interest rate %	Interest income
SCB China	\$ 3,456,593	2.00~5.00	33,171
SCB New York	2,379,694	0.58	7,731
SCB Germany	1,473,913	-0.50	(3)
SCB Japan	1,287,455	-	-
SCB	822,476	-	-
SCB Hong Kong	707,140	-	2
SCB Singapore	66,730	-	-
SCB Thailand	885	-	-
SCB Philippines	169	-	-
	\$ 10,195,055		40,901

As of December 31, 2018 and 2017, interest receivable resulting from the above deposits with banks to affiliates were \$2,038 thousand and \$3,973 thousand, respectively. For the years ended December 31, 2018 and 2017, the service charge from the above deposits were \$24,165 thousand and \$26,288 thousand, respectively, recorded under net service fee income.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(v) Call loans to banks — affiliates

2018			
	Balance	Interest rate %	Interest income
SCB Taipei	\$ 27,981,517	-0.21~4.00	725,866
SCB	12,141,256	-0.50~2.40	286,857
SCB Hong Kong	-	-0.75~7.60	24,009
SCB Japan	-	-0.16~2.45	9,626
SCB China	-	-0.50~5.10	3,449
SCB Korea	-	1.52~2.24	2,001
SCB Thailand	-	-0.45~2.40	338
SCB Singapore	-	1.70~2.80	77
SCB Germany	-	-0.50	(753)
	<u>\$ 40,122,773</u>		<u>1,051,470</u>
2017			
	Balance	Interest rate %	Interest income
SCB Taipei	\$ 27,589,121	-0.27~4.00	451,434
SCB	23,281,273	0.75~1.50	105,846
SCB Japan	2,647,364	-0.11~1.50	9,022
SCB Thailand	1,492,389	2.40~3.60	1,373
SCB Korea	-	1.53~1.96	23,237
SCB Hong Kong	-	0.40~1.45	3,262
SCB New York	-	1.25	1,438
SCB Singapore	-	-0.26~14.00	456
SCB Germany	-	-0.50~-0.45	(5,529)
SCB China	-	-0.30	(1)
	<u>\$ 55,010,147</u>		<u>590,538</u>

As of December 31, 2018 and 2017, the interest receivables resulting from the above call loans to banks to affiliates were \$185,627 thousand and \$144,004 thousand, respectively, recorded under receivables — net.

(vi) Deposits from banks — affiliates

2018			
	Balance	Interest rate %	Interest expense
SCB Taipei	\$ <u>211,519</u>	0.01	<u>72</u>
2017			
	Balance	Interest rate %	Interest expense
SCB Taipei	\$ <u>1,283,826</u>	0.01	<u>108</u>

As of December 31, 2018 and 2017, the interest payables resulting from the above deposits from banks to affiliates were \$1 thousand and \$4 thousand, respectively, recorded under related parties payable.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(vii) Overdrafts on banks — affiliates

	2018		
	Balance	Interest rate %	Interest expense
SCB Hong Kong	\$ 45,561	6.38	300
SCB Germany	-	1.50	4,452
SCB China	-	7.21	1,195
SCB New York	-	2.40	1,130
SCB Singapore	-	10.75	29
SCB	-	1.75	3
	<u>\$ 45,561</u>		<u>7,109</u>
	2017		
	Balance	Interest rate %	Interest expense
SCB Germany	\$ -	1.50	3,270
SCB Hong Kong	-	6.25	578
SCB New York	-	1.25	373
SCB China	-	8.00	345
SCB	-	1.25	20
	<u>\$ -</u>		<u>4,586</u>

As of December 31, 2018 and 2017, no interest payables resulting from the above overdrafts on banks to affiliates were recorded.

(viii) Call loans from banks — affiliates

	2018		
	Balance	Interest rate %	Interest expense
SCB Hong Kong	\$ 25,178,765	-0.45~7.30	611,911
SCB Vietnam	4,456,917	2.20~3.04	58,581
SCB Taipei	4,027,945	0.00~2.83	24,865
SCB Korea	1,844,242	1.47~2.80	22,886
SCB Macau	614,747	0.05~2.79	14,382
SCB Japan	-	0.00~2.80	45,436
SCB Singapore	-	-0.45~2.33	5,570
SCB Thailand	-	2.06~2.25	3,039
SCB China	-	1.50~2.40	2,836
SCB	-	-0.40~-0.22	(170)
	<u>\$ 36,122,616</u>		<u>789,336</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

		2017	
	Balance	Interest rate %	Interest expense
SCB Hong Kong	\$ 42,468,776	0.28~2.00	240,157
SCB Vietnam	1,492,389	2.20	274
SCB Macau	776,042	0.91~1.52	10,794
SCB Taipei	596,956	0.27~1.45	42,282
SCB Singapore	-	1.30~1.80	27,560
SCB	-	1.65	25,712
SCB New York	-	1.70	15,279
SCB Thailand	-	1.55	11,955
SCB China	-	0.95~1.50	8,514
SCB Korea	-	0.90~1.50	6,197
SCB Japan	-	-	100
	<u>\$ 45,334,163</u>		<u>388,824</u>

As of December 31, 2018 and 2017, the interest payables resulting from the above call loans from banks to affiliates were \$167,368 thousand and \$67,057 thousand, respectively, recorded under related parties payable.

- (ix) The fair value of financial debentures acquired from affiliates, which were recognized as available-for-sale financial assets were redeemed on maturity.

For the year ended December 31, 2017, the interest income resulting from the redemption was \$227,078 thousand.

- (x) The detail of securities purchased under resell agreement and debt instruments acquired from affiliates were as follows:

Name	December 31, 2018	December 31, 2017
SCB	<u>\$ 346,779</u>	<u>238,185</u>

For the years ended December 31, 2018 and 2017, the interest income resulting from the above transaction were \$6,506 thousand and \$1,421 thousand, respectively. As of December 31, 2018 and 2017, the interest receivable resulting from the above transaction were \$329 thousand and \$162 thousand, respectively, recorded under receivables—net.

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

Name	Bond (note)	December 31, 2018	December 31, 2017
SCB	103-2	<u>\$ 6,147,471</u>	<u>5,969,557</u>

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

For the years ended December 31, 2018 and 2017, the interest expenses on the above transactions were \$275,203 thousand and \$277,770 thousand, respectively. As of December 31, 2018 and 2017, the interest payables on the above transactions were \$10,758 thousand and \$10,447 thousand, respectively, recorded under related parties payable.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(xii) Guarantee

	2018			
	Maximum balance during the period	Ending balance	Expense	Collateral
SCB Indonesia	\$ 12,295	12,295	USD100 (per case)	None

	2017			
	Maximum balance during the period	Ending balance	Expense	Collateral
SCB Indonesia	\$ 11,939	11,939	USD100 (per case)	None

(xiii) For the year ended December 31, 2018, operational and advisory service fees, consulting and technical support service fees and wholesale banking business service fees were \$961,341 thousand, \$485,519 thousand, and \$105,578 thousand, respectively. For the year ended December 31, 2017, operational and advisory service fees, consulting and technical support service fees and wholesale banking business service fees were \$1,042,050 thousand, \$530,087 thousand, and \$128,997 thousand, respectively. As of December 31, 2018 and 2017, fees payables to SCB were \$5,662,056 thousand and \$8,144,014 thousand, respectively, recorded under related parties payable. For the year ended December 31, 2018 and 2017, the group insurance expenses for entering the group insurance amounted to \$21,468 thousand and \$23,600 thousand, respectively.

(xiv) For the years ended December 31, 2018 and 2017, the related cost of the Executive Share Option Scheme amounted to \$26,752 thousand and \$26,038 thousand, respectively. As of December 31, 2018 and 2017, the estimated accounts payable to SCB for the share-based payment scheme costs amounted to \$73,574 thousand and \$45,183 thousand, respectively, recorded under related parties payable. The prepaid fee to SCB for the share-based payment scheme costs amounted to \$857 thousand and \$832 thousand, respectively, recorded under other assets – net.

(xv) For the years ended December 31, 2018 and 2017, expenses resulting from operating and other business related activities with affiliates were as follows:

Name	2018	2017
Technical support service fees:		
SCB Singapore	\$ 10,094	6,124
SCB	7,558	5,074
SCB Hong Kong	6,738	10,738
SCB Philippines	4,663	-
SCB Australia	1,675	-
Other	1,430	746
Total	<u>\$ 32,158</u>	<u>22,682</u>

(Continued)

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

Name	2018	2017
Information technology service fees:		
Standard Chartered Global Business Services Sdn Bhd	\$ 152,220	100,403
Standard Chartered Global Business Services Private Limited	112,315	102,264
Total	\$ 264,535	202,667
Consultant service income, origination income, and trading income:		
SCB	\$ 228,781	199,646
SCB Hong Kong	78,020	61,521
SCB New York	19,058	23,781
SCB China	14,958	10,652
Other	13,076	10,030
Total	\$ 353,893	305,630
Consultant service fees and origination fees:		
SCB	\$ 52,681	11,928
SCB Hong Kong	52,345	2,073
SCB New York	43,043	266
SCB China	11,774	(3,712)
SCB Korea	11,746	10,911
Other	31,736	6,094
Total	\$ 203,325	27,560

As of December 31, 2018 and 2017, technical support service fees payables and information technology service fees payables were \$69,430 thousand and \$29,265 thousand, respectively, recorded under related parties payable. As of December 31, 2018 and 2017, consultant service income, origination income, trading income and technical support service receivables were \$216,111 thousand and \$275,711 thousand, respectively, recorded under receivables—net. As of December 31, 2018 and 2017, consultant service fees, origination fees and trading fees payables were \$247,672 thousand and \$53,068 thousand, respectively, recorded under related parties payable.

- (xvi) 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 years ended December 31, 2018 and 2017, the rentals were \$3,091 thousand and \$3,122 thousand, respectively. As of December 31, 2018 and 2017, the utility and information system usage income receivables from SCB Taipei were \$80 thousand and \$71 thousand, respectively, recorded under receivables—net. For the years ended December 31, 2018, and 2017, the related recharge from expense allocation were \$934 thousand and \$947 thousand, respectively.
- (xvii) For the years ended December 31, 2018 and 2017, the administrative support service income from SCB Taipei to the Bank were \$3,180 thousand and \$3,184 thousand, respectively.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(xviii) The Bank entered into the Exclusivity Fee Sharing Agreement with Standard Chartered Bank Singapore. For the years ended December 31, 2018 and 2017, the service fee income were \$664,955 thousand and \$562,083 thousand, respectively, recorded under net service fee income. As of December 31, 2018 and 2017, the service income receivables were \$476,442 thousand and \$2,050,231 thousand, respectively, recorded under receivables – net. Advance service fee income totaled \$1,743,369 thousand recorded under other liabilities. (Please refer to note 9 Significant Contingent Liabilities and Unrecognized Contract Commitments – (c) significant service agreements section for related information).

(c) The salary and remuneration for directors and supervisors

	2018	2017
Salary and other short-term benefits	\$ 253,380	242,186
Post-employment benefits	1,175	1,101
Total	<u>\$ 254,555</u>	<u>243,287</u>

(8) Pledged assets:

Units: in thousands of New Taiwan Dollars

Pledged assets	Pledged for	Face value	
		December 31, 2018	December 31, 2017
Negotiable certificates of deposit, bonds (recorded under other financial assets)	Provision seizures	\$ -	2,900
	USD overdraft clearing deposits	14,600,000	7,000,000
Total		<u>\$ 14,600,000</u>	<u>7,002,900</u>

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

Pledged assets	Pledged for	Face value	
		December 31, 2018	December 31, 2017
Negotiable certificates of deposit, bonds (recorded under other financial assets)	Trust indemnity reserve	\$ 150,000	150,000
	Operating deposits for foreign bond agency business	50,000	50,000
	Operating deposits for securities underwriting	50,000	50,000
	Operating deposits for bills business	200,000	100,000
	Settlement reserves for bond proprietary trading	100,000	100,000
		<u>550,000</u>	<u>450,000</u>
Guarantee deposits paid (recorded under other assets)	Operating deposits and settlement reserves for bond proprietary trading	50,300	50,300
Total		<u>\$ 600,300</u>	<u>500,300</u>

(Continued)

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

- (a) Provision seizures are collateral placed with the court in order to execute the Bank's right over debtors' properties.
- (b) USD overdraft clearing deposits are security deposits for the overdraft facility of the Bank.
- (c) Reserves for indemnity obligations are provided in the way of deposits placed in the Central Bank of Republic of China for conducting trust and custodian business.
- (d) Operating deposits for foreign bond agency business are operating deposits placed for operating business of foreign bond agency approved by the competent authority. The provision is prepared in accordance with the Regulations Governing Securities Firms.
- (e) Operating deposits for securities underwriting are operating deposits placed for operating business of securities underwriting business approved by the competent authority in accordance with the Regulations Governing Securities Firms. (Deposits required in accordance with relevant regulations for securities underwriting is \$40,000 thousand)
- (f) Operating deposits for bills business are deposits placed in the Central Bank of the Republic of China for the Bank's bills business.
- (g) Operating deposits and settlement reserves for bond proprietary trading are comprised of the Bank's operating deposits for securities business, self-regulatory fund deposits in Taiwan Securities Association, and settlement reserves placed in the Taipei Exchange's electronic bond trading system, which were prepared in accordance with the related regulation.

(9) Commitments and contingencies:

- (a) Commitments and contingent liabilities

	December 31, 2018	December 31, 2017
Consignment collection for others	\$ 5,081,527	5,830,661
Securities, consignments and goods in custody	1,669,911,090	2,376,437,835
Trust assets	89,389,906	94,424,876
	<u><u>\$ 1,764,382,523</u></u>	<u><u>2,476,693,372</u></u>
Other guarantees	<u><u>\$ 4,350,959</u></u>	<u><u>3,271,993</u></u>
Unused amount of irrevocable loan commitments	<u><u>\$ 1,404,882</u></u>	<u><u>527,051</u></u>
Unused amount of irrevocable letters of credit	<u><u>\$ 781,855</u></u>	<u><u>1,796,637</u></u>

- (b) Operating leases

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

	December 31, 2018	December 31, 2017
Not later than one year	\$ 368,202	431,888
Later than one year and less than five years	537,676	816,016
Total	<u><u>\$ 905,878</u></u>	<u><u>1,247,904</u></u>

(Continued)

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

(c) Significant service agreements

The Bank entered into a bancassurance agreement with PCA Life Assurance Co., Ltd. ("PCA") and SCLIA on July 4, 2014 to continue the tripartite partnership and to promote and sell approved insurance products. SCLIA entered into the Exclusivity Fee Sharing Agreement with SCB Singapore on December 30, 2014. Since SCLIA has merged into the Bank through absorption on October 1, 2016. As of the date of merger, rights and obligations related to the service agreements of SCLIA were generally assumed by the Bank.

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

Trust balance sheet
December 31, 2018

Trust assets		Trust liabilities	
Bank deposits	\$ 7,409	Accounts payable	\$ 4
Short-term investments	84,214,746	Tax payable	-
Structured notes	4,693,436	Payables for securities under custody	474,308
Securities under custody	474,308	Trust capital and accumulated	88,915,588
Other assets	1	earnings	
Total trust assets	<u>\$ 89,389,900</u>	Total trust liabilities	<u>\$ 89,389,900</u>

Trust balance sheet
December 31, 2017

Trust assets		Trust liabilities	
Bank deposits	\$ 5,758	Accounts payable	\$ 5
Short-term investments	89,476,508	Tax payable	1
Structured notes	4,319,337	Payables for securities under custody	623,272
Securities under custody	623,272	Trust capital and accumulated	93,801,598
Other assets	1	earnings	
Total trust assets	<u>\$ 94,424,876</u>	Total trust liabilities	<u>\$ 94,424,876</u>

Trust income statements

	2018	2017
Trust revenue:		
Interest revenue	\$ 4,814,335	4,001,698
Common stock cash dividends	238	358
Realized gain on investments	1,606,738	2,287,405
Unrealized gain on investments	1,053,231	3,917,889
Net gain on trading of assets	8	-
	<u>7,474,550</u>	<u>10,207,350</u>
Trust expenses:		
Management expense	\$ 48	59
Service charges	-	1
Realized loss on investments	2,235,284	2,155,260
Unrealized loss on investments	7,613,947	1,108,305
Loss on trading of assets	-	37
	<u>9,849,279</u>	<u>3,263,662</u>

(Continued)

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

	2018	2017
Net gain (loss) before income tax	\$ (2,374,729)	6,943,688
Income tax expense	-	-
Net gain (loss) after income tax	<u>\$ (2,374,729)</u>	<u>6,943,688</u>

Schedules of investment for trust business

Investment items	December 31, 2018	December 31, 2017
Bank deposits	\$ 7,409	5,758
Short-term investments:		
Bonds	24,588,864	23,170,622
Common stock	4,344,437	3,913,947
Funds	55,281,445	62,391,939
Structured notes	4,693,436	4,319,337
Securities under custody	474,308	623,272
Other assets	<u>1</u>	<u>1</u>
	<u>\$ 89,389,900</u>	<u>94,424,876</u>

Foreign currency trust business engaged by the Offshore Banking Unit (OBU) as of December 31, 2018 and 2017, were included in the trust balance sheets and schedules of investment for trust business.

(10) Losses Due to Major Disasters: None

(11) Significant Subsequent Events: None

(12) Others:

(a) Profitability

Unit: %

Items		December 31, 2018	December 31, 2017
Return on assets	Before income tax	0.44	0.41
	After income tax	0.43	0.35
Return on equity	Before income tax	6.31	6.06
	After income tax	6.12	5.13
Net profit ratio		20.39	16.31

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(13) Other disclosures items:

For the year ended December 31, 2018, relevant information of any major transactions that the Bank was required to disclose are as follows:

- (a) Related information on significant transactions:
- (i) Loans to other parties: None
 - (ii) Guarantees and endorsements for other parties: None
 - (iii) Information regarding securities held at the reporting date (subsidiaries, associates and joint ventures are not included): None
 - (iv) 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
 - (v) 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
 - (vi) Information on the disposal of real estate for which the sale amount exceeded NT\$300 million or 10% of the Bank's paid in capital: None
 - (vii) Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT\$5 million: None
 - (viii) Information regarding from related parties for which the amount exceeded NT\$300 million or 10% of the Bank's paid in capital: Notes 6(h) and 7
 - (ix) Information regarding trading in derivative financial instruments: None
 - (x) Information regarding selling non performing loans: None
 - 1) Summary table of NPL disposal: None
 - 2) Disposal of a single batch of NPL up to NT\$1 billion and information on each transaction: None
 - (xi) Information on applications for handling securitized commodities according to the Regulation on Financial Asset Securitization or the Regulation on Real Estate Investment Trusts: None
 - (xii) Business relationship, and material transaction and amount between the parent party and subsidiaries and among subsidiaries themselves: Not applicable.
 - (xiii) Other material transaction items which were significant to people who use the information in the financial statements to make financial decisions: None

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(b) Information on long-term equity investments and combined shareholding ratios:

(In Thousands of New Taiwan Dollars)

Name of investee	Investee's location	Investee's operation	Percentage of ownership	Book value of investments	Gain (loss) recognized during the period	Holdings				Remarks
						Number of shares (thousand)	Pro forma number of shares (thousand)	Total		
								Shares (thousand)	Percentage	
Taiwan Small and Medium Enterprises Development Corp.	8F., No.181, Fushing N. Rd., Songshan District, Taipei City 10596, Taiwan (R.O.C.)	Small and medium enterprises improvement services	4.84 %	29,038	-	3,417	-	3,417	4.84 %	Note 2
Financial Information Service Co., Ltd.	No.81, Sec. 3, Kangning Rd., Neihu District, Taipei City 11485, Taiwan (R.O.C.)	Information technology services	1.14 %	300,806	15,735	5,938	-	5,938	1.14 %	Note 2
TSC Bio Venture Management, Inc.	5F., No.50, Sec. 1, Sinsheng S. Rd., Zhongzheng Dist., Taipei City 100, Taiwan (R.O.C.)	Venture capital services	5.00 %	8,740	137	851	-	851	5.00 %	Note 2
Universal Venture Investment, Inc.	8F., No.70, Sec. 3, Nanjing E. Rd., Zhongshan District, Taipei City 10489, Taiwan (R.O.C.)	Venture capital services	4.76 %	4,989	-	558	-	558	4.76 %	Note 2 and 3
Windance Co., Ltd.	No.243-1, Zhongyang Rd., North District, Hsinchu City 30041, Taiwan (R.O.C.)	Residential and commercial lease/sale services	2.73 %	-	-	18,850	-	18,850	2.73 %	Note 2
Taiwan Asset Service Corporation	10F., No.300, Sec. 4, Zhongxiao E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	Asset auction notarization	2.94 %	41,600	350	5,000	-	5,000	2.94 %	Note 2
Yang Guang Asset Management Company	11F., No.85 and No.87, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	NPL acquisition services	1.42 %	1,869	110	85	-	85	1.42 %	Note 2

Note 1: The book value of investments recorded under financial assets at fair value through other comprehensive income.

Note 2: Except for capital reduction performed by Universal Venture Investment, Inc. in 2018, shares held by the Bank remained the same as compared to December 31, 2017.

Note 3: Universal Venture Investment Inc. reduced its equity through share cancellations on August 10, 2018.

Note 4: For the year ended December 31, 2018, liquidation dividend of \$103 thousand issued by Fuji Enterprise Management Corporation, which was liquidated in 2013, was received and recorded under realized gain on financial assets at fair value through other comprehensive income.

(c) Information on setting up branches and investing in Mainland China:

- (i) Name, main operating items and other information of the invested company in Mainland China: None
- (ii) Amount limitation of investments in Mainland China: None

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(14) Operating segment financial information:

The Bank presents the following segment information for the decision makers of the bank to allocate resources and evaluate each segment's performance. The information focuses on the results from the operations of the relevant segments and their respective profits before tax. Reported segments in accordance with IFRS No. 8 are as follows:

- (a) **Retail Banking:** In charge of developing a long-term sustainable customer-focused strategy and building a high performance culture through robust execution. Responsible for retail clients segment development in customer value propositions, product development.
- (b) **International Corporates and Financial Institutions Banking:** International Corporates & Financial Institutions Banking provides International Corporates and Financial Institutions clients with trade finance, cash management, securities services, foreign exchange and risk management, capital raising and corporate finance solutions.
- (c) **Commercial Banking:** The Commercial Banking segment mainly targets at serving corporate clients, particularly those clients with trade finance or international cash management needs. The professional financial services we provide include short-term loans for working capital, mid-term or long-term financing, import and export trade financing, supply chain financing, cash management, foreign exchange services and corporate internet banking, etc.
- (d) **Other Banking services:** Including asset and liability management and other assets, liabilities, income, and expense that cannot be classified under a specific department.

Management monitors each segment's performance in order to allocate the required resources and to evaluate its performance. Segments' performance is evaluated according to its operating gain or loss. The disclosures of assets, liabilities, and profit or loss are in accordance with the accounting policies of the Bank specified under note 4. Segmental gains and losses includes inter department transfer pricing expenses as well as head office allocated expenses. Income tax expense (income) is not allocated to the reportable segments for disclosure purposes.

Majority of the Bank's business is located domestically, so there is no geographic information applicable. There is no income from one single client that represents more than 10% of the consolidated income of the Bank.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

The disclosures of assets, liabilities, and profit or loss are in accordance with the accounting policies of the SC PLC Group. The Bank's information and reconciliation of operating segments were as follows:

2018					
	Retail Banking	International Corporates and Financial Institutions Banking	Commercial Banking	Other Banking	Total
Interest income	\$ 5,144,283	1,752,758	610,905	2,812,531	10,320,477
Interest expense	191,575	(1,095,547)	(89,866)	(5,270,332)	(6,264,170)
Net interest income	5,335,858	657,211	521,039	(2,457,801)	4,056,307
Net service fee income	3,657,821	766,356	71,432	(20,822)	4,474,787
Other miscellaneous income	382,064	647,511	195,434	3,600,611	4,825,620
Net income	9,375,743	2,071,078	787,905	1,121,988	13,356,714
Bad debt expense and (provision for) reversal of guarantee liabilities	(418,734)	(178,291)	(34,120)	1,095	(630,050)
Operating expense	(7,613,959)	(1,619,249)	(894,818)	209,524	(9,918,502)
Segment profit or loss	<u>\$ 1,343,050</u>	<u>273,538</u>	<u>(141,033)</u>	<u>1,332,607</u>	<u>2,808,162</u>
Segment assets	<u>\$ 206,782,206</u>	<u>91,157,915</u>	<u>27,947,613</u>	<u>300,685,058</u>	<u>626,572,792</u>
Segment liabilities	<u>\$ 339,071,988</u>	<u>150,604,216</u>	<u>58,622,020</u>	<u>33,128,786</u>	<u>581,427,010</u>
2017					
	Retail Banking	International Corporates and Financial Institutions Banking	Commercial Banking	Other Banking	Total
Interest income	\$ 5,147,129	1,747,452	523,769	2,186,989	9,605,339
Interest expense	16,610	(894,745)	(63,819)	(3,333,136)	(4,275,090)
Net interest income	5,163,739	852,707	459,950	(1,146,147)	5,330,249
Net service fee income	3,537,143	825,492	82,825	12,384	4,457,844
Other miscellaneous income	390,815	693,211	189,383	2,400,745	3,674,154
Net income	9,091,697	2,371,410	732,158	1,266,982	13,462,247
Bad debt expense and (provision for) reversal of guarantee liabilities	(310,718)	(18,306)	(439,323)	-	(768,347)
Operating expense	(7,718,014)	(1,180,207)	(925,908)	(279,079)	(10,103,208)
Segment profit or loss	<u>\$ 1,062,965</u>	<u>1,172,897</u>	<u>(633,073)</u>	<u>987,903</u>	<u>2,590,692</u>
Segment assets	<u>\$ 194,635,206</u>	<u>83,318,312</u>	<u>33,104,762</u>	<u>336,858,111</u>	<u>647,916,391</u>
Segment liabilities	<u>\$ 308,577,639</u>	<u>185,365,210</u>	<u>36,052,999</u>	<u>74,083,144</u>	<u>604,078,992</u>

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Appendix

Appendix 2 : Directory of Branches and Offices

Branch Name	Address	Telephone No.	Fax No.
Head Office	1, 2, 4, 7, 9, 10F, No.168/170 & 8, 12F, No.168, Dunhua N. Rd., Songshan Dist., Taipei City	4058-0088 4066-8688 4051-0088	-
Main Branch	No.168, Dunhua N. Rd., Songshan Dist., Taipei City	02-66037168	02-66035058
Nanjing Branch	No.161, Sec. 4, Nanjing E. Rd., Songshan Dist., Taipei City	02-66023000	02-87127885
Neihu Branch	No.69, Donghu Rd., Neihu Dist., Taipei City	02-26318888	02-26326910
Tianmu Branch	No.48, Sec. 2, Zhongcheng Rd., Shilin Dist., Taipei City	02-66107600	02-66107699
Xinyi Branch	2F, No.97, Songren Rd, Xinyi Dist., Taipei City	02-27206118	02-66397033
Ren'ai Branch	No.1, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City	02-66363700	02-66363799
Dunhua Branch	No.39, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City	02-66396000	02-23257588
Guting Branch	No. 111, Sec. 2, Roosevelt Rd., Da'an Dist., Taipei City	02-66408888	02-23698569
Zhongshan Branch	No.136, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City	02-66197200	02-66197299
101 Branch	35F., No.7, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City	02-66036668	02-81010689
Dazhi Branch	No.676, Mingshui Rd., Zhongshan Dist., Taipei City	02-66107500	02-85021610
East Taipei Branch	10F-3, No.168, Sec. 3, Nanjing E. Rd., Zhongshan Dist., Taipei City	02-66192900	02-27722589
Fuxing Branch	No.420, Fuxing N. Rd., Zhongshan Dist., Taipei City	02-66027676	02-66083068
Jinshan Branch	No.151, Sec.2, Xinyi Rd., Zhongzheng Dist., Taipei City	02-66010700	02-23218766
Banqiao Branch	2F, No.1-1, Xinfu Rd., Banqiao Dist., New Taipei City	02-66215700	02-66215799
Nankan Branch	No.90, Zhongzheng Rd., Luzhu Dist., Taoyuan City	03-3524148	03-3226443
Bade Branch	No.43, Sec. 2, Jieshou Rd., Bade Dist., Taoyuan City	03-3634341	03-3660967
Guishan Branch	No.1077, Sec. 2, Wanshou Rd., Guishan Dist., Taoyuan City	03-3290728	03-3290273
Gongxi Branch	No.237, Fuxing 1st Rd., Guishan Dist., Taoyuan City	03-3972288	03-3972266
Zhuangjing Branch	No.266, Sec. 1, Daxing W. Rd., Taoyuan Dist., Taoyuan City	03-2607100	03-3582335
Dashulin Branch	No.233, Taoying Rd., Taoyuan Dist., Taoyuan City	03-3664291	03-3664296
Sanmin Branch	No.301, Sec. 3, Sanmin Rd., Taoyuan Dist., Taoyuan City	03-3351593	03-3328102
Xinwu Branch	No.251, Zhongshan Rd., Xinwu Dist., Taoyuan City	03-4773226	03-4772052
Puxin Branch	No.383, Yongmei Rd., Yangmei Dist., Taoyuan City	03-2641600	03-4826073
Yangmei Branch	No.105, Dacheng Rd., Yangmei Dist., Taoyuan City	03-4783491	03-4752718
Longtan Branch	No.390, Donglong Rd., Longtan Dist., Taoyuan City	03-2635800	03-4708175
Pingzhen Branch	No.225, Huannan Rd., Pingzhen Dist., Taoyuan City	03-4910311	03-4910317
Shanziding Branch	No.150-3, Shanding Sec., Zhongfeng Rd., Pingzhen Dist., Taoyuan City	03-4696257	03-4692907
Zhongli Branch	No.194, Zhongshan Rd., Zhongli Dist., Taoyuan City	03-4252186	03-4256977
Longgang Branch	No.302, Longdong Rd., Zhongli Dist., Taoyuan City	03-4657779	03-4567704
Xinming Branch	No.56, Minzu Rd., Zhongli Dist., Taoyuan City	03-4918701	03-4918710
Huanbei Branch	No.405, Huanbei Rd., Zhongli Dist., Taoyuan City	03-4511333	03-4513135

Branch Name	Address	Telephone No.	Fax No.
East Neili Branch	No.47, Rongmin Rd., Zhongli Dist., Taoyuan City	03-4351988	03-4351093
Neili Branch	No.83, Xinyi Rd., Zhongli Dist., Taoyuan City	03-4553122	03-4524244
Zhudong Branch	No.300, Sec. 1, Changchun Rd., Zhudong Township, Hsinchu County	03-5965711	03-5954025
Xinfeng Branch	No. 200, Zhongxing Rd., Xinfeng Township, Hsinchu County	03-6128400	03-5594636
Hukou Branch	No.82,Sec.1, Zhongzheng Rd., Hukou Township, Hsinchu County	03-5992614	03-5901627
Xinshe Branch	No.141, Zhongzheng W. Rd., Zhubei City, Hsinchu County	03-5519456	03-5551783
Zhubei Branch	No.8, Ziqiang S. Rd., Zhubei City, Hsinchu County	03-6125100	03-6576187
Xinxing Branch	No.130, Siwei Rd., North Dist., Hsinchu City	03-5233171	03-5233177
Science Park Branch	No.11, Yuanqu 2nd Rd., East Dist., Hsinchu City	03-5785355	03-5787055
Guangfu Branch	No.270, Sec. 1, Guangfu Rd., East Dist., Hsinchu City	03-5775663	03-5781742
Zhongzheng Branch	No.326, Zhongzheng Rd., North Dist., Hsinchu City	03-5348939	03-5349865
North Hsinchu Branch	No.6, Beida Rd., East Dist., Hsinchu City	03-5348155	03-5421589
Gongguan Branch	No.211, Zhongxiao Rd., Gongguan Township, Miaoli County	037-228525	037-221245
Miaoli Branch	No.562, Zhongzheng Rd., Miaoli City, Miaoli County	037-324671	037-358940
Yuanli Branch	No.19, Weigong Rd., Yuanli Township, Miaoli County	037-862851	037-852609
Houlong Branch	No.20, Chenggong Rd., Houlong Township, Miaoli County	037-724591	037-724980
Toufen Branch	No.106, Heping Rd., Toufen City, Miaoli County	037-668281	037-676791
Zhunan Branch	No.217, Zhongzheng Rd., Zhunan Township, Miaoli County	037-476161	037-474881
Fengyuan Branch	No.511, Zhongzheng Rd., Fengyuan Dist., Taichung City	04-36012400	04-25158629
Nantun Branch	No. 302, Sec. 2, Liming Rd., Nantun Dist., Taichung City	04-22536208	04-22536205
Wenxin Branch	No.380, Sec. 1, Wenxin Rd., Nantun Dist., Taichung City	04-23192480	04-23192473
Donghai Branch	No.306, Fuke Rd., Xitun Dist., Taichung City	04-24653500	04-24653501
Xitun Branch	No.327, Sec. 2, Henan Rd., Xitun Dist., Taichung City	04-36062088	04-27081118
Zhongqing Branch	No.89, Sec. 1, Zhongqing Rd., North Dist., Taichung City	04-36023300	04-36023399
Beitun Branch	No.236, Sec. 4, Wenxin Rd., North Dist., Taichung City	04-22990755	04-22990803
Taichung Branch	No.633, Sec. 2, Taiwan Blvd., West Dist., Taichung City	04-36013800	04-23101118
Changhua Branch	No.162, Xiaoyang Rd., Changhua City, Changhua County	04-7042100	04-7283195
Tainan Branch	No.429, Sec. 2, Jinhua Rd., South Dist., Tainan City	06-2648101	06-2648140
Dongning Branch	No.88, Dongxing Rd., East Dist., Tainan City	06-2761561	06-2761565
East Tainan Branch	No.107, Sec. 2, Minzu Rd., West Central Dist., Tainan City	06-2289777	06-2283722
Jiuru Branch	No.383, Jiuru 1st Rd., Sanmin Dist., Kaohsiung City	07-3872296	07-3860532
Sanduo Branch	No.262, Zhongshan 2nd Rd., Qianzhen Dist., Kaohsiung City	07-9660766	07-5368033
North Kaohsiung Branch	No.189, Wenxin Rd., Gushan Dist., Kaohsiung City	07-5501705	07-5502010
Kaohsiung Branch	22F, No.175, Zhongzheng 2nd Rd., Lingya Dist., Kaohsiung City	07-9685100	07-2221205

Standard Chartered Bank (Taiwan) Limited



Chairman
Benjamin Pi-Cheng Hung





Top / Painting by Shu-Wen Chen, Down Syndrome Foundation R.O.C. /
A Fantasy of Snow in May (Paper Clay)
Tung blossoms falling in the wind that makes me want to dance and
lie on the flower bed.

Center / Painting by Yi-Fen Kang, Down Syndrome Foundation R.O.C. /
I am Anne (Color Pen, Pastel)
Hello, little butterfly. Did you forget my name? I am Anne.

Bottom / Painting by Chun-Kai Hsu, Down Syndrome Foundation R.O.C. /
Blue Sky in Winter (Watercolor)
My mother is a devout Buddhist, and the painting showcases the
tranquility of a temple.