Stock code:2807

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Financial Statements

December 31, 2015 and 2014
(With Independent Auditors' Report Thereon)

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

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

We have audited the accompanying balance sheets of Standard Chartered Bank (Taiwan) Limited as of December 31, 2015 and 2014, and the related statements of profit or loss and other comprehensive income, statements of changes in stockholders' equity, and statements of cash flows for the years ended December 31, 2015 and 2014. These individual financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these individual financial statements based on our audits.

We conducted our audits in accordance with the Regulations Governing Auditing and Certification of Financial Statements of Financial Institutions by Certified Public Accountants and Republic of China generally accepted auditing standards. Those standards and regulations require that we plan and perform the audit to obtain reasonable assurance about whether the individual financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the individual financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall individual financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

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

KPMG

March 31, 2016

Note to Readers

The accompanying financial statements are intended only to present the financial position, results of operations, and cash flows in accordance with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC and not those of any other jurisdictions. The standards, procedures, and practices to audit such financial statements are those generally accepted and applied in the Republic of China. The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

Standard Chartered Bank (Taiwan) Limited

Balance Sheets

December 31, 2015 and 2014

(expressed in thousands of New Taiwan Dollars)

	Assets	December 31, 2015 Amount	%	December 31, 2014 Amount	%
11000	Cash and cash equivalents (notes 6(1) and 7)	$ 9,690,695	1	22,434,439	3
11500	Due from the Central Bank and call loans to banks (notes 6(2) and 7)	87,019,615	13	104,417,545	14
12000	Financial assets at fair value through profit or loss (notes 6(3) and 7)	29,014,134	4	36,411,714	5
12300	Derivative financial assets for hedging—net (notes 6(4) and 7)	81,431	-	48,199	-
12500	Securities purchased under resell agreements and debt instruments(note 6(5))	2,499,824	-	2,556,376	-
13000	Receivables—net (notes 6(6), (7), 7, and 13(1))	21,380,627	3	29,952,621	4
13200	Current tax assets (note 6(21))	239,692	-	127,143	-
13500	Discounts and loans—net (notes 6(4), (7), and 7)	303,239,940	46	337,544,264	44
14000	Available-for-sale financial assets—net (notes 6(4), (8) and 7)	182,784,483	27	201,168,244	26
15000	Investments measured by equity method—net (note 6(9))	848,452	-	718,381	-
15500	Other financial assets—net (notes 6(9) and 8)	10,502,108	2	15,848,624	2
18500	Property, plant and equipment—net (note 6(10) and 13(1))	4,925,372	1	5,406,891	1
19000	Intangible assets—net (note 6(11))	3,156,048	1	3,156,075	-
19300	Deferred tax assets (note 6(21))	2,238,372	-	2,318,677	-
19500	Other assets—net (notes 6(12) and 8)	9,939,043	2	8,469,361	1
	Total assets	$ 667,559,836	100	770,578,554	100

	Liabilities and stockholders' equity	December 31, 2015 Amount	%	December 31, 2014 Amount	%
	Liabilities:				
21000	Deposits from the Central Bank and banks (notes 6(13) and 7)	$ 27,979,736	4	25,876,934	3
22000	Financial liabilities at fair value through profit or loss (notes 6(3) and 7)	17,058,968	3	13,462,099	2
22300	Derivative financial liabilities for hedging—net (notes 6(4) and 7)	32,480	-	5,065	-
23000	Payables (note 6(14))	8,442,779	1	13,636,779	2
23100	Related parties payable (note 7)	12,335,872	2	10,063,624	1
23500	Deposits and remittances (notes 6(4), (15) and 7)	498,120,863	75	598,495,557	78
24000	Financial debentures—net (notes 6(4), (16) and 7)	53,341,063	8	53,202,188	7
25500	Other financial liabilities (note 6(17))	1,158,492	-	3,304,529	-
25600	Provisions (notes 6(18) and (20))	1,791,407	-	1,908,858	-
29300	Deferred tax liabilities (note 6(21))	672,273	-	706,371	-
29500	Other liabilities (note 6(19))	3,346,144	1	5,135,047	1
	Total liabilities	624,280,077	94	725,797,051	94
	Stockholders' equity:				
31101	Common stock (note 6(23))	29,105,720	4	29,105,720	4
31500	Capital surplus (note 6(23))	5,794,771	1	5,786,031	1
	Retained earnings:				
32001	Legal reserve (note 6(23))	5,950,095	1	4,970,169	1
32003	Special reserve (note 6(23))	347,706	-	347,706	-
32005	Unappropriated earnings (note 6(23))	1,465,876	-	3,708,006	-
		7,763,677	1	9,025,881	1
32500	Other equity interest (note 6(23))	615,591	-	863,871	-
	Total stockholders' equity	43,279,759	6	44,781,503	6
	Total liabilities and stockholders' equity	$ 667,559,836	100	770,578,554	100

See accompanying notes to financial statements

Standard Chartered Bank (Taiwan) Limited
Statements of Profit or Loss and Other Comprehensive Income
For the years ended December 31, 2015 and 2014
(expressed in thousands of New Taiwan Dollars)

		2015		2014 (Reclassified)		Change
		Amount	%	Amount	%	%
41000	Interest income (notes 6(26) and 7)	$ 12,236,352	91	14,060,064	90	(13)
51000	Less：Interest expense (notes 6(26) and 7)	5,105,224	38	5,333,749	34	(4)
	Net interest income	7,131,128	53	8,726,315	56	(18)
	Net non-interest income					
49100	Net service fee income (notes 6(27) and 9(3))	2,247,455	17	2,849,359	18	(21)
49200	Gain on financial assets or liabilities at fair value through profit or loss (note 6(28))	1,231,888	9	1,823,851	12	(32)
49300	Realized gain on available-for-sale financial assets (note 6(29))	83,891	1	18,491	-	354
49600	Foreign exchange gain	1,073,377	8	681,369	4	58
49750	Share of profit of associates and joint ventures accounted for using equity method (note 6(9))	778,160	6	648,089	4	20
49800	Net other non-interest income (notes 6(4), (9), (30), 7 and 12(2))	874,877	6	829,875	6	5
49700	Impairment losses on assets(notes 6(9), (10) and (31))	(15,498)	-	(3,162)	-	(390)
	Net revenue	13,405,278	100	15,574,187	100	(14)
58200	**Bad debt expense and guarantee liability (reversal) provision (note 6(32))**	1,085,551	8	682,630	4	59
	Operating expenses:					
58500	Employee benefits expense (notes 6(20), (24), (33) and 7)	5,325,880	40	5,709,753	37	(7)
59000	Depreciation and amortization expenses (notes 6(10), (11) and (34))	290,271	2	265,970	2	9
59500	Other general and administrative expenses (notes 6(35), 7 and 12(2))	5,106,038	38	5,230,883	33	(2)
	Total operating expenses	10,722,189	80	11,206,606	72	(4)
	Income before tax	1,597,538	12	3,684,951	24	(57)
61003	**Less: income tax expense (note 6(21))**	158,556	1	418,532	3	(62)
	Net income	1,438,982	11	3,266,419	21	(56)
65000	**Other comprehensive income:**					
65200	**Items not to be reclassified into profit or loss**					
65201	Remeasurements of defined benefit plan (note 6(20))	32,402	-	(94,406)	(1)	134
65220	Income tax (expense) benefit related to items not to be reclassified into profit or loss (note 6(21))	(5,508)	-	16,049	-	(134)
	Total items not to be reclassified into profit or loss	26,894	-	(78,357)	(1)	134
65300	**Items that may be subsequently reclassified into profit or loss**					
65302	Change in fair value of available-for-sale financial assets recognized	(145,272)	(1)	(9,396)	-	(1,446)
65303	Change in fair value of cash flow hedges recognized	(173,158)	(1)	307,766	2	(156)
65320	Income tax benefit (expense) related to items that may be subsequently reclassified into profit or loss (note 6(21))	70,150	-	(42,941)	-	263
	Total items that may be subsequently reclassified into profit or loss	(248,280)	(2)	255,429	2	(197)
65000	**Other comprehensive income, net of tax**	(221,386)	(2)	177,072	1	(225)
	Total comprehensive income for the period	$ 1,217,596	9	3,443,491	22	(65)
67500	**Basic earnings per share (NTD) (note 6(25))**	$ 0.49		1.12		

See accompanying notes to financial statements

Standard Chartered Bank (Taiwan) Limited

Statements of Changes in Stockholders' Equity

For the years ended December 31, 2015 and 2014

(expressed in thousands of New Taiwan Dollars)

	Share capital		Retained earnings			Other item in stockholders' equity		
	Ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	Total equity
Balance as of January 1, 2014	$ 29,105,720	5,786,031	4,289,836	347,706	2,267,777	728,701	(120,259)	42,405,512
Appropriation and distribution of retained earnings (Note 1):								
Legal reserve appropriated (note 6(23))	-	-	680,333	-	(680,333)	-	-	-
Cash dividends of ordinary share (note 6(23))	-	-	-	-	(1,067,500)	-	-	(1,067,500)
Net income	-	-	-	-	3,266,419	-	-	3,266,419
Other comprehensive income	-	-	-	-	(78,357)	(17)	255,446	177,072
Total comprehensive income for the period	-	-	-	-	3,188,062	(17)	255,446	3,443,491
Balance as of December 31, 2014	29,105,720	5,786,031	4,970,169	347,706	3,708,006	728,684	135,187	44,781,503
Unpresented cash dividends transferred to capital surplus (note 6(23))	-	8,740	-	-	-	-	-	8,740
Appropriation and distribution of retained earnings (Note 2):								
Legal reserve appropriated (note 6(23))	-	-	979,926	-	(979,926)	-	-	-
Cash dividends of ordinary share (note 6(23))	-	-	-	-	(2,728,080)	-	-	(2,728,080)
Net income	-	-	-	-	1,438,982	-	-	1,438,982
Other comprehensive income	-	-	-	-	26,894	(104,559)	(143,721)	(221,386)
Total comprehensive income for the period	-	-	-	-	1,465,876	(104,559)	(143,721)	1,217,596
Balance as of December 31, 2015	$ 29,105,720	5,794,771	5,950,095	347,706	1,465,876	624,125	(8,534)	43,279,759

Note 1 : Bonus to employees 167 thousand was deducted from statement of profit or loss and other comprehensive income.

Note 2 : Bonus to employees 229 thousand was deducted from statement of profit or loss and other comprehensive income.

See accompanying notes to financial statements

Standard Chartered Bank (Taiwan) Limited

Statements of Cash Flows

For the years ended December 31, 2015 and 2014

(expressed in thousands of New Taiwan Dollars)

		2015	2014
Cash flow used in operating activities：			
Profit before tax	$	1,597,538	3,684,951
Adjustments：			
Adjustments to reconcile profit (loss)			
Depreciation expense		290,244	264,995
Amortization expense		27	975
Bad debt expense and guarantee liability (reversal) provision		1,085,551	682,630
Interest expense		5,105,224	5,333,749
Interest income		(12,236,352)	(14,060,064)
Net change in other provisions		(6,808)	(101,296)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method		(778,160)	(648,089)
(Gain) loss on disposal of property and equipment		(91,903)	4,231
Impairment loss on buildings and other financial assets		15,498	3,162
Gain on disposal of financial assets carried at cost		(41,549)	-
Total adjustments to reconcile profit (loss)		(6,658,228)	(8,519,707)
Change in operating assets and liabilities：			
Change in operating assets：			
Due from the Central Bank and call loans to banks		(812,228)	(22,964,544)
Financial assets at fair value through profit or loss		7,397,580	(15,952,827)
Receivables		8,823,521	2,755,638
Discounts and loans		33,140,532	5,931,208
Available-for-sale financial assets		23,523,716	13,849,209
Other financial assets		-	4,556
Total changes in operating assets		72,073,121	(16,376,760)
Changes in operating liabilities：			
Deposits from the Central Bank and banks		2,102,802	(20,108,738)
Financial liabilities at fair value through profit or loss		3,596,869	5,928,111
Payables		(2,733,343)	11,921,661
Deposits and remittances		(100,374,533)	20,909,551
Other financial liabilities		(2,146,037)	(9,815,493)
Other liabilities		(1,788,903)	2,763,359
Total changes in operating liabilities		(101,343,145)	11,598,451
Total changes in operating assets and liabilities		(29,270,024)	(4,778,309)
Total adjustments		(35,928,252)	(13,298,016)
Cash outflow generated from operations		(34,330,714)	(9,613,065)
Interest received		12,030,325	14,179,153
Dividend received		648,089	323,219
Interest paid		(5,284,893)	(5,591,911)
Income taxes paid		(160,256)	(268,045)
Net cash flows used in operating activities		(27,097,449)	(970,649)
Cash flows used in investing activities：			
Proceeds from disposal of financial assets carried at cost		57,499	-
Proceeds from disposal of property, plant and equipment		377,126	-
Acquisition of property, plant and equipment		(109,446)	(115,334)
Increase in derivatives collateral		(1,760,092)	(5,668,617)
Decrease (increase) in other assets		290,410	(174,890)
Net cash flows used in investing activities		(1,144,503)	(5,958,841)
Cash flows used in financing activities：			
(Increase) decrease in derivative financial instruments for hedging		(190,709)	538,673
Decrease in financial debentures		(1,227,176)	(3,005,708)
Cash dividends paid		(2,728,080)	(1,067,500)
Net cash flows used in financing activities		(4,145,965)	(3,534,535)
Change in foreign exchange rate		1,377,463	544,510
Net decrease in cash and cash equivalents		(31,010,454)	(9,919,515)
Cash and cash equivalents at beginning of period		86,667,010	96,586,525
Cash and cash equivalents at end of period	$	55,656,556	86,667,010
Components of cash and cash equivalents:			
Cash and cash equivalents reported in the balance sheets	$	9,690,695	22,434,439
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7		43,466,037	61,676,195
Securities purchased under resell agreements and debt instruments qualifying for cash and cash equivalents under the definition of IAS 7		2,499,824	2,556,376
Cash and cash equivalents at end of period	$	55,656,556	86,667,010

See accompanying notes to financial statements

Standard Chartered Bank (Taiwan) Limited
Notes to the Financial Statements
December 31, 2015 and 2014
(expressed in thousands of New Taiwan Dollars, unless otherwise specified)

(1) Organization

Standard Chartered Bank (Taiwan) Limited (the "Bank") was established on September 15, 1948, in the Taoyuan, Hsinchu, and Miaoli areas. The original name of the Bank was Hsinchu District's Mutual Loan Inc., which specialized in the mutual loan business, deposits, loans, and payment collection. In compliance with the Banking Act of the Republic of China ("ROC"), the Bank restructured to become The Small and Medium Business Bank of Hsinchu District on January 1, 1978, and in addition to the original lines of business, the Bank started to conduct checking deposit and regular banking businesses.

Pursuant to an approval granted by the Securities and Futures Commission ("SFC"), which subsequently changed its name to the Securities and Futures Bureau ("SFB") on July 1, 2004, the Bank's shares were authorized to be publicly traded beginning March 22, 1983. Additionally, pursuant to approval granted by the Ministry of Finance ("MOF"), the Bank established a Trust Department in January 1989, pursuant to approval granted by the SFC, the Bank established the securities trading business in October 1989 and established the securities broker business in July 1992. In March 1993, pursuant to approval granted by the MOF, the Bank established the International Business Department to operate the foreign exchange business, which was formally operated on August at the same year. In September 1994, pursuant to approval granted by the Taiwan provincial government MOF, the Bank started to operate the business crossing the area. On January 16, 1995, the Bank established an Offshore Banking Unit ("OBU"), which began operations immediately.

The Bank was approved by the MOF to operate as a commercial bank in September 1998 and changed its name to Hsinchu International Bank Co., Ltd. on April 20, 1999.

During 2006, Standard Chartered Bank provided a tender offer to acquire the outstanding shares of Hsinchu International Bank Co., Ltd. Accordingly, Standard Chartered Bank acquired over 95% of the outstanding. After completion of the acquisition of shares, Hsinchu International Bank Co., Ltd. immediately submitted the delisting application, which was approved by the related authorities on January 18, 2007. On June 30, 2007, the operations of Standard Chartered Bank, Taipei Branch were transferred to Hsinchu International Bank Co., Ltd.; subsequently, Hsinchu International Bank Co., Ltd. was renamed Standard Chartered Bank (Taiwan) Limited on July 2, 2007. As of December 31, 2015, the Bank comprises 80 branches, a business department, an international banking 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).

(2) Approval date and Procedures of the Financial Statements

The individual financial statements were authorized for issue by the Board of Directors on March 31, 2016.

(Continued)

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

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

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

New issuance, amendments and revises of standards and interpretations	Effective date per IASB
Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards—Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010
Amendments to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for first-time adopters"	July 1, 2011
Amendments to IFRS 1 "Government Loans"	January 1, 2013
Amendments to IFRS 7 "Disclosures—Transferring Financial Assets"	July 1, 2011
Amendments to IFRS 7 "Disclosures—Offsetting Financial Assets and Financial Liabilities"	January 1, 2013
Amendments to IFRS 10 "Consolidated Financial Statements"	January 1, 2013 (January 1, 2014 for investment entities)
Amendments to IFRS 11 "Joint Arrangements"	January 1, 2013
Amendments to IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013
IFRS 13 "Fair Value Measurement"	January 1, 2013
Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income"	July 1, 2012
Amendments to IAS 12 "Income Taxes—Deferred Taxes: Recovery of Underlying Assets"	January 1, 2012
Revised IAS 19 "Employee Benefits"	January 1, 2013
Amendments to IAS 27 "Separate Financial Statements"	January 1, 2013
Amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities"	January 1, 2014

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

(a) IFRS 7 "Disclosures—Offsetting Financial Assets and Financial Liabilities" and IAS 32 "Offsetting Financial Assets and Financial Liabilities"

The Standards clarify the meaning of "currently has a legally enforceable right to set-off" and "entity to intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously". The Bank has already added the related disclosure of net settlement according to the Standard, please refer to note 6(36).

(b) IAS 1 "Presentation of Financial Statements"

The Standard amended the disclosure method of other comprehensive income statements ("OCI"); separate the items in OCI into "items that will not be reclassified subsequently to profit or loss" and "items that will be reclassified subsequently to profit or loss when specific conditions are met." The amendment also mentioned that the items in OCI presented as pre-tax, the tax amount should also present separately based on the requirement shown above. The Bank has already amended the expression of OCI according to the Standard, as well as the compared period.

(c) IFRS 13 "Fair Value Measurement"

The Standard defined fair value, established the structure of fair value, and planned the disclosure of fair value. The new measurement does not cause significant effect on the Bank's assets and liabilities, and the Bank has already added the disclosure of fair value measurement according to the Standard, please refer to note 6(36). However, according to the new disclosure standard, the Bank does not have to provide the information of compared period.

(d) IAS 19 "Employee Benefits"

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

2) The newly issued or amended International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board ("IASB") that has not been endorsed by the FSC

The summary below shows the new issuances and amendments of new International Financial Reporting Standards and interpretations related to the Bank that issued by the IASB that has not been endorsed by the FSC until the report date of this individual financial statements:

New issuance and amendments of standards and interpretations	Effective date per IASB
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sales or Contributions of Assets between an Investor and its Associate or Joint Venture"	Until a date to be determined by the IASB
Amendments to IFRS 10, 12 and IAS 28 "Investment Entities: the Application of the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "the Accounting for Acquisitions of an Interest in a Joint Operation"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018

(Continued)

New issuance and amendments of standards and interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses"	January 1, 2017
Amendments to IAS 16 and 38 "the Clarification of Acceptable Methods of Depreciation and Amortisation"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contribution"	July 1, 2014
Amendments to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"	January 1, 2014
Amendments to IAS 39 "Novation of Derivatives and Continuation to Apply the Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014
Annually improvement reports of 2010-2012 and 2011-2013	July 1, 2014
Annually IFRS improvement report of 2012-2014	January 1, 2016

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

(4) Summary of Significant Accounting Policies

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

1) Statement of compliance

The individual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, and other related regulations.

2) Basis of preparation

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

(a) Financial instruments at fair value through profit or loss (including derivative financial instruments);

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

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

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

(e) The defined benefit asset is recognized as plan assets, plus unrecognized past service costs and unrecognized actuarial loss, less the unrecognized actuarial gain and the present value of the defined benefit obligation.

3) Foreign currency transactions

Except for accounts in the OBU of the Bank that are denominated in US Dollars, accounts in all entities are denominated in New Taiwan Dollars. For those transactions denominated in foreign currencies, assets and liabilities are recorded in their original foreign currencies, while all income and expense accounts are denominated in original foreign currencies and translated into New Taiwan Dollars at the daily closing exchange rates. At the balance sheet date, the individual financial statements amounts in all foreign currencies are translated into New Taiwan Dollars at ruling exchange rates assigned on that date. The Bank's individual 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.

4) Cash and cash equivalents

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

5) Financial instruments

(a) Financial assets

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

i. Financial assets at fair value through profit or loss

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

(Continued)

ii. Available-for-sale financial assets—net

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

iii. Securities under repurchase/resell agreements and debt instruments

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

iv. Loans, receivables and allowance for bad debts

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Credit maturing less than one year is called short term credit; credit maturing more than one year but less than seven years is called medium term credit; and credit maturing more than seven years is called long term credit. Loans with collateral, pledged assets, qualified guarantees other legally guaranteed objects to secure credit are secured loans.

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

(Continued)

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

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

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

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

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

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

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

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

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

(Continued)

v. Financial assets carried at cost

Equity instruments with no quoted market price are initially recognized at whose fair value plus transaction costs. At each balance sheet date, fair value can be reliably measured if either of the below conditions are met. The financial assets should be measured at fair value and reclassified as available-for-sale. If there is objective evidence of impairment, the impairment loss should be recognized. Such impairment losses are not allowed to be reversed:

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

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

Cash dividends received from the aforementioned financial assets are recorded under "Net other non-interest income" on the ex-dividend date or the date that the board declares a cash dividend. Nevertheless, dividends received will be deducted from the equity investment if they are declared out of profits prior to the acquisition of the investment. Stock dividends are not recognized as income but only treated as an increase in the number of shares held.

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

i) When financial assets initially classified as measured at fair value through profit or loss have met the definition of loans and receivables and the entity has the intention and ability to hold the financial assets for the foreseeable future or until maturity, they shall be reclassified at their value on the date of reclassification, which will become their new cost or amortized cost, as applicable. Any previous gain or loss already recognized in profit or loss shall not be reversed.

ii) Financial assets initially classified as measured at fair value through profit or loss which do not meet the preceding criterion may be reclassified out of the fair value through profit or loss category only in rare circumstances and shall be reclassified at their fair value on the date of reclassification, which will become their new cost or amortized cost, as applicable. Any previous gain or loss already recognized in profit or loss shall not be reversed.

(Continued)

iii) When financial assets initially classified as available-for-sale have met the definition of loans and receivables and the entity has the intention and ability to hold the financial assets for the foreseeable future or until maturity, they shall be reclassified at their value on the date of reclassification, which will become their new cost or amortized cost, as applicable.

iv) For any previous gain or loss on a financial asset that has been recognized directly under owners' equity, if the financial asset has a fixed maturity, the gain or loss shall be amortized to current profit or loss over the remaining life of the financial asset; if not, the gain or loss remains under owners' equity.

vii. Financial asset impairment

If there is an objective evidence that an impairment loss on financial assets has been incurred, the amount of the loss is recognized and measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate; the amount of the loss shall be recognized in profit or loss in the current period. The estimation of future cash flows includes the recoverable amount of collateral and related insurance when determining the amount of the loss.

The aforesaid objective evidence includes:

i) Significant financial difficulty of the issuer or obligor;

ii) A breach of contract, such as a default or delinquency in interest or principal payments;

iii) The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

iv) It becoming probable that the borrower will enter bankruptcy or other financial reorganization;

v) The disappearance of an active market for that financial asset because of the issuer's financial difficulties;

vi) Adverse changes in the payment status of the borrower; and

vii) Changes in national or local economic conditions that correlate with defaults on the assets.

viii. Derecognition of financial assets

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

(b) Financial liabilities

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

(Continued)

i. Financial liabilities at fair value through profit or loss

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

ii. Financial liabilities at amortized cost

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

iii. Financial debentures

The issuance of a debt instrument is recorded at its fair value using a valuation technique. If the issuing price of such debt instrument is different from its face value, the difference is amortized as interest income or expense by the interest method over the period from the acquisition date to the maturity date.

The difference between the payment and carrying amount of a debt instrument at the early extinguishment date should be recognized as extraordinary losses or gains in the current period if it is material.

iv. Derecognition of a financial liability

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

(c) Derivatives and hedging accounting

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

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

(Continued)

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

i. Fair value hedge: Changes in the fair value of derivatives that are designated and qualified as fair value hedging instruments against the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment are recognized through profit or loss in the current period.

ii. Cash flow hedge: Where a derivative financial instrument is designated as a hedge of the volatility in cash flow of a recognized asset or liability or a highly foreseeable forecast transaction, the effective hedged portion of any gain or loss on remeasurement of the derivative financial instrument to fair value is recognized directly under other comprehensive income. When the hedged transaction actually affects the profit or loss, the gain or loss previously recognized under other comprehensive income shall be recognized through current profit or loss. Any gain or loss from the change in fair value relating to an ineffective hedged portion of the hedge transaction is recognized immediately through profit or loss in the current period.

6) Investment in affiliated companies

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

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

Share of profit of the associate is recognized as profit or loss in the period. Dividends received from investments in associates, accounted for according to the equity method, are accounted for as a reduction of the carrying amount of the investment. Carrying amount of the investment shall be adjusted with changes in other comprehensive income that may impact the right of the Bank to receive benefits. When the Bank's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Bank has an obligation or has made payments on behalf of the investee.

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

(Continued)

7) Non-financial asset impairment

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

8) Lease classification

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

The Bank classifies all its leases as operating leases.

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

9) Property, plant and equipment

Property, plant and equipment are measured at cost on acquisition. Subsequently, property, plant and equipment are measured at cost plus any revaluation increments. Interest expense incurred directly attributable to bringing an asset to the condition necessary for it to be capable of operating should be capitalized. Major additions, improvements, and renewals are treated as capital expenditure and capitalized, while maintenance and repair costs are expensed when incurred.

The Bank evaluates the estimated useful lives, depreciation method, and residual value on a yearly basis. Changes in the estimated useful lives, depreciation method, and residual value are accounted for as changes in accounting estimates.

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

Buildings	5 to 50 years
Office equipment	3 to 6 years
Leasehold improvement	Not exceed the shorter of 10 years or lease term
Other equipment	3 to 5 years

10) Intangible assets

(a) Computer software

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

(Continued)

(b) Goodwill

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

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

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

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

12) Provisions

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

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

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

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

The Bank shall not recognize provisions for future operating losses.

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

The amount of a provision is measured subsequently as the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The deficiency is recognized as profit or loss of the current period.

13) Revenue and expense recognition

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

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

(Continued)

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

14) Employee benefit

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

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

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

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

15) Share-based payment transactions

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

(Continued)

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

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

16) Income tax

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

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

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

The Income Basic Tax Act was announced and became effective on January 1, 2006 and amended and became effective on January 1, 2013. The calculation of the Bank's basic income is the sum of the taxable income as defined in accordance with the Income Tax Act and the provisions or tax benefits that are included in the Income Tax Act and other laws. The amount of basic tax of the Bank is the amount of basic income as calculated in accordance with the preceding rules, and then multiplied by the tax rate prescribed by the Executive Yuan. The greater of income basic tax expense or income tax expense is the current tax expense actually paid by the Bank.

(Continued)

17) Earnings per share of common stock

Earnings per share ("EPS") are computed by dividing the amount of net income (or loss) attributable to common stock outstanding for the period by the weighted-average number of issued common shares outstanding during the period. If the number of common shares or potential common shares outstanding increases as a result of capitalization of retained earnings, additional paid-in capital, or employee bonuses, or decreases as a result of a reverse capitalization due to losses, the calculation of basic EPS and diluted EPS for all periods presented is adjusted retrospectively. If these changes occur after the balance sheet date but before the issuance date of the financial statements, such EPS calculations are also adjusted retrospectively. When calculating diluted EPS, the net income (or loss) attributable to common shareholders and the weighted-average number of shares outstanding shall be adjusted for the effects of all dilutive potential common shares.

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

When preparing the individual financial statements in accordance with the Regulation Governing the Preparation of Financial Statements by Public Bank, Regulations Governing the Preparation of Financial Statements by Securities Firms, and other related regulations, management is required to make judgments, estimates, and assumptions that affect the adoption of accounting policies, reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from these estimates.

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

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

1) Impairment loss on loans

When the Bank decides whether to recognize impairment loss, they mainly decide if there are any observable evidence indicating possible impairment. The evidence may include observable information indicating unfavorable changes in debtor payment status, or sovereign or local economic situation related to debt payment in arrears. When analyzing expected cash flow, the estimates by the management are based on past losses experience on assets of similar credit risk characteristics. The Bank periodically reviews methods and assumptions behind the amount and schedule of expected cash flow, to reduce the difference between expected and actual loss. Please refer to note 6(7) for impairment loss on loans.

2) Valuation of financial instruments

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

(6) Disclosures of Significant Accounts

1) Cash and cash equivalents

	December 31, 2015	December 31, 2014
Cash on hand	$ 3,679,614	4,422,868
Deposits with other banks	2,584,034	4,993,807
Deposits with other banks—affiliates	3,427,047	13,017,764
Total	$ 9,690,695	22,434,439

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, 2015	December 31, 2014
Cash and cash equivalents reported in the statement of balance sheets	$ 9,690,695	22,434,439
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	43,466,037	61,676,195
Securities purchased under resell agreements and debt instruments qualifying for cash and cash equivalents under the definition of IAS 7	2,499,824	2,556,376
Cash and cash equivalents reported in the statement of cash flows	$ 55,656,556	86,667,010

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

	December 31, 2015	December 31, 2014
Required reserve—checking account	$ 8,335,304	6,832,382
Required reserve—demand account	13,222,290	14,449,298
Required reserve—foreign currency	230,608	253,349
Required reserve—settlement account	1,200,718	800,002
Call loans to banks	6,045,173	18,466,166
Call loans to banks—affiliates	54,979,105	43,948,162
Trade finance receivables	3,006,417	19,668,186
Total	$ 87,019,615	104,417,545

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.

(Continued)

3) Financial instruments at fair value through profit or loss

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

	December 31, 2015	December 31, 2014
Interest-rate instruments		
Government bonds	$ 5,180,278	9,381,630
Corporate bonds	5,584,330	9,247,488
Subtotal	10,764,608	18,629,118
Derivative financial assets		
Interest rate swap	2,741,951	1,483,460
Interest rate option	138,599	128,313
Spot/forward/swap	6,400,444	8,721,815
Cross currency swap	255,610	1,331,812
Foreign exchange option	8,650,723	5,922,746
Commodity swap	34,007	49,951
Commodity option	28,192	144,499
Subtotal	18,249,526	17,782,596
Total	$ 29,014,134	36,411,714

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

	December 31, 2015	December 31, 2014
Derivative financial liabilities		
Interest rate swap	$ 2,547,161	1,288,479
Interest rate option	90,850	66,508
Spot/forward/swap	4,828,429	4,736,663
Cross currency swap	448,498	1,251,834
Foreign exchange otpion	9,081,513	5,924,165
Commodity swap	34,090	49,951
Commodity option	28,427	144,499
Total	$ 17,058,968	13,462,099

4) Derivative financial instruments for hedging

Derivative financial assets for hedging were as follows:

	December 31, 2015	December 31, 2014
Fair value hedge:		
Interest rate swap	$ 56,738	47,490
Cash flow hedge:		
Interest rate swap	1,628	709
Cross currency swap	23,065	-
Total	$ 81,431	48,199

(Continued)

Derivative financial liabilities for hedging were as follows:

	December 31, 2015	December 31, 2014
Fair value hedge:		
Interest rate swap	$ -	161
Cash flow hedge:		
Interest rate swap	32,480	4,904
Total	$ 32,480	5,065

(a) Fair value hedge

A fair value hedge is the hedging of the hedged items exposure to change in fair value of recognized assets or liabilities that are attributable to particular hedged risks that could affect profit or loss. As of December 31, 2015 and 2014, marked-to-market adjustments of hedged items and the corresponding hedging instruments accounted as fair value hedge were as follows:

Hedged items		Hedging instruments	
Underlying instruments	December 31, 2015	Contract type	December 31, 2015
Financial debentures	$ (57,904)	Interest rate swaps	56,738

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

For the years ended December 31, 2015 and 2014, net gains and net losses on the hedging derivative financial instruments listed above amounted to $9,410 thousand and $69,231 thousand, respectively, and net gains from the hedged risk of the hedged items amounted to $10,736 thousand and $72,336 thousand, respectively.

(Continued)

(b) Cash flow hedge

The Bank currently holds long-term floating rate loans and 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.

		Fair value	
Hedged items	**Financial instruments designated as hedging instruments**	**December 31, 2015**	**December 31, 2014**
Discounts and loans－floating interest rate	Interest rate swap	$ (30,852)	(4,195)
Deposits and remittances－floating interest rate	Cross currency swap	23,065	-
Total		$ (7,787)	(4,195)

5) Securities purchased under resell agreements and debt instruments

	December 31, 2015	December 31, 2014
Securities purchased under resell agreements	$ 2,499,824	2,556,376
Face value of debt instruments	$ 2,500,000	2,558,000
Interest rate	0.38%	0.53%~0.58%
Last settlement date	2016.1.8	2015.1.7
Resell price	$ 2,500,026	2,556,658

6) Receivables－net

	December 31, 2015	December 31, 2014
Accounts receivable factoring	$ 13,241,437	21,548,111
Credit cards accounts receivable	4,866,432	5,352,873
Accounts receivable	449,980	530,571
Interest receivable	1,707,509	1,501,603
Acceptances receivable	219,471	374,066
Accounts receivable－related parties	904,730	811,996
Other	293,077	156,396
Subtotal	21,682,636	30,275,616
Less: allowance for bad debts－receivables	302,009	322,995
Total	$ 21,380,627	29,952,621

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

(Continued)

7) Discounts and loans—net

	December 31, 2015	December 31, 2014
Bills negotiations and bills and notes discounted	$ 482,760	985,621
Short-term loans and overdrafts	61,009,087	73,106,197
Short-term secured loans	5,091,227	7,280,178
Medium-term loans	36,443,142	46,080,749
Medium-term secured loans	10,681,659	7,781,008
Long-term loans	8,724,055	8,201,974
Long-term secured loans	185,017,613	197,874,228
Non-accrual loans	594,738	525,171
Subtotal	308,044,281	341,835,126
Add: premium adjustments on discounts and loans	108,687	159,725
Less: allowance for bad debts	4,913,028	4,450,587
Total	$ 303,239,940	337,544,264

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

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

The movements of allowance for bad debts were as follows:

	2015		
	Individual assessment of impairment	Portfolio assessment of impairment	Total
Beginning balance at January 1, 2015	$ 2,084,495	2,689,087	4,773,582
Add: provision for bad debts	628,846	534,946	1,163,792
recovery from written-off loans	614,604	-	614,604
Less: charge-off and temporary payments	1,088,970	-	1,088,970
exchange rate and others	247,971	-	247,971
Ending balance at December 31, 2015	$ 1,991,004	3,224,033	5,215,037

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

(Continued)

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

Item		December 31, 2015 Discounts and loans and receivables	December 31, 2015 Allowance for bad debts
With objective evidence of impairment	Individual assessment of impairment	$ 3,945,725	1,991,004
	Portfolio assessment of impairment	4,251,349	62,198
Without objective evidence of impairment	Portfolio assessment of impairment	321,529,843	3,161,835
Total		$ 329,726,917	5,215,037

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

As of December 31, 2015 and 2014, the amounts of outstanding loans with interest charges suspended amounted to $594,738 thousand and $525,171 thousand, respectively. The amounts of interest not accrued derived from the aforementioned loans were $17,031 thousand and $7,969 thousand, respectively.

8) Available-for-sale financial assets—net

	December 31, 2015	December 31, 2014
Negotiable certificates of deposit	$ 113,783,454	164,140,930
Treasury bills	-	5,991,739
Government bonds	62,615,688	24,896,209
Financial debentures	6,385,341	6,051,871
Equity instruments	-	101,964
Less: accumulated impairment	-	14,469
Total	$ 182,784,483	201,168,244
Marked-to-market adjustments for hedged assets included in the above balance	$ -	(161)

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

	December 31, 2015			December 31, 2014		
	Percentage of ownership %	Investment cost	Book value	Percentage of ownership %	Investment cost	Book value
Investments measured by equity method:						
Standard Chartered Life Insurance Agency Co., Ltd. (SCLIA)	100.00	$ 21	826,742	100.00	21	692,275
Taiwan Standard Chartered Insurance Agency Co., Ltd. (SCIAC)	100.00	368	21,710	100.00	368	26,106
		$ 389	848,452		389	718,381
Other financial assets:						
Financial assets carried at cost:						
Taiwan Small and Medium Enterprises Development Corp.	4.84	$ 29,000	29,000	4.84	29,000	29,000
Financial Information Service Co., Ltd.	1.14	45,500	45,500	1.14	45,500	45,500
Taipei Forex Inc.	-	-	-	3.18	6,673	6,673
TSC Bio Venture Management, Inc.	5.00	10,632	10,632	5.00	10,632	10,632
Liyu Venture Investment, Inc.	4.76	8,549	8,549	4.76	8,549	8,549
Windance Co., Ltd.	2.73	188,500	188,500	2.73	188,500	188,500
Taiwan Asset Service Corporation	2.94	50,000	50,000	2.94	50,000	50,000
Yang Guang Asset management Company	1.42	849	849	1.42	849	849
Taiwan Depository and Clearing Corporation	-	-	-	0.17	9,277	9,277
Subtotal		333,030	333,030		348,980	348,980
Less: accumulated impairment		-	202,941		-	202,941
		333,030	130,089		348,980	146,039
Restricted assets—debt instruments			10,372,019			15,702,585
			$ 10,502,108			15,848,624

For the years ended December 31, 2015 and 2014, the Bank recognized share of profit of associates and joint ventures accounted for using equity method as $778,160 thousand and $648,089 thousand, respectively. For the years ended December 31, 2015 and 2014, the cash dividends from associates under the equity method were $648,089 thousand and $323,219 thousand, and decreased the book value of equities.

For the years ended December 31, 2015 and 2014, the cash dividends from financial assets carried at cost recorded under net other non-interest income were $17,408 thousand and $18,207 thousand, respectively.

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

On November 5, 2015, the Bank sold 630,000 shares of Taipei Forex Inc. and recognized $17,823 thousand gain on sale under net other non-interest income. In addition, on December 24, 2015, the Bank sold 570,734 shares of Taiwan Depository and Clearing Corporation and recognized $23,726 thousand gain on sale under net other non-interest income.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

10) Property, plant and equipment—net

December 31, 2015	Cost	Accumulated depreciation	Accumulated impairment	Net
Land	$ 2,915,217	-	41,865	2,873,352
Buildings	3,062,698	1,193,649	-	1,869,049
Office equipment	556,759	530,874	-	25,885
Leasehold improvements	689,138	609,110	-	80,028
Other equipment	600,442	523,384	-	77,058
Total	$ 7,824,254	2,857,017	41,865	4,925,372

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

Change in cost movement:

	January 1, 2015	Increase	Decrease	Reclassify	December 31, 2015
Land	$ 3,161,179	-	245,962	-	2,915,217
Buildings	3,126,077	-	63,379	-	3,062,698
Office equipment	610,027	2,816	56,084	-	556,759
Leasehold improvements	629,179	99,668	39,709	-	689,138
Other equipment	643,475	6,962	49,995	-	600,442
Total	$ 8,169,937	109,446	455,129	-	7,824,254

	January 1, 2014	Increase	Decrease	Reclassify	December 31, 2014
Land	$ 3,161,179	-	-	-	3,161,179
Buildings	3,111,411	2,517	2,180	14,329	3,126,077
Office equipment	651,104	17,643	64,232	5,512	610,027
Leasehold improvements	667,604	16,174	63,779	9,180	629,179
Other equipment	935,071	65,132	356,728	-	643,475
Work in process	15,153	13,868	-	(29,021)	-
Total	$ 8,541,522	115,334	486,919	-	8,169,937

Change in accumulated depreciation:

	January 1, 2015	Increase	Decrease	Reclassify	December 31, 2015
Buildings	$ 1,129,583	91,996	27,930	-	1,193,649
Office equipment	552,835	29,909	51,870	-	530,874
Leasehold improvements	534,490	114,329	39,709	-	609,110
Other equipment	519,369	54,010	49,995	-	523,384
Total	$ 2,736,277	290,244	169,504	-	2,857,017

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

Change in accumulated impairment:

	January 1, 2015	Increase	Decrease	December 31, 2015
Land	$ 25,600	16,265	-	41,865
Buildings	1,169	-	1,169	-
Total	$ 26,769	16,265	1,169	41,865

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

11) Intangible assets—net

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

Change in intangible assets:

	January 1, 2015	Increase	Decrease	December 31, 2015
Goodwill	$ 3,156,048	-	-	3,156,048
Computer software	27	-	27	-
Total	$ 3,156,075	-	27	3,156,048

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

(Continued)

12) Other assets — net

	December 31, 2015	December 31, 2014
Refundable deposits	$ 445,730	451,125
Derivatives collateral	9,385,543	7,625,451
Prepaid fee	106,333	152,708
Other	1,437	240,077
	$ 9,939,043	8,469,361

13) Deposits from the Central Bank and banks

	December 31, 2015	December 31, 2014
Deposits from banks	$ 1,082,806	1,102,881
Deposits from banks — affiliates	1,623,277	2,241,325
Overdrafts on banks	59,795	46,068
Overdrafts on banks — affiliates	111,625	2,324,840
Call loans from banks	12,956,995	3,229,425
Call loans from banks — affiliates	12,145,238	16,932,395
Total	$ 27,979,736	25,876,934

14) Payables

	December 31, 2015	December 31, 2014
Accounts payable	$ 19,228	19,997
Accrued interest	351,643	531,542
Accrued expenses	1,700,146	1,775,092
Collection payable	111,370	73,602
Acceptance payable	219,471	374,066
Inter-branch check clearing payable	172,760	174,787
Temporary receipts in advance	41,997	8,923
Unsettled trade payable	5,100,000	10,000,000
Other	726,164	678,770
Total	$ 8,442,779	13,636,779

(Continued)

15) Deposits and remittances

	December 31, 2015	December 31, 2014
Checking accounts deposits	$ 4,317,267	4,482,905
Demand deposits:		
Demand deposits	189,922,987	211,920,451
Saving account deposits	129,183,137	129,274,558
Subtotal of demand deposits	319,106,124	341,195,009
Time deposits:		
Time deposits	130,155,613	197,285,428
Time savings deposits	44,460,114	55,417,670
Subtotal of time deposits	174,615,727	252,703,098
Remittances	81,745	114,706
Marked-to-market adjustments on hedged items	-	(161)
Total	$ **498,120,863**	**598,495,557**

As of December 31, 2015, the Bank's foreign currency time deposits with floating rate mentioned above has adopted cash flow hedge in order to reduce the impact of cash flow that was affected by interest rate and foreign exchange rate fluctuation.

16) Financial debentures—net

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

Bond	Conditions for issuance	December 31, 2015	December 31, 2014
91-1A	5 year term, interest accrued and paid semi annually, annual interest rate for the first 3 years is 4.25%, and 4.5% for the last 2 years; maturity date: July 19, 2007	$ 1,000	1,000
94-1	No maturity date, interest accrued and paid semi annually, based on the average one year regular floating rate of the nine largest banks plus 1.493%	2,100	2,100
94-2	No maturity date, interest accrued and paid semi annually, based on the average one year regular floating rate of the nine largest banks plus 1.493%	500	500
98-2	No maturity date, USD based, interest accrued and paid quarterly, annual interest rate from issuance date to June 11, 2015 is USD 3M LIBOR plus 3.33%, and USD 3M LIBOR plus 4.33% from June 11, 2015	4,941,605	4,750,291
98-3	No maturity date, USD based, interest accrued and paid quarterly, annual interest rate from issuance date to June 11, 2015 is USD 3M LIBOR plus 3.33%, and USD 3M LIBOR plus 4.33% from June 11, 2015	4,941,605	4,750,291
100-1C	4 year term, interest accrued and paid quarterly, annual interest rate is 1.32%; maturity date: May 19, 2015	-	650,000
100-1D	5 year term, interest accrued and paid quarterly, annual interest rate is 1.45%; maturity date: May 19, 2016	6,150,000	6,150,000
100-1E	6 year term, interest accrued and paid quarterly, annual interest rate is 1.51%; maturity date: May 19, 2017	1,000,000	1,000,000

(Continued)

Bond	Conditions for issuance	December 31, 2015	December 31, 2014
100-1F	7 year term, interest accrued and paid quarterly, annual interest rate is 1.60%; maturity date: May 19, 2018	$ 2,550,000	2,550,000
100-1H	5 year term, interest accrued and paid quarterly, TWD 90 day CP interest rate; maturity date: May 19, 2016	400,000	400,000
100-1I	7 year term, interest accrued and paid quarterly, TWD 90 day CP interest rate; maturity date: May 19, 2018	4,000,000	4,000,000
100-2	5 year term, interest accrued and paid quarterly, annual interest rate is 1.451%; maturity date: June 8, 2016	500,000	500,000
100-3C	5 year term, interest accrued and paid quarterly, annual interest rate is 1.40%; maturity date: September 23, 2016	1,100,000	1,100,000
100-4D	10 year term, interest accrued and paid quarterly, TWD 90 day CP interest rate plus 0.15% interest rate; maturity date: June 29, 2021	2,000,000	2,000,000
101-1C	3 year term, interest accrued and paid quarterly, annual interest rate is 1.09%; maturity date: January 17, 2015	-	600,000
103-1	2 year term, USD based, interest accrued quarterly, interest paid annually, annual interest rate is USD 3M LIBOR plus 0.70%; maturity date: January 27, 2016	19,107,541	18,367,792
103-2	10 year term, USD based, interest accrued and paid semi annually, annual rate is 4.50%; maturity date: December 18, 2024	6,588,808	6,333,722
		53,283,159	53,155,696
Marked-to-market adjustment on hedged items		57,904	46,492
Total		$ 53,341,063	53,202,188

17) Other financial liabilities

	December 31, 2015	December 31, 2014
Structured deposits	$ 1,158,492	3,304,529

18) Provisions

	December 31, 2015	December 31, 2014
Provision for guarantee liabilities	$ 30,794	109,035
Provision for employee benefits	1,602,155	1,705,507
Provision for decommissioning, restoration and rehabilitation cost	149,418	91,671
Other miscellaneous provisions	9,040	2,645
Total	$ 1,791,407	1,908,858

(Continued)

19) Other liabilities

	December 31, 2015	December 31, 2014
Advance received from customers	$ 55,260	78,624
Deferred income	55,575	58,378
Guarantee deposits received	43,877	37,550
Tax payable	648,239	578,940
Derivatives collateral	2,446,420	3,931,816
Other	96,773	449,739
	$ 3,346,144	5,135,047

20) Employee benefits

(a) Defined contribution plan

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

For the years ended December 31, 2015 and 2014, the pension expense under defined contribution plan of the Bank amounted to $163,892 thousand and $161,135 thousand, respectively, recorded under operating expenses—employee benefits expense.

(b) Provision for employee benefits

i) Change in defined benefit obligation

	December 31, 2015	December 31, 2014
Defined benefit plan	$ 1,602,155	1,705,507

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

	December 31, 2015	December 31, 2014
Present value of defined benefit obligation	$ 2,900,317	3,213,605
Less: fair value of defined benefit plan assets	1,298,162	1,508,098
Liability recognized in balance sheets	$ 1,602,155	1,705,507

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

(Continued)

ii) The percentage of plan assets were as follows:

Unit: %

	December 31, 2015	December 31, 2014
Cash	17.70	19.12
Stocks	54.60	52.52
Short-term notes	1.30	1.98
Bonds	26.40	26.38
Total	**100.00**	**100.00**

iii) Change in defined benefit obligation

The change in defined benefit obligation for the years 2015 and 2014 were as follows:

	2015	2014
DBO at January 1	$ 3,213,605	3,221,111
Current service cost and interest cost	171,632	190,994
Remeasurements of the net defined benefit liability		
Actuarial (gain) loss—experience	(42,456)	69,649
Actuarial loss—financial assumption changes	28,127	30,835
Benefit paid from plan assets	(77,170)	(73,593)
Benefits paid directly by the Bank	(99,383)	(94,656)
Settlements	(294,038)	(130,735)
DBO at December 31	$ 2,900,317	3,213,605

iv) Change in plan assets

The change in defined benefit plan assets for the years 2015 and 2014 were as follows:

	2015	2014
Fair value of plan assets at January 1	$ 1,508,098	1,496,466
Adjustment to beginning balance of plan assets	-	(11,260)
Interest income	21,183	18,349
Remeasurements of the net defined benefit assets		
Actuarial gain—return on plan assets (exclude interest)	18,073	17,338
Employers contributions	32,614	107,706
Benefit paid from plan assets	(77,170)	(73,593)
Settlements	(204,636)	(46,908)
Fair value of plan assets at December 31	$ 1,298,162	1,508,098

v) Change in asset ceiling

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

vi) Recognized as profit and loss cost

The recognized as profit and loss cost for the years 2015 and 2014 were as follows:

		2015	2014
Current service cost	$	124,630	138,059
Net interest on the net defined benefit liability		25,819	34,586
Settlement gain		(20,743)	(15,764)
	$	129,706	156,881

vii) 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 2015 and 2014 were as follows:

		2015	2014
Cumulated surplus at January 1	$	112,892	18,486
Recognised in current period		(32,402)	94,406
Cumulated surplus at December 31	$	80,490	112,892

viii) Primary actuarial assumptions

	2015	2014
Defined benefit plan discount rate	1.00 %	1.60 %
Incremental rate of future compensation levels	3.00 %	3.50 %

The estimated payment of the Bank's employer contribution to its defined benefit plan is amount to $30,371 thousand, which is expected to be paid within a year of its balance sheet date in 2015.

Weighted average duration of the defined benefit obligation is 9.4 years.

ix) 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, 2015, the effects of changes in actuarial assumptions on the present value of defined benefit obligation were as follows:

	Effect on DBO	
	0.50% Increase	0.50% Decrease
December 31, 2015		
Discount rate	(132,080)	142,181
Salary increase rate	140,315	(131,655)

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.

(Continued)

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

21) Income tax

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

For the years ended December 31, 2015 and 2014, the income tax expense (benefit) and related accounts were as follows:

		2015	2014
Current income tax benefit	$	(6,590)	(2,101)
10% surtax on undistributed earnings		-	73,991
Deferred income tax expense		124,312	165,906
Basic income tax		40,834	180,736
Income tax expense	$	158,556	418,532

As of December 31, 2015 and 2014, the current tax assets of the Bank amounted to $239,692 thousand and $127,143 thousand, respectively.

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

		2015	2014
Income tax from profit before tax at statutory rate	$	271,581	626,442
Permanent difference		(287,848)	(496,030)
10% surtax on undistributed earnings		-	73,991
Prior-year income tax adjustments		(12,121)	(2,101)
Basic income tax		40,834	180,736
Other adjustments per tax regulation		146,110	35,494
Income tax expense	$	158,556	418,532

For the years ended December 31, 2015 and 2014, the components of deferred income tax expense (benefit) recognized as other comprehensive income were as follows:

		2015	2014
Item not to be reclassified into profit or loss:			
Remeasurements of defined benefit plan	$	5,508	(16,049)
Items that may be subsequently reclassified into profit or loss:			
Change in fair value of available-for-sale financial assets recognized	$	(40,713)	(9,379)
Change in fair value of cash flow hedges recognized		(29,437)	52,320
Total	$	(70,150)	42,941

(Continued)

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

		2015	2014
Bad debt expense and guarantee liability provision	$	(45,419)	100,359
Depreciation expense		(10,191)	(2,738)
Impairment loss on assets		2,659	547
Expenses from share-based payments		(3,690)	2,333
Employee benefits		12,061	19,303
Provisions		8,072	(8,902)
Deferred income		64,007	124,725
Loss carryforwards		49,046	(140,364)
Unrealized interest income from financial assets		(5,886)	16,990
Amortization of goodwill		53,653	53,653
	$	124,312	165,906

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

		December 31, 2015	December 31, 2014
Deferred tax assets:			
Bad debt expense and guarantee liability provision	$	349,807	304,388
Depreciation expense		30,159	19,968
Impairment loss on assets		34,500	37,159
Expenses from share-based payments		31,863	28,173
Employee benefits		272,365	289,934
Provisions		13,509	21,581
Deferred income		101,846	165,853
Loss carryforwards		1,402,575	1,451,621
Unrealized loss on cash flow hedge		1,748	-
Total	$	2,238,372	2,318,677
Deferred tax liabilities:			
Unrealized interest income on financial assets	$	86,238	92,124
Amortization of goodwill		375,570	321,917
Land value increment tax		123,716	137,179
Unrealized gain on available-for-sale financial assets		86,749	127,462
Unrealized gain on cash flow hedge		-	27,689
Total	$	672,273	706,371

(Continued)

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Notes to the Financial Statements

The movements of deferred tax items were as follows:

		2015	2014
Beginning balance	$	1,612,306	1,805,104
Recognized in current period profit and loss		(124,312)	(165,906)
Land value increment tax		13,463	-
Recognized in other comprehensive income		64,642	(26,892)
Ending balance	$	1,566,099	1,612,306

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

22) Information of imputation credit account

		December 31, 2015	December 31, 2014
Imputation credit account	$	253,418	181,296

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

	2015 (estimated)	2014 (actual)
Tax creditable ratios of distribution of retained earnings to R.O.C. residents	4.91 %	7.21 %

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

23) Stockholders' equity

(a) Capital

As of December 31, 2015, the Bank's authorized capital was $30,000,000 thousand, representing 3,000,000 thousand shares with par value of NTD 10 per share, and issued capital $29,105,720 thousand, representing 2,910,572 thousand common shares.

(b) Capital surplus

The R.O.C. Company Act as amended in January 2012 requires capital surplus to be used to offset an accumulated deficit before capitalization to shareholders' equity as realized capital surplus or distribution of cash dividends. The aforementioned realized capital surplus includes the proceeds received in excess of the par value of common stock issued and any amounts donated to the Bank. In accordance with "Regulations Governing the Offering and Issuance of Securities", the amount of capital surplus capitalized each year may not exceed 10 percent (10%) of the Bank's issued share capital. In January 2015, the Bank performed checks on the unpresented shareholders dividends for the 2005 and 2006 fiscal year, prior to its acquisition of Hsinchu International Bank Co., Ltd, the unpresented dividend amounted to $8,740 thousands. The amount was transferred to capital surplus as per regulatory requirements. In accordance with Judicial Yuan Shi-Zi No. 1476, the shareholders' rights to these dividends will prescribe in 5 years should these rights not being exercised by the shareholders. Further in terms of Cai-Shui-Zi No. 820481127 published on December 22, 1993, prescribed unpresented dividend obligations should be classified as capital surpluses.

(Continued)

(c) Legal reserve

Whenever the Bank generates a profit in accordance with "The Banking Act of The Republic of China". A bank, at the time of distributing its earnings for each fiscal year, shall set aside thirty percent (30%) of its after tax earnings as a legal reserve, until the legal reserve equals to the capital. However, unless and until the accumulated legal reserve equals the Bank's paid in capital, the maximum cash profits which may be distributed shall not exceed fifteen percent (15%) of the Bank's paid in capital. In addition to the legal reserve, a special reserve can be appropriated and approved by the stockholders' meeting. The board of directors approved the distribution of the 2014 and 2013 earnings on June 29, 2015, and May 28, 2014, and appropriated legal reserve of $979,926 thousand and $680,333 thousand, respectively.

(d) Special reserve

In terms of the Financial Supervisory Commission, Executive Yuan, Jin Guan Zheng Fa No. 1010012865 dated April 6, 2012, the first time a public company adopts International Financial Reporting Standards ("IFRS"), it must set aside special reserves equal in amounts to those portions of unrealized revaluation gains and cumulative translation adjustments (both of which are sub accounts under booked shareholder equity) that is shifted to retained earnings as a result of the claiming of an IFRS 1 exemption. However, if the increment of retained earnings resulted from first time adoption of IFRS is not sufficient at the date of transition; the Bank could recognize that incremental amount only. When a company subsequently uses, disposes of, or reclassifies the assets in question, a proportional amount of its originally set aside special reserve may be shifted back to distributable earnings. In accordance with that regulation, under the situation of not having sufficient increment of retained earnings resulted from first time adoption of IFRS, the Bank can shift that incremental amount $239,413 thousand to special reserves.

(e) Other item in stockholders' equity

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

	Unrealized gains and (losses) on available-for-sale financial assets	Gains and (losses) on effective portion of cash flow hedges	Total
January 1, 2015	$ 728,684	135,187	863,871
Available-for-sale financial assets—net			
—Valuation adjustment	(104,559)	-	(104,559)
Cash flow hedge			
—Unrealized loss	-	(143,721)	(143,721)
December 31, 2015	$ 624,125	(8,534)	615,591

(Continued)

	Unrealized gains and (losses) on available-for-sale financial assets	Gains and (losses) on effective portion of cash flow hedges	Total
January 1, 2014	$ 728,701	(120,259)	608,442
Available-for-sale financial assets—net			
—Valuation adjustment	(17)	-	(17)
Cash flow hedge			
—Unrealized gain	-	255,446	255,446
December 31, 2014	$ 728,684	135,187	863,871

(f) Dividend policy and appropriation of earnings

Before the amendment to the Articles of Incorporation approved by the board of directors on November 24, 2015, whenever the Bank generates a profit, 30 percent of its net income is appropriated as legal reserve after the deduction of income tax. Any special reserve would be set aside if necessary for the Bank's ongoing operations. The remaining balance, if any, is distributed as follows:

i. Shareholders' dividends and bonus: 99.99%

ii. Employee bonus: 0.01%

The aforementioned special reserve shall be allocated as required by law or when proposed by the board of directors and resolved at the shareholders' meeting.

The amount for employee bonus to be allocated may be retained either in whole or in part without allocation when proposed by the board of directors and resolved at the shareholders' meeting as the actual situation may justify.

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

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

The estimated amount of staff bonus accrued was based on the possibility of bonus distribution and estimated bonus distribution and resolution approved by the board of directors. Nevertheless, in the event of difference in the amount actually distributed upon resolution of shareholders' meeting and the estimated figures, this difference shall be identified as changes in accounting estimate and recognized as profit or loss for the current period.

(Continued)

The board of directors approved the distribution of 2014 earnings on June 29, 2015 and approved the distribution of bonus to employees for $229 thousand; the difference between the actual and estimated distributed bonus shall be treated as changes in accounting estimate and recognized as profit or loss in 2015. Furthermore, the board of directors approved the distribution of 2013 earnings on May 28, 2014, and approved the distribution of bonus to employees for $167 thousand; the difference between the actual and estimated distributed bonus shall be treated as changes in accounting estimate and recognized as profit or loss in 2014.

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.

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

24) Share-based payments

Standard Chartered PLC Group (the SC PLC Group) has established four main share-based payment schemes for its directors and employees. For the years ended December 31, 2015 and 2014, the share-based payment schemes adopted by the Bank were as follows:

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

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

The option movements of the AESP were as follows:

	2015 Units	2014 Units
Beginning balance	466,480	503,367
Add: granted	280,610	150,581
Less: exercised	8,448	5,708
lapsed	267,364	181,760
Ending balance	471,278	466,480

For the years ended December 31, 2015 and 2014, the costs of the AESP are recognized as profits or losses were $15,581 thousand and $24,882 thousand, respectively, recorded under operating expenses — employee benefits expense.

(Continued)

Options under the Sharesave plans 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:

	2015	
Grant date	October 7	
Share price at grant date	£	7.41
Exercise price	£	5.86
Vesting period (years)		3
Expected volatility (%)		28.00
Expected option life (years)		3.33
Risk-free rate (%)		0.90
Expected dividend yield (%)		6.30
Fair value	£	1.40

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

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.

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

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

(Continued)

The option movements of the RSA were as follows:

	2015 Units	2014 Units
Beginning balance	121,384	123,112
Add: granted	49,957	32,704
dividend	2,834	2,047
Less: exercised	19,095	32,764
lapsed	13,646	3,715
Ending balance	**141,434**	**121,384**

For the years ended December 31, 2015 and 2014, the costs of the RSA charged to profits or losses were $22,989 thousand and $16,010 thousand, respectively, recorded under operating expenses—employee benefits expense.

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

	2015			
Grant date	December 1	September 22	June 17	March 19
Share price at grant date	£ 5.57	£ 6.73	£ 10.28	£ 10.51
Vesting period (years)	2/3	2/3 1/2/3/4 2/3/4	2/3	2/3
Expected dividend yield (%)	6.40	6.40	7.00	7.00
Fair value	£ 4.77	£ 5.77	£ 8.68	£ 8.88

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

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

Performance shares are subject to a combination of three performance measures, Total Shareholder Return (TSR), Earnings Per Share (EPS) and Return on Risk Weighted Assets (RoRWA). The weighting between the three elements is split equally, one-third of the award depending on each measure, assessed independently. Performance share awards form part of the variable compensation awarded to executive directors. In line with regulatory requirements, discretionary variable compensation for executive directors will not exceed 200 percent of fixed pay.

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

	2015 Units	2014 Units
Beginning balance	100,182	83,291
Add: granted	3,146	38,043
Less: exercised	6,371	2,246
lapsed	31,433	18,906
Ending balance	**65,524**	**100,182**

For the years ended December 31, 2015 and 2014, the costs of the PSA (PSP) reversed and charged to profit or loss were $3,721 thousand and $3,396 thousand, respectively, recorded under operating expenses—employee benefits expense.

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

	2015
Grant date	March 19
Share price at grant date	£ 10.51
Vesting period (years)	5
Expected dividend yield (%)	5.70
Fair value (EPS)	£ 2.65
Fair value (RoRWA)	£ 2.65
Fair value (TSR)	£ 1.08

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

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

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

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

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The option movements of the SRSS were as follows:

	2015 Units	2014 Units
Beginning balance	16,797	16,999
Add: granted	577	-
Less: exercised	5,347	202
Ending balance	12,027	16,797

For the years ended December 31, 2014, the cost of the SRSS reversed to profit or loss was $981 thousand, recorded under operating expenses—employee benefits expense.

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

	2015			
Grant date	December 1	September 22	June 17	March 19
Share price at grant date	£ 5.57	£ 6.73	£ 10.28	£ 10.51
Vesting period (years)	2/3	2/3 1/2/3/4 2/3/4	2/3	2/3
Expected dividend yield (%)	6.40	6.40	7.00	7.00
Fair value	£ 4.77	£ 5.77	£ 8.68	£ 8.88

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

25) Earnings per share

	2015	2014
Net income attributable to common stockholders (after tax)	$ 1,438,982	3,266,419
Common stock (in thousands)	$ 2,910,572	2,910,572
Basic EPS (in dollars)	$ 0.49	1.12

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.

(Continued)

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Notes to the Financial Statements

26) Net interest income

		2015	2014
Interest income			
Interest income, discounts and loans	$	8,345,077	9,428,590
Interest income, accounts receivable factoring		214,899	250,182
Interest income, due from banks		1,367,038	2,048,596
Interest income, available-for-sale financial assets		1,757,281	1,656,073
Interest income, credit card recurrence		323,295	405,144
Interest income, other		228,762	271,479
Subtotal		12,236,352	14,060,064
Interest expense			
Interest expense, deposits		3,715,720	3,863,671
Interest expense, due to banks		263,531	414,602
Interest expense, financial debentures		1,088,574	980,643
Interest expense, other		37,399	74,833
Subtotal		5,105,224	5,333,749
Total	$	7,131,128	8,726,315

27) Net service fee income

		2015	2014
Service fee			
Service fee, loan	$	136,644	317,169
Service fee, agency		6,697	212,232
Service fee, remittance and interbank		122,252	105,520
Service fee, guarantee, import, export and acceptance payable		75,850	103,589
Service fee, credit card		340,028	359,612
Service fee, trust		1,955,254	2,142,543
Service fee, factoring		82,533	83,620
Service fee, other		58,356	47,429
Subtotal		2,777,614	3,371,714
Service charge			
Service charge, interbank		206,140	209,315
Service charge, agency		126,898	180,830
Service charge, custodian		111,320	97,140
Service charge, other		85,801	35,070
Subtotal		530,159	522,355
Total	$	2,247,455	2,849,359

(Continued)

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Notes to the Financial Statements

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

	2015	2014
Gain on disposal		
Interest-rate instruments	$ 165,098	60,733
Derivative financial instruments	1,660,831	688,084
Subtotal	1,825,929	748,817
(Loss) gain on valuation		
Interest-rate instruments	22,498	22,092
Derivative financial instruments	(711,016)	909,797
Subtotal	(688,518)	931,889
Interest income	94,477	143,145
Total	$ 1,231,888	1,823,851

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

	2015	2014
Profit on sale—debt instruments	$ 77,426	15,935
Profit on sale—equity instruments	6,465	-
Dividend income	-	2,556
Total	$ 83,891	18,491

30) Net other non-interest income

	2015	2014
Administrative support service income	$ 680,637	578,103
Net gain (loss) on disposal of assets	91,903	113,069
Net gain on securities brokering income	-	84,862
Gains on financial assets carried at cost	58,957	18,207
Rental income	12,754	14,853
Net gain on fair value hedge	20,146	3,105
Other	10,480	17,676
Total	$ 874,877	829,875

31) Impairment losses on assets

	2015	2014
Impairment loss—land	$ 16,265	6,382
Gain on reversal of impairment loss—buildings	(767)	(3,870)
Impairment loss—other financial assets	-	650
Total	$ 15,498	3,162

32) Bad debt expense and guarantee liability (reversal) provision

	2015	2014
Bad debt expenses	$ 1,163,792	682,006
Guarantee liabilities (reversal) provision	(78,241)	624
Total	$ 1,085,551	682,630

(Continued)

33) Employee benefits expense

		2015	2014
Salary expenses	$	4,362,266	4,563,160
Employee insurance		329,619	338,649
Pension			
Defined contribution plan		163,892	161,135
Defined benefit plan		129,706	156,881
Other		340,397	489,928
Total	$	5,325,880	5,709,753

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, 2015 was 160 thousand, based on 0.01% of the profit aforementioned. The amount is recorded under operating expenses—employee benefits expense, the relevant information can be accessed through Market Observation Post System. Any difference between the actual and estimated distributed bonus shall be treated as changes in accounting estimates and recognized as profit or loss in 2016.

34) Depreciation and amortization expenses

		2015	2014
Depreciation expenses			
Buildings	$	91,996	98,641
Office equipment		29,909	41,208
Leasehold improvements		114,329	69,620
Other equipment		54,010	55,526
Subtotal of depreciation		290,244	264,995
Computer software amortization		27	975
Total	$	290,271	265,970

35) Other general and administrative expenses

		2015	2014
Rental expense	$	513,224	549,177
Office supplies		109,737	125,316
Postage		204,919	227,947
Repairs and maintenance		176,996	184,084
Advertising expense		105,445	113,421
Utilities fee		103,593	118,342
Taxes		696,611	652,161
Professional service fee		99,844	159,749
Operational and advisory service fee		1,005,849	989,414
Consulting and technical support service fee		530,161	489,164
Wholesale banking business service fee		325,669	326,206
Building management fee		135,035	140,959
Computer management fee		323,355	283,661
Other		775,600	871,282
Total	$	5,106,038	5,230,883

(Continued)

36) Disclosure of financial instruments

(a) Financial instruments measured at fair value

i. Valuation of financial instruments measured at fair value:

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

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

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

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

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

The Bank does not have level 3 financial instruments.

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

The Bank does not have level 3 financial instruments.

v. The definition of fair value hierarchy of financial instruments measured at fair value

i) 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.

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

a. The quoted price in similar financial instruments' active market was referred to the fair value of financial instruments held by and based on similar financial instruments' recent quoted prices; the judgment of similar financial instruments should follow the characteristics of the financial instruments and trading conditions. The factors that require the fair value of financial instruments to be adjusted with compatible similar financial instruments which have observable trading prices might include recent financial instruments trading price already have time gap (i.e. has been a while since last trading time), the difference between the financial instruments trading conditions, transaction prices involved with a related party, and the correlation between observable transaction price of similar financial instruments and the price of financial instruments held.

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

c. Fair value determined based on a valuation model. Inputs for the model (for example, interest rates, yield curves, volatilities, etc.) can be observed from the market (these observable inputs are obtained from market information, and when they are being used in the model, the resulting valuation for the asset or liability shall represent prices anticipated by the market participants).

d. Inputs are derived principally from or corroborated by observable market data by correlation or other means.

iii) Level 3 means to measure the fair value of the input parameters are not based on observable market data (inputs which are unobservable).

(Continued)

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

Financial instruments at fair value	December 31, 2015 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments:				
Assets:				
Financial assets at fair value through profit or loss				
Debt instruments	$ 10,764,608	-	10,764,608	-
Available-for-sale financial assets — net				
Debt instruments	182,784,483	-	182,784,483	-
Other financial assets — net				
Restricted assets — debt instruments				
Debt instruments	10,372,019	-	10,372,019	-
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	18,249,526	12,183	18,237,343	-
Derivative financial assets for hedging — net	81,431	-	81,431	-
Liabilities:				
Financial liabilities at fair value through profit or loss	17,058,968	111,281	16,947,687	-
Derivative financial liabilities for hedging — net	32,480	-	32,480	-

Financial instruments at fair value	December 31, 2014 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments:				
Assets:				
Financial assets at fair value through profit or loss				
Debt instruments	$ 18,629,118	9,381,630	9,247,488	-
Available-for-sale financial assets — net				
Debt instruments	201,080,749	24,896,209	176,184,540	-
Equity instruments	87,495	87,495	-	-
Other financial assets — net				
Restricted assets — debt instruments				
Debt instruments	15,702,585	614,629	15,087,956	-
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	17,782,596	3,396	17,779,200	-
Derivative financial assets for hedging — net	48,199	-	48,199	-
Liabilities:				
Financial liabilities at fair value through profit or loss	13,462,099	6,379	13,455,720	-
Derivative financial liabilities for hedging — net	5,065	-	5,065	-

(Continued)

(b) Financial instruments measured at amortised cost

i. Valuation of financial instruments measured at amortised cost:

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

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

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

iv) Discounts and loans—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.

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

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

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

(Continued)

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

Financial assets	December 31, 2015 Book value	Fair value
Cash and cash equivalents	$ 9,690,695	9,690,695
Due from the Central Bank and call loans to banks	87,019,615	87,019,707
Securities purchased under resell agreements and debt instruments	2,499,824	2,647,011
Receivables－net	21,380,627	21,380,627
Discounts and loans－net	303,239,940	303,227,995
Other financial assets－net		
Financial assets carried at cost	130,089	130,089

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

Financial liabilities	December 31, 2015 Book value	Fair value
Deposits from the Central Bank and banks	$ 27,979,736	27,981,270
Payables	8,442,779	8,442,779
Related parties payable	12,335,872	12,335,872
Deposits and remittances	498,120,863	498,259,817
Financial debentures－net	53,341,063	53,396,410
Other financial liabilities	1,158,492	1,158,492

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

(Continued)

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

Financial instruments measured at amortised cost	December 31, 2015 Book value	Fair value Level 1	Level 2	Level 3	Total
Non-derivative financial instruments:					
Assets:					
Cash and cash equivalents	$ 9,690,695	-	9,690,695	-	9,690,695
Due from the Central Bank and call loans to banks	87,019,615	-	87,019,707	-	87,019,707
Securities purchased under resell agreements and debt instruments	2,499,824	-	2,647,011	-	2,647,011
Receivables－net	21,380,627	-	21,380,627	-	21,380,627
Discounts and loans－net	303,239,940	-	19,000,000	284,227,995	303,227,995
Other financial assets－net					
Financial assets carried at cost	130,089	-	-	130,089	130,089
Liabilities:					
Deposits from the Central Bank and banks	27,979,736	-	27,981,270	-	27,981,270
Payables	8,442,779	-	8,442,779	-	8,442,779
Related parties payable	12,335,872	-	12,335,872	-	12,335,872
Deposits and remittances	498,120,863	-	498,259,817	-	498,259,817
Financial debentures－net	53,341,063	-	53,396,410	-	53,396,410
Other financial liabilities	1,158,492	-	1,158,492	-	1,158,492

(c) Information on financial risk

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

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

i. Market risk

i) Strategy and procedure of market risk management

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

(Continued)

ii) Market risk management organization and structure

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

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

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

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

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

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

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

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

	2015			2014		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Foreign exchange VaR	$ 3,538	8,192	1,095	4,714	11,365	1,722
Interest rate VaR	36,570	53,778	26,591	29,859	44,919	16,847
Risk rate VaR	36,773	53,978	26,914	30,286	45,121	17,728

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

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

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

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

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

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

v) Method used for regulatory capital calculation

Standardized Approach / Delta-Plus for Options.

vi) Exchange rate risk exposure information

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

	December 31, 2015			December 31, 2014		
	Foreign currency	**Exchange rate**	**NTD**	**Foreign currency**	**Exchange rate**	**NTD**
Long position						
USD	$16,096,051	32.944	530,268,897	11,065,261	31.669	350,421,408
EUR	841,544	35.969	30,269,568	617,019	38.495	23,752,142
JPY	91,124,869	0.274	24,932,900	74,479,113	0.265	19,709,328
HKD	433,513	4.251	1,842,733	1,581,835	4.084	6,460,350
CNY	20,292,976	5.075	102,985,830	7,436,890	5.170	38,448,442
Short position						
USD	16,135,635	32.944	531,572,928	11,057,614	31.669	350,179,239
EUR	841,498	35.969	30,267,916	618,044	38.495	23,791,577
JPY	91,201,776	0.274	24,953,943	74,518,950	0.265	19,719,870
HKD	428,843	4.251	1,822,885	1,580,067	4.084	6,453,126
CNY	20,305,972	5.075	103,051,785	7,401,332	5.170	38,264,612

(Continued)

i) Interest rate sensitivity information

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

December 31, 2015

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	$ 333,820,931	43,539,338	44,560,581	51,249,108	473,169,958
Interest rate sensitive liabilities	291,687,305	29,547,280	30,639,572	1,568,649	353,442,806
Interest rate sensitive gap	42,133,626	13,992,058	13,921,009	49,680,459	119,727,152
Net worth					42,228,512
Ratio of interest rate sensitive assets to liabilities (%)					133.87
Ratio of interest rate sensitive gap to net worth (%)					283.52

December 31, 2014

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	$ 372,771,828	38,915,157	79,830,987	51,260,523	542,778,495
Interest rate sensitive liabilities	311,243,380	43,265,215	33,804,685	4,680,204	392,993,484
Interest rate sensitive gap	61,528,448	(4,350,058)	46,026,302	46,580,319	149,785,011
Net worth					41,793,166
Ratio of interest rate sensitive assets to liabilities (%)					138.11
Ratio of interest rate sensitive gap to net worth (%)					358.40

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

December 31, 2015

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	$ 3,445,197	84,179	315,412	-	3,844,788
Interest rate sensitive liabilities	5,301,816	213,720	271,153	206,225	5,992,914
Interest rate sensitive gap	(1,856,619)	(129,541)	44,259	(206,225)	(2,148,126)
Net worth					33,485
Ratio of interest rate sensitive assets to liabilities (%)					64.16
Ratio of interest rate sensitive gap to net worth (%)					(6,415.19)

December 31, 2014

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	$ 4,683,334	72,594	100,083	191,100	5,047,111
Interest rate sensitive liabilities	6,941,770	695,583	426,242	5,555	8,069,150
Interest rate sensitive gap	(2,258,436)	(622,989)	(326,159)	185,545	(3,022,039)
Net worth					95,171
Ratio of interest rate sensitive assets to liabilities (%)					62.55
Ratio of interest rate sensitive gap to net worth (%)					(3,175.38)

(Continued)

ii. Operational risk

i) Strategy and procedure of operational risk management

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

ii) Operational risk management organization and structure

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

The Risk committee is designed to oversee and to challenge the effectiveness of risk management and control. 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 Risk Management Framework, and has the responsibility 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 consistently.

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

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

According to nature and 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.

(Continued)

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.

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

The operational risk management procedures and processes are built based on Risk Management Framework, and they are integral components of the Operational Risk Management Framework. Operational risks are managed through an end to end process of risk identification, assessment, control, acceptance and monitoring. This process is performed at all levels across the Bank and is the foundation of the management approach. 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.

v) Method used for regulatory capital calculation

Basic Indicator Approach.

iii. Compliance and legal risk

Compliance and legal risks arise from the possibility that an entity may not be able to comply with regulations issued by the government, which results a regulatory breach, and may not be able to enforce a contract against another party, regardless of illegality, omissions, or incompleteness, which is likely to result in loss. 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 professional legal consulting and review services for internal operating guidelines and various kinds of transactions contracts. The two departments together are to make sure that the Bank follows relevant regulatory compliance and legal matters concerning the financial structure and operations of the Bank.

iv. Credit risk management

i) 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.

A. Strategy and Goal

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

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

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

b. Responsibility: it is the responsibility of all employees to ensure that risk-taking is disciplined and focused. We take account of our social, environmental and ethical responsibilities in taking risk to produce a return;

c. Accountability: risk is taken only within agreed authorities and where there is appropriate infrastructure and resource. All risk-taking must be transparent, controlled and reported;

d. Anticipation: we seek to anticipate future risks and maximize awareness of all risks; and

e. Competitive advantage: we seek competitive advantage through efficient and effective risk management and control.

B. Policies and Procedures

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

ii) Credit risk management organization and structure

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

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

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

(Continued)

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

Risk measurement plays a central role, along with judgment and experience, in informing risk-taking and portfolio management decisions.

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

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

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

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

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

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

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

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

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

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

v) Method used for regulatory capital calculation

Standardized Approach.

vi) Maximum exposure to credit risk

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

	Maximum exposure to credit risk	
Off-balance-sheet items	**December 31, 2015**	**December 31, 2014**
Other guarantees	$ 2,808,832	6,903,492
Unused amount of irrevocable credit commitments	462,103	1,970,603
Unused amount of irrevocable letters of credit	1,154,935	2,401,702
Total	$ 4,425,870	11,275,797

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

vii) Concentrations of credit risk

Financial instruments counterparties are significantly concentrated onto one person or multiple persons. Concentration of credit risk exists if a number of counterparties are engaged in similar activities or activities in the same region, or have similar economic characteristics that would cause their abilities to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Bank's concentration of credit risk are derived from assets, liabilities or off-balance 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 and its subsidiaries:

(Continued)

A. By industry

		December 31, 2015	December 31, 2014
Individual	$	202,309,525	223,318,953
Manufacturing		44,300,341	49,962,231
Transportation and warehousing		20,192,020	15,767,796
Commercial		10,284,335	16,638,314
Government		19,000,000	16,950,000
Financial industry		3,831,930	6,626,660
Other		8,126,130	12,571,172
Total	$	308,044,281	341,835,126

B. By area

		December 31, 2015	December 31, 2014
Domestic	$	268,897,803	298,571,583
Overseas		39,146,478	43,263,543
Total	$	308,044,281	341,835,126

C. By collateral

		December 31, 2015	December 31, 2014
Unsecured	$	99,150,444	111,651,700
Secured			
—Real estate		177,623,327	195,106,107
—Movable asset		20,429,692	22,049,186
—Debt instrument		8,600,624	9,983,311
—Other		2,240,194	3,044,822
Total	$	308,044,281	341,835,126

viii) Credit quality and impairment analysis on financial asset

Some of the financial assets held by the Bank, such as cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, derivative financial assets for hedging and securities purchased under resell agreements and debt instruments are excluded from this analysis since the counterparty is normally with good credit quality and can be considered as low credit risk. Below tables provide the credit quality analysis for other financial assets.

A. Credit quality analysis

	December 31, 2015					
				Allowance for bad debts		
	Neither past due nor impaired	Past due but not impaired	Impaired	Individually impaired	Collectively impaired	Total
Receivables						
Credit cards accounts receivable	$ 3,981,501	101,098	783,833	251,764	29,341	4,585,327
Accounts receivable factoring	13,241,437	-	-	-	-	13,241,437
Discounts and loans						
Consumer banking	194,628,118	3,482,109	4,815,173	1,174,571	2,652,273	199,098,556
Wholesale banking	102,484,053	50,346	2,584,482	543,765	542,419	104,032,697
Available-for-sale financial assets	182,784,483	-	-	-	-	182,784,483
	$ 497,119,592	3,633,553	8,183,488	1,970,100	3,224,033	503,742,500

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

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

	December 31, 2015			
	Investment grade	Sub-investment grade	High risk grade	Total
Receivables				
Credit cards accounts receivable	$ 96	3,981,399	6	3,981,501
Accounts receivable factoring	7,525,177	5,716,260	-	13,241,437
Discounts and loans				
Consumer banking	164,640,116	29,988,002	-	194,628,118
Wholesale banking	58,336,061	44,117,134	30,858	102,484,053
Total	$ 230,501,450	83,802,795	30,864	314,335,109

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

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

	December 31, 2015			
	Investment grade	Sub-investment grade	High risk grade	Total
Receivables				
Credit cards accounts receivable	$ 2,636	27,296	71,166	101,098
Discounts and loans				
Consumer banking	-	1,897,505	1,584,604	3,482,109
Wholesale banking	-	50,346	-	50,346
Total	$ 2,636	1,975,147	1,655,770	3,633,553

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

(Continued)

D. 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, 2015			
	Investment grade	Sub-investment grade	High risk grade	Total
Available-for-sale financial assets				
Debt instruments	$ 182,483,212	301,271	-	182,784,483

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

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

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

	December 31, 2015				
	Up to 1 month	1-2 months	2-3 months	Over 3 months	Total
Receivables					
Credit cards accounts receivable	$ 47,571	18,042	12,904	22,581	101,098
Discounts and loans					
Consumer banking	2,305,960	742,690	200,044	233,415	3,482,109
Wholesale banking	40,559	-	2,506	7,281	50,346
Total	$ 2,394,090	760,732	215,454	263,277	3,633,553

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

A. Asset quality of the Bank

Unit: in thousands of New Taiwan Dollars, %

Product			Period: December 31, 2015 Non-performing loan	Loan balances	NPL ratio	Allowance for bad debts	Coverage ratio
Wholesale Banking	Secured		3,096	31,109,192	0.01 %	73,433	2,371.87 %
	Unsecured		506,384	74,009,689	0.68 %	1,012,751	200.00 %
Consumer Banking	Mortgage		252,567	145,981,164	0.17 %	2,235,533	885.12 %
	Personal loan		252,511	31,324,377	0.81 %	1,528,377	605.27 %
	Others	Secured	6,303	23,940,036	0.03 %	35,827	568.41 %
		Unsecured	63,125	1,679,823	3.76 %	27,107	42.94 %
Total			1,083,986	308,044,281	0.35 %	4,913,028	453.24 %
			Overdue	Accounts receivable	Overdue ratio	Allowance for bad debts	Coverage ratio
Credit card			24,143	4,866,432	0.50 %	281,105	1,164.33 %
Factoring loan receivable without recourse			-	13,241,437	- %	-	- %

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

(Continued)

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

Unit: in thousands of New Taiwan Dollars

	December 31, 2015		December 31, 2014	
	Loans that may be exempted from reporting as overdue loan	Receivables that may be exempted from reporting as overdue receivables	Loans that may be exempted from reporting as overdue loan	Receivables that may be exempted from reporting as overdue receivables
The amount under inter-bank debt relief program without default by debtors	$ 8,380	29,889	11,653	41,633
The amount under debt discharge program and rehabilitation program without default by debtors	419,195	60,224	479,170	68,561
	$ 427,575	90,113	490,823	110,194

B. Concentration of corporate credit risk for the bank

Units: in thousands of New Taiwan Dollars, %

December 31, 2015				
Rank	Industry classification of group enterprise		Outstanding credit	% of net assets
1	A Group	Aviation transportation	6,426,338	14.85 %
2	B Group	Other weaving industry	5,089,217	11.76 %
3	C Group	Semiconductors packing and testing	3,709,538	8.57 %
4	D Group	Other transportation vehicles leasing	3,079,582	7.12 %
5	E Group	Industrial Plastic Products Manufacturing	2,637,943	6.10 %
6	F Group	Aviation transportation	2,434,724	5.63 %
7	G Group	Computers manufacturing	2,242,199	5.18 %
8	H Group	Petrochemicals Manufacturing	2,233,945	5.16 %
9	I Group	Ocean freight industry	2,092,921	4.84 %
10	J Group	Other computer peripheral manufacturing industry	1,881,089	4.35 %

(Continued)

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

Note: the above listed group enterprises refer to a group of corporate entities defined by the Sixth Article of the Supplementary Provisions to the Taiwan Stock exchange Corporation Criteria for Review of Securities Listings.

v. Liquidity risk management mechanism

i) Definition and sources of liquidity risk

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

ii) Management procedure of liquidity risk

The Liquidity Risk Framework governs liquidity risk and is managed by Asset and Liability Committee. The Bank maintains a liquid portfolio of marketable securities as a liquidity buffer as required by local regulation. In total, it maintains a liquidity buffer of TWD 192.1 billion, which is equivalent to 29% of the Bank's total assets. The level of the Bank's aggregate liquid reserves is in accordance with local regulatory minimum liquidity requirements.

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

The Bank is of the view that capital is not a mitigant for liquidity risk; liquid reserves and a short tenured book are the appropriate mitigant. Accordingly, the Bank does not hold capital in respect of liquidity risk.

(Continued)

iii) Financial assets held for liquidity risk management

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

iv) Maturity analysis of non-derivatives liabilities

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

	December 31, 2015				
	Within 3 months	3 months~1 year	1~5 years	Over 5 years	Total
Deposits from the Central Bank and banks	$ 27,133,072	846,664	-	-	27,979,736
Payables	8,442,779	-	-	-	8,442,779
Related parties payable	12,335,872	-	-	-	12,335,872
Deposits and remittances	401,336,149	93,040,948	3,743,766	-	498,120,863
Financial debentures	28,994,352	8,156,080	7,601,824	8,588,807	53,341,063
Other financial liabilities	777,240	62,270	318,982	-	1,158,492
Total	$ 479,019,464	102,105,962	11,664,572	8,588,807	601,378,805

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

v) Maturity analysis of derivative financial liabilities

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

A. Maturity analysis of net settled derivatives

	December 31, 2015					
	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Derivative financial instruments at fair value through profit and loss						
—Foreign exchange derivative instruments	$ 224,621	722,468	298,167	1,296,413	5,553,252	8,094,921
—Interest rate derivative instruments	11,551	44,382	111,079	122,726	2,348,273	2,638,011
Derivative financial instruments for hedging						
—Interest rate derivative instruments	-	-	123	5,185	27,172	32,480
	$ 236,172	766,850	409,369	1,424,324	7,928,697	10,765,412

	December 31, 2014					
	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Derivative financial instruments at fair value through profit and loss						
—Foreign exchange derivative instruments	$ 5,616	48,114	197,682	1,616,995	3,533,498	5,401,905
—Interest rate derivative instruments	4,724	17,282	73,439	118,200	1,141,342	1,354,987
Derivative financial instruments for hedging						
—Interest rate derivative instruments	161	-	-	-	4,904	5,065
	$ 10,501	65,396	271,121	1,735,195	4,679,744	6,761,957

B. Maturity analysis of gross settled derivatives

	December 31, 2015					
	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Derivative financial instruments at fair value through profit and loss						
—Foreign exchange derivative instruments						
—Cash outflow	$ 192,984,731	106,134,120	85,370,976	46,105,020	4,617,818	435,212,665
—Cash inflow	189,494,830	102,458,073	82,274,159	41,601,802	4,030,866	419,859,730
Net cash flow	$ (3,489,901)	(3,676,047)	(3,096,817)	(4,503,218)	(586,952)	(15,352,935)

	December 31, 2014					
	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Derivative financial instruments at fair value through profit and loss						
—Foreign exchange derivative instruments						
—Cash outflow	$ 124,434,729	34,493,065	28,344,017	48,203,631	4,059,715	239,535,157
—Cash inflow	121,752,092	32,987,782	26,789,724	46,254,599	3,447,660	231,231,857
Net cash flow	$ (2,682,637)	(1,505,283)	(1,554,293)	(1,949,032)	(612,055)	(8,303,300)

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

vi) Maturity analysis of off-balance-sheet items

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

	December 31, 2015				
	0-30 days	31-90 Days	91 days-1 year	Over 1 year	Total
Other guarantees	$ 384,611	678,035	901,972	844,214	2,808,832
Unused amount of irrevocable loan commitments	-	-	361,707	100,396	462,103
Unused amount of irrevocable letters of credit	207,284	625,799	321,852	-	1,154,935
	$ 591,895	1,303,834	1,585,531	944,610	4,425,870

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

vii) Structure Analysis of Maturity Date New Taiwan Dollars

December 31, 2015

		Remaining period to expiration					
	Total	0~10 days	11~30 days	31~90 days	91~180 days	181 days~ Over 1 year	Over 1 year
Capital provided	$ 760,878,904	94,060,720	85,962,030	120,338,101	117,040,707	107,459,839	236,017,507
Capital used	871,521,750	72,063,856	120,059,262	205,451,555	122,411,484	83,999,184	267,536,409
Gap	(110,642,846)	21,996,864	(34,097,232)	(85,113,454)	(5,370,777)	23,460,655	(31,518,902)

December 31, 2014

		Remaining period to expiration					
	Total	0~10 days	11~30 days	31~90 days	91~180 days	181 days~ Over 1 year	Over 1 year
Capital provided	$ 692,304,927	109,823,508	50,465,201	67,833,527	69,943,169	142,294,744	251,944,778
Capital used	809,564,922	67,167,514	78,007,743	154,950,514	110,968,332	114,719,496	283,751,323
Gap	(117,259,995)	42,655,994	(27,542,542)	(87,116,987)	(41,025,163)	27,575,248	(31,806,545)

viii) Structure Analysis of Maturity Date US Dollars

December 31, 2015

Units: in thousands of US Dollars

		Remaining period to expiration				
	Total	0~30 days	31~90 days	91~180 days	181 days~ Over 1 year	Over 1 year
Capital provided	$ 19,279,348	8,648,362	4,858,551	3,053,766	1,650,954	1,067,715
Capital used	20,239,596	8,749,300	4,645,906	2,700,828	1,738,149	2,405,413
Gap	(960,248)	(100,938)	212,645	352,938	(87,195)	(1,337,698)

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Notes to the Financial Statements

December 31, 2014

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

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

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

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

December 31, 2015

Financial assets under net executable settlement contracts or similar agreements

	Total financial assets recognized (a)	Offset total financial liabilities recognized in the balance sheet (b)	Net financial assets reported in the balance sheet (c)=(a)-(b)	Relevant amounts not offset on balance sheet (d): Financial instruments (Note)	Relevant amounts not offset on balance sheet (d): Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial assets	$ 18,330,957	-	18,330,957	5,391,414	2,446,420	10,493,123
Securities purchased under resell agreements	2,499,824	-	2,499,824	-	2,499,824	-
Total	$ 20,830,781	-	20,830,781	5,391,414	4,946,244	10,493,123

December 31, 2015

Financial liabilities under net executable settlement contracts or similar agreements

	Total financial liabilities recognized (a)	Offset total financial assets recognized in the balance sheet (b)	Net financial liabilities reported in the balance sheet (c)=(a)-(b)	Relevant amounts not offset on balance sheet (d): Financial instruments (Note)	Relevant amounts not offset on balance sheet (d): Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial liabilities	$ 17,091,448	-	17,091,448	5,391,414	9,385,543	2,314,491

December 31, 2014

Financial assets under net executable settlement contracts or similar agreements

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

(Continued)

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

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

(e) Capital management

i. Summary

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

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

ii) To ensure keeping adequate capital to support all the risks surrounding its business, the Bank should take the risk combination and the characters of risk into consideration when measuring the Bank's required capital. Meanwhile, the Bank should maximize resource allocation through risk management by means of capital allocation.

ii. Capital management procedure

The Bank maintains the capital adequacy ratio in line with the requirement made by the regulator, and report to the regulator on a quarterly basis. The Bank's capital is managed by the Asset and Liability Committee. The Bank's capital is divided into Tier 1 Capital and Tier 2 Capital following the "Regulations Governing the Capital Adequacy and Capital Category of Banks":

i) Tier 1 Capital: The aggregate amount of Common Equity and additional Tier 1 Capital.

A. Common equity Tier 1 capital: Consists of the common equity deducting intangible assets, the deferred tax assets due to losses from previous years, the insufficiency of operation reserves and loan loss provisions, the revaluation surplus of real estate, unamortized losses on sales of non-performing loans, and the statutory adjustment items calculated in accordance with other rules for calculation methods.

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

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

b. Capital collected in advance

c. Capital surplus

d. Legal reserves

e. Special reserves

f. Accumulated profit or loss

g. Non-controlling interests

h. Other items in stockholders' equity

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

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

iii. Capital adequacy

Item		Period-end	December 31, 2015	December 31, 2014
Self-owned capital	Common stock capital		37,945,503	39,359,781
	Other Tier 1 capital		-	-
	Tier 2 capital		10,428,252	16,375,636
	Total self-owned capital		48,373,755	55,735,417
Risk-weighted assets	Credit risk	Standard approach (SA)	300,252,506	356,129,217
		Internal ratings-based approach (IRB)	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach (BIA)	27,054,758	28,835,011
		Standardized approach (SA)	-	-
		Advanced measurement approach (AMA)	-	-
	Market risk	Standardized approach/alternative approach	13,447,757	19,491,065
		Internal model-based approach (IMA)	-	-
	Total risk-weighted assets		340,755,021	404,455,293
Total risk-based capital			14.20 %	13.78 %
Ratio of common stock to total risk-based assets			11.14 %	9.73 %
Ratio of Tier 1 capital to risk-based assets			11.14 %	9.73 %
Leverage ratio			4.72 %	4.31 %

Note: The amount is prepared endorsed by the amendments of Regulations Governing the Capital Adequacy and Capital Category of Banks announced on January 9, 2014. Besides, the risk-weighted assets related to credit risk for price comparison with multiple periods structured products was calculated after taking in account of the risk in the leverage used and price comparison periods left.

(Continued)

(7) Related-Party Transactions

1) Name and relationship of related parties

Name	Relationship
Standard Chartered Bank ("SCB")	The ultimate controlling party
Standard Chartered Bank Taipei Branch ("SCB Taipei")	Affiliate
Standard Chartered Bank New York ("SCB New York")	Affiliate
Standard Chartered Bank Japan ("SCB Japan")	Affiliate
Standard Chartered Bank Singapore ("SCB Singapore")	Affiliate
Standard Chartered Bank Germany ("SCB Germany")	Affiliate
Scope International Private Limited	Affiliate
Scope International (M) Sdn Bhd	Affiliate
Standard Chartered Bank Hong Kong Limited ("SCB HK")	Affiliate
Standard Chartered Bank China Limited ("SCB China")	Affiliate
Standard Chartered Bank Thailand Limited ("SCB Thailand)	Affiliate
Standard Chartered Bank Korea Limited ("SCB Korea")	Affiliate
Standard Chartered Bank India Limited ("SCB India")	Affiliate
Standard Chartered Bank Vietnam Limited ("SCB Vietnam")	Affiliate
Standard Chartered Bank Qatar Limited ("SCB Qatar")	Affiliate
Standard Chartered Bank Philippines Limited ("SCB Philippines")	Affiliate
Standard Chartered Bank South Africa Limited ("SCB South Africa")	Affiliate
Standard Chartered Bank Macau Limited ("SCB Macau")	Affiliate
Standard Chartered Bank Indonesia ("SCB Indonesia")	Affiliate
Standard Chartered Bank Australia ("SCB Australia")	Affiliate
Standard Chartered Bank Dubai ("SCB Dubai")	Affiliate
Ying Ji Li Asset Management Company Limited ("YJL")	Affiliate
Standard Chartered Life Insurance Agency Co., Ltd. ("Standard Chartered Life Insurance Agency")	Investee under equity method
Taiwan Standard Chartered Insurance Agency Co., Ltd. ("Taiwan Standard Chartered Insurance Agency")	Investee under equity method
Directors, Supervisors, President and Vice Presidents	The senior management of the Bank
Others	According to IAS No. 24, "Related－Party Disclosure", related party should include : 1) Families, spouses or close relatives within the second degree of relationship with senior management. 2) Senior management and entities with people listed above as their directors, supervisors or president.

(Continued)

2) Significant transactions with related parties

(a) Deposits

December 31, 2015			
Name	**Ending balance**	**Percentage of deposits (%)**	**Interest rate (%)**
Deposits by individual related parties not over 1% of total deposits	$ 1,070,203	0.21	0.00~6.10

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

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, 2015 and 2014, interest expenses on the above deposits were $6,201 thousand and $6,837 thousand, respectively, and the interest payables on the above transaction were $230 thousand and $437 thousand, respectively.

As of December 31, 2015 and 2014, the deposit ending balance, related interest expense and accrued interest of SCLIA were $503,956 thousand and $941,923 thousand, related interest expense were $601 thousand and $1,989 thousand, respectively; interest payable were $1 thousand and $116 thousand, respectively; the deposit ending balance, related interest expense and accrued interest of SCIAC were $27,906 thousand and $33,990 thousand, related interest expense were $46 thousand and $102 thousand, respectively; interest payable were $2 thousand and $4 thousand, respectively.

(b) Loans

2015							
				Repayment			
Type of loan	Maximum balance during the period	Number of accounts or name of related party	Ending balance	On-schedule	Overdue	Collateral	Difference between terms and conditions offered to the accounts and to the general public
Employee consumer loans	11,684	12	5,486	5,486	-	Unsecured lending	None
Mortgage	147,257	23	116,585	116,585	-	House	None
Other	5,514	Other individuals	4,947	4,947	-	Overdraft on the comprehensive deposits	None

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

(Continued)

For the years ended December 31, 2015 and 2014, interest income on the above loans were $2,886 thousand and $3,363 thousand, respectively, and the interest receivables on the above transaction were $121 thousand and $148 thousand, respectively.

(c) Foreign exchange and derivative transactions

		December 31, 2015				
		Contracts		Net valuation	Balance sheet	
Name	Contracts	duration period	Notional	adjustment	Account	Balance
SCB	Interest rate swap	2016.1.12~ 2022.7.1	$ 8,318,790	1,843	Financial assets at fair value through profit or loss	25,065
					Financial liabilities at fair value through profit or loss	(23,222)
	Forward contract	2016.1.4~ 2017.4.28	144,818,597	(1,069,588)	Financial assets at fair value through profit or loss	741,078
					Financial liabilities at fair value through profit or loss	(1,810,666)
	Foreign exchange option contract	2016.1.1~ 2016.7.27	132,673,720	(8,078,071)	Financial assets at fair value through profit or loss	286,326
					Financial liabilities at fair value through profit or loss	(8,364,397)
	Commodity swap	2016.1.5~ 2017.5.3	636,599	4,133	Financial assets at fair value through profit or loss	19,070
					Financial liabilities at fair value through profit or loss	(14,937)
	Cross currency swap	2016.10.11~ 2017.5.3	313,315	(30,483)	Financial liabilities at fair value through profit or loss	(30,483)
	Commodity option contract	2016.1.15 2016.8.5	4,216,037	(28,192)	Financial liabilities at fair value through profit or loss	(28,192)
	Interest rate swap (Hedge)	2016.6.15~ 2018.11.29	11,573,240	(32,452)	Derivative financial assets for hedging	28
					Derivative financial liabilities for hedging	(32,480)
SCB Singapore	Forward contract	2016.1.4~ 2016.12.14	39,488,973	1,733	Financial assets at fair value through profit or loss	177,859
					Financial liabilities at fair value through profit or loss	(176,126)
SCB HK	Forward contract	2016.1.4~ 2016.1.5	844,900	(1,378)	Financial liabilities at fair value through profit or loss	(1,378)

(Continued)

			December 31, 2014			
		Contracts		Net valuation	Balance sheet	
Name	Contracts	duration period	Notional	adjustment	Account	Balance
SCB	Interest rate swap	2015.5.13~ 2017.10.11	$ 17,210,047	(34,058)	Financial assets at fair value through profit or loss	61,106
					Financial liabilities at fair value through profit or loss	(95,164)
	Interest rate option contract	2017.5.15~ 2017.5.18	1,266,744	(7,213)	Financial liabilities at fair value through profit or loss	(7,213)
	Forward contract	2015.1.2~ 2015.11.23	87,841,090	(761,610)	Financial assets at fair value through profit or loss	283,450
					Financial liabilities at fair value through profit or loss	(1,045,060)
	Foreign exchange option contract	2015.1.1~ 2016.12.22	98,772,795	(5,157,174)	Financial assets at fair value through profit or loss	380,049
					Financial liabilities at fair value through profit or loss	(5,537,223)
	Commodity swap	2015.1.5~ 2015.12.2	824,060	19,249	Financial assets at fair value through profit or loss	34,600
					Financial liabilities at fair value through profit or loss	(15,351)
	Cross currency swap	2015.6.8~ 2016.10.11	2,849,235	(85,836)	Financial liabilities at fair value through profit or loss	(85,836)
	Commodity option contract	2015.1.5~ 2015.12.7	3,434,491	(143,944)	Financial assets at fair value through profit or loss	277
					Financial liabilities at fair value through profit or loss	(144,221)
	Interest rate swap (Hedge)	2015.1.5~ 2019.2.12	11,453,762	(4,356)	Derivative financial assets for hedging	709
					Derivative financial liabilities for hedging	(5,065)
SCB Singapore	Forward contract	2015.1.2~ 2015.12.22	28,060,930	212,964	Financial assets at fair value through profit or loss	314,792
					Financial liabilities at fair value through profit or loss	(101,828)
SCB New York	Forward contract	2015.1.2~ 2015.6.9	218,443	(21,520)	Financial assets at fair value through profit or loss	26
					Financial liabilities at fair value through profit or loss	(21,546)

(d) Deposits with banks—affiliates

	2015		
	Balance	Interest rate %	Interest income
SCB Germany	$ 1,555,985	1.50	212
SCB	985,735	1.50	3
SCB HK	508,738	-	45
SCB Japan	171,190	-	-
SCB New York	97,058	0.18	4,091
SCB Singapore	83,441	-	-
SCB China	22,304	4.00~5.30	70,125
Other	2,596	-	-
	$ 3,427,047		74,476

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

As of December 31, 2014, the interest receivables resulting from the above deposits with banks to affiliates was $32,855 thousand, recorded under receivables－net.

(e) Call loans to banks－affiliates

	2015			
		Balance	Interest rate %	Interest income
SCB Taipei	$	40,539,557	-0.20~4.25	519,416
SCB Dubai		11,530,413	0.15~0.38	881
SCB HK		2,909,135	0.01~0.35	1,658
SCB		-	0.10~0.15	11,712
SCB Japan		-	-0.20~1.00	1,664
Other		-	0.15~0.38	508
	$	54,979,105		535,839

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

As of December 31, 2015 and 2014, the interest receivables resulting from the above call loans to banks to affiliates were $181,120 thousand and $32,821 thousand, respectively, recorded under receivables－net.

(f) Deposits from banks－affiliates

	2015			
		Balance	Interest rate %	Interest expense
SCB Taipei	$	1,623,277	0.01	183

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

As of December 31, 2015 and 2014, the interest payables resulting from the above deposits from banks to affiliates were $5 thousand and $7 thousand, respectively.

(g) Overdrafts on banks — affiliates

	2015		
	Balance	Interest rate %	Interest expense
SCB HK	$ 111,625	13.25	111
SCB New York	-	0.50	275
SCB China	-	-	1,426
Other	-	1.50~5.75	51
	$ 111,625		1,863

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

As of December 31, 2015 and 2014, the Bank did not have interest payables resulting from the above overdrafts on banks to affiliates.

(h) Call loans from banks — affiliates

	2015		
	Balance	Interest rate %	Interest expense
SCB HK	$ 3,382,124	0.03~5.40	27,854
SCB	3,294,404	0.47~0.60	478
SCB Singapore	3,294,404	0.16~0.46	1,083
SCB Korea	1,153,041	0.35~1.55	1,061
SCB Macau	1,021,265	0.03~0.59	3,808
SCB China	-	0.05~3.05	9,351
SCB Japan	-	0.33~0.70	30,983
SCB Thailand	-	0.30~0.60	16,877
SCB Taipei	-	0.48~0.51	322
	$ 12,145,238		91,817

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

As of December 31, 2015 and 2014, the interest payables resulting from the above call loans from affiliates were $2,254 thousand and $22,779 thousand, respectively, recorded under related parties payable.

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

Name	Fair value December 31, 2015	Fair value December 31, 2014
SCB HK	$ 6,385,341	6,051,871

For the years ended December 31, 2015 and 2014, the interest income resulting from the above transaction were $376,512 thousand and $314,282 thousand, respectively, recorded under related parties payable.

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

Name	Bond (note)	December 31, 2015	December 31, 2014
SCB	98-2	$ 4,941,605	4,750,291
SCB	98-3	4,941,605	4,750,291
SCB	103-1	13,177,614	-
SCB HK	103-1	5,929,927	18,367,792
SCB	103-2	6,588,808	6,333,722

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

For the years ended December 31, 2015 and 2014, the interest expenses on the above transactions were $880,352 thousand and $494,741 thousand, respectively. As of December 31, 2015 and 2014, the interest payables on the above transactions were $216,660 thousand and $192,253 thousand, respectively, recorded under related parties payable.

(k) Guarantee

	2015			
	Maximum balance during the period	Ending balance	Expense (per case)	Collateral
SCB Indonesia	$ 26,335	26,335	USD100	None
SCB HK	19,766	19,766	USD100	None

	2014			
	Maximum balance during the period	Ending balance	Expense (per case)	Collateral
SCB Indonesia	$ 25,335	25,335	USD100	None
SCB Singapore	1,483	1,483	USD100	None

(Continued)

(l) For the years ended December 31, 2015, operational and advisory service fees, consulting and technical support service fees and wholesale banking business service fees were $1,005,849 thousand, $530,161 thousand, and $325,669 thousand, respectively. For the years ended December 31, 2014, operational and advisory service fees, consulting and technical support service fees and wholesale banking business service fees were $989,414 thousand, $489,164 thousand, and $326,206 thousand, respectively. As of December 31, 2015 and 2014, fees payables to SCB were $11,932,162 thousand and $9,630,604 thousand, respectively, recorded under related parties payable. Moreover, for the years ended December 31, 2015 and 2014, the royalty expenses for obtaining the right to use intellectual property of SC PLC Group amounted to $42,421 thousand and $45,092 thousand, respectively. As of December 31, 2015 and 2014, the royalty expenses payable to SCB were $40,833 thousand and $140,532 thousand, respectively, recorded under related parties payable. For the years ended December 31, 2015 and 2014, the group insurance expenses for entering the group insurance amounted to $34,935 thousand and $40,013 thousand, respectively. As of December 31, 2015, the group insurance expenses payable to SCB was $35,072 thousand, recorded under related parties payable.

(m) For the years ended December 31, 2015 and 2014, the related cost of the Executive Share Option Scheme amounted to $34,849 thousand and $43,307 thousand, respectively. As of December 31, 2015 and 2014, accounts payable to SCB for the share-based payment scheme costs amounted to $23,967 thousand and $43,953 thousand, respectively, recorded under related parties payable, the prepaid fee to SCB for the share-based payment scheme costs amounted to $918 thousand and $882 thousand, respectively, recorded under other assets—net.

(n) For the years ended December 31, 2015 and 2014, expenses resulting from operating and other business related activities with affiliates were as follows:

Name		2015	2014
Consultant service income:			
SCB HK	$	29,697	38,109
Consultant service fees:			
SCB HK	$	13,601	-
Technical support service fees:			
SCB	$	8,455	49,246
SCB Singapore		1,861	-
SCB HK		1,112	1,390
SCB China		93	249
Total	$	11,521	50,885
Information technology service fees:			
Scope International Private Ltd.	$	90,953	73,433
Scope International (M) Sdn. Bhd		97,077	99,123
Total	$	188,030	172,556
Origination fees:			
SCB Qatar	$	30	7,315
SCB Philippines		1,168	1,516
SCB South Africa		2,394	6,853
SCB Vietnam		4,464	1,724
Total	$	8,056	17,408

(Continued)

For the Bank, as of December 31, 2015 and 2014, consultant service income receivables were \$8,289 thousand and \$39,772 thousand, respectively, recorded under receivables—net, consultant service fee payables were \$1,797 thousand and \$1,663 thousand, respectively, recorded under related parties payable. As of December 31, 2015 and 2014, technical support service fees, information technology service fees and origination fees were \$39,385 thousand and \$31,841 thousand, respectively, recorded under related parties payable.

(o) For the years ended December 31, 2015 and 2014, SCBTL signed rental contracts with SCLIA which were calculated by the market situation and the rental area. The rentals were received monthly. The related rental were \$51 thousand and \$15 thousand. As of December 31, 2015 and 2014, the guarantee deposits paid from SCLIA were \$8 thousand and \$3 thousand; for the usage of utility facilities and software, the related receivables from SCLIA were \$21 thousand and \$16 thousand; the related receivables from SCIAC were \$5 thousand and \$6 thousand, recorded under receivables—net.

(p) As of December 31, 2015 and 2014, the accounts receivable recorded under receivables—net, and related service income that SCBTL supported the SCLIA for its sales and administrative support were \$659,700 thousand and \$566,130 thousand, and \$671,632 thousand and \$567,417 thousand, respectively; the accounts receivable recorded under receivables—net and related service income that SCBTL supported the SCIAC for its sales and administrative support were \$6,020 thousand and \$7,010 thousand, and \$6,167 thousand and \$6,923 thousand, respectively.

(q) The Bank has signed a rental contract with SCB Taipei which was calculated by either the main rental contract or market situation and the rental area. The rentals were received monthly. For the years ended December 31, 2015 and 2014, the rentals were \$3,686 thousand and \$4,460 thousand, respectively. As of December 31, 2015 and 2014, the utility and information system usage income receivables were \$126 thousand and \$240 thousand, respectively, recorded under receivables—net, and the related recharge from expense allocation were \$1,309 thousand and \$1,763 thousand, respectively.

(r) For the years ended December 31, 2015 and 2014, the administrative support service income from SCB Taipei to the Bank were \$2,838 thousand and \$3,763 thousand, respectively.

3) The salary and remuneration of directors and supervisors

	2015	2014
Salary and other short term benefits	$ 272,991	272,344
Post-employment benefit	1,260	1,518
Total	$ 274,251	273,862

(8) Pledged Assets

Unit: in thousands of New Taiwan Dollars

Pledged assets	Pledged for	Amount December 31, 2015	Amount December 31, 2014
Bonds (recorded under other financial assets)	Provision seizure	$ 18,000	63,500
	USD overdraft clearing deposits	10,000,000	15,000,000
Total		$ 10,018,000	15,063,500

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

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

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

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

3) Trust indemnity reserve is deposits that the Bank placed in the Central Bank of China for its trust custodian business. (Trust indemnity reserve in accordance with relevant regulations was $150,000 thousand.)

4) Security deposits for security brokerage are operating deposits placed for operating business of securities commission agency, brokerage, agency, and other relevant businesses approved by the competent authority. (Security deposits in accordance with relevant regulations for security brokerage was $50,000 thousand.)

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

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

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

(Continued)

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

(9) Significant Contingent Liabilities and Unrecognized Contract Commitments

1) Commitments and contingent liabilities

	December 31, 2015	December 31, 2014
Consignment collection for others	$ 7,095,837	7,825,767
Securities, consignments and goods in custody	1,501,915,468	1,658,282,223
Trust assets	89,734,022	100,062,167
	$ 1,598,745,327	1,766,170,157
Other guarantees	$ 2,808,832	6,903,492
Unused amount of irrevocable loan commitments	$ 462,103	1,970,603
Unused amount of irrevocable letters of credit	$ 1,154,935	2,401,702

2) Operating leases

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

	December 31, 2015	December 31, 2014
Not later than one year	$ 342,391	425,380
Later than one year and not later than five years	610,709	460,787
Total	$ 953,100	886,167

3) Significant service agreements

The Bank entered into a bancassurance agreement with PCA Life Assurance Co., Ltd. ("PCA") to promote and sell approved insurance policies in October 2007. The Bank should establish a sales team for PCA life insurance products, maintain a customer database, and exclusively sell such life insurance products underwritten by PCA through the distribution networks in Taiwan. For the years ended December 31, 2014, the amount of $205,204 thousand was recognized as net service fee income. The Bank entered into a new agreement with PCA and SCLIA on July 4, 2014 to continue the tripartite partnership.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

Trust balance sheet
December 31, 2015

Trust assets			Trust liabilities		
Bank deposits	$	13,758	Accounts payables	$	8
Short-term investments		85,542,434	Tax payables		1
Structured notes		3,314,809	Payables for securities under custody		863,017
Securities under custody		863,017	Trust capital and accumulated		
Other assets		4	earnings		88,870,996
Total trust assets	$	89,734,022	Total trust liabilities	$	89,734,022

Trust balance sheet
December 31, 2014

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

Trust income statements

		2015	2014
Trust revenue:			
Interest revenue	$	3,600,644	3,163,835
Common stock cash dividends		398	552
Realized gain on investments		1,934,812	2,174,739
Unrealized gain on investments		1,713,851	162,286
Net gain on trading of assets		21	36
		7,249,726	5,501,448
Trust expenses:			
Management expenses		105	126
Service charges		1	1
Realized loss on investments		3,567,390	2,752,076
Unrealized loss on investments		7,781,728	1,710,701
		11,349,224	4,462,904
Net loss before income tax		(4,099,498)	1,038,544
Income tax expense		4	5
Net loss after income tax	$	(4,099,502)	1,038,539

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Schedules of investment for trust business

Investment items	December 31, 2015	December 31, 2014
Bank deposits	$ 13,758	15,104
Short-term investments:		
Bonds	14,104,486	11,210,758
Common stock	2,930,746	2,958,857
Funds	68,507,202	80,001,350
Structured notes	3,314,809	4,826,918
Securities under custody	863,017	1,049,176
Other assets	4	4
	$ 89,734,022	100,062,167

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

(10) Significant Disaster Loss: None.

(11) Significant Subsequent Events: None.

(12) Others

1) Profitability

Unit: %

Items		December 31, 2015	December 31, 2014
Return on assets	Before income tax	0.22	0.48
	After income tax	0.20	0.43
Return on equity	Before income tax	3.63	8.45
	After income tax	3.27	7.49
Net profit ratio		10.73	20.97

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)

2) The Bank reclassified the support service income from other general and administrative expenses to net other non-interest income. To align the presentation of statements of profit or loss and other comprehensive income for the years ended December 31, 2015, the statements of profit or loss and other comprehensive income for the years ended December 31, 2014, have been reclassified, and the statements are summarized as below:

Statements of profit or loss and other comprehensive income	December 31, 2014 Before reclassification	December 31, 2014 After reclassification
Net other non-interest income	$ 251,772	829,875
Other general and administrative expenses	4,652,780	5,230,883

(13) Other Disclosures Items

1) Related information on significant transaction

(a) Lending to other parties: None.

(b) Guarantees and endorsements for other parties: None.

(c) Information regarding securities held (excluding investment in subsidiaries, affiliates and joint ventures): None.

(d) Information regarding securities for which the purchase or sale amount for the period exceeded NT$300 million or 10% of the Bank's paid in capital: None.

(e) Information on the acquisition of real estate for which the purchase amount exceeded NT$300 million or 10% of the Bank's paid in capital: None.

(f) Information on the disposal of real estate for which the sale amount exceeded NT$300 million or 10% of the Bank's paid in capital：

Unit: in thousands of New Taiwan Dollars

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

(g) Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT$5 million: None.

(h) Information regarding receivables from related parties for which the amount exceeded NT$300 million or 10% of the Bank's paid in capital: please refer to Note 6(6) and 7.

(i) Information regarding trading in derivative financial instruments: please refer to Note 6(3), (4) and (36).

(Continued)

(j) Information regarding selling non performing loans：

i. Summary table of NPL disposal: None.

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

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

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

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

2) Information on long-term equity investments:

Name of investee	Investee's location	Investee's operation	Percentage of ownership	Book value of investments	Gain (loss) recognized during the period	Holdings: Number of shares	Holdings: Pro forma number of shares	Holdings: Total: Shares (thousand)	Holdings: Total: Percentage	Remark
Standard Chartered Life Insurance Agency Co., Ltd.	No. 106, Chung-Yeng Road, Hsinchu, Taiwan	Life insurance agent	100.00 %	826,742	764,181	300	-	300	100.00 %	Note 1
Taiwan Standard Chartered Insurance Agency Co., Ltd.	No. 106, Chung-Yeng Road, Hsinchu, Taiwan	Property insurance agent	100.00 %	21,710	13,979	300	-	300	100.00 %	Note 1
Taiwan Small and Medium Enterprises Development Corp.	8F., No.181, Fushing N. Rd., Songshan District, Taipei City 10596, Taiwan	Small and medium enterprises improvement services	4.84 %	29,000	-	3,417	-	3,417	4.84 %	Note 1
Financial Information Service Co., Ltd.	No.81, Sec. 3, Kangning Rd., Neihu District, Taipei City 11485, Taiwan	Information technology services	1.14 %	45,500	-	5,938	-	5,938	1.14 %	Note 2
Taipei Forex Inc.	8F., No.400, Sec. 2, Bade Rd., Songshan District, Taipei City 10556, Taiwan	Foreign exchange and foreign currency lending services	- %	-	-	-	-	-	- %	Note 3
TSC Bio Venture Management, Inc.	11F.-1, No.176, Sec. 1, Keelung Rd., Xinyi District, Taipei City 11070, Taiwan	Venture capital services	5.00 %	10,632	-	1,063	-	1,063	5.00 %	Note 1
Liyu Venture Investment, Inc.	8F., No.70, Sec. 3, Nanjing E. Rd., Jhongshan District, Taipei City 10489, Taiwan	Venture capital services	4.76 %	8,549	-	855	-	855	4.76 %	Note 1
Windance Co., Ltd.	No.243-1, Jhongyang Rd., North District, Hsinchu City 30041, Taiwan	Residential and commercial lease/sale services	2.73 %	188,500	-	18,850	-	18,850	2.73 %	Note 1

(Continued)

Name of investee	Investee's location	Investee's operation	Percentage of ownership	Book value of investments	Gain (loss) recognized during the period	Holdings				Remark
						Number of shares	Pro forma number of shares	Total		
								Shares (thousand)	Percentage	
Taiwan Asset Service Corporation	6 and B1F., No.99, Sec. 2, Ren-ai Rd., Jhongjheng District, Taipei City 10062, Taiwan	Asset auction notarization	2.94 %	50,000	-	5,000	-	5,000	2.94 %	Note 1
Yang Guang Asset Management Company	15F., No.218, Sec. 2, Dunhua S. Rd., Da-an District, Taipei City 10669, Taiwan	NPL acquisition services	1.42 %	849	-	85	-	85	1.42 %	Note 1
Taiwan Depository and Clearing Corporation	11F., No.363, Fushing N. Rd., Songshan District, Taipei City 10542, Taiwan	Securities custodian	- %	-	-	-	-	-	- %	Note 4

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

Note 2: Financial Information Service Co., Ltd distributed 819,000 shares of stock dividends on August 18, 2015.

Note 3: On November 5, 2015, the Bank sold 630,000 shares of The Bank Taipei Forex Inc.

Note 4: On December 24, 2015, the Bank sold 570,734 shares of Taiwan Depository and Clearing Corporation.

3) Related information on investments in Mainland China:

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

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

(14) Operating Segment Financial Information

Please refer to the audited consolidated financial reports for the Company for the year ended 2015.