

ANNUAL REPORT 2016

Standard Chartered Bank (Taiwan) Limited





Spokesperson : Anthony Lin, Chief Executive Officer

Tel. No. : 886-2-2716-6261



Deputy spokesperson : Jane Lu, Acting Head of Corporate Affairs

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Addresses and phone numbers of the head office and branches

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



Stock registration agent

Yuanta Securities, Agency Department of Stock Services

Address : B1, No. 210, Sec. 3, Cheng De Rd., Taipei City, Taiwan (R.O.C.)

Tel. No. : 886-2-2586-5859

Website : <http://www.yuanta.com.tw/>



Credit rating institutions

Fitch Australia Pty Ltd, Taiwan Branch

Address : Room 1306, 13F, No. 205, Tunhua North Rd., Taipei City, Taiwan (R.O.C.)

Tel. No. : 886-2-8175-7600

Taiwan Ratings Corporation

Address : 49F, No.7, Sec. 5, Xinyi Rd., Taipei City, Taiwan (R.O.C.)

Tel. No. : 886-2-8722-5800



Names of CPAs certifying financial statements of the most recent year

Yung-Sheng Wang (Victor Wang) and Yuan-Sheng Yin (Jason Yin)

Company Name : Klynveld Peat Marwick Goerdeler (KPMG)

Address : 68F, No.7, Sec. 5, Xinyi Rd., Taipei City, Taiwan (R.O.C.)

Website : <http://www.kpmg.com.tw/>

Tel. No. : 886-2-8101-6666

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



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

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Taiwan's real GDP growth in 2016 rebounded to 1.4% from 0.8% in 2015. Weaker exports continued to act as a major drag to headline growth. Taiwan tech sector, however, outperformed, riding on the back of steady global demand for latest mobile technology and wearable devices. Domestic demand remained a major growth pillar. Indeed, consumer spending held up despite unexpected outcomes to UK referendum on EU membership and US presidential election resulted in rising market volatility and temporary dented market sentiment.

In 2017, the Bank expects real GDP growth to mildly rebound to 1.6%, aided by moderate growth in external demand and recovery to global oil and commodity prices. The relatively benign growth outlook bodes well for capex spending as well as hiring, further lending support to domestic demand and consumption. The government also embarked several reforms and policy measures in bids to support longer-term growth, including initiatives on infrastructure spending, long-term elderly care, and 'New Southbound Policy', etc. Inflation is likely to remain stable at 1.6% in 2017, up modestly from 1.3% in 2016. Taiwan Central Bank ("CBC"), therefore, is likely to maintain pro-growth monetary stance and keeps rediscount rate unchanged at 1.375% in 2017.

Uncertainty over US foreign trade and monetary policy poses potential threat to current recovery outlook, causing a sharp reversal in risk appetite and threatening financial market stability. Taiwan, however, is in relatively strong position to weather potential external shocks, given its robust current account balance, large FX reserves and low public sector debt leverage. Local banking sector is well capitalized and the overall debt leverage in the economy remains manageable. These suggest Taiwan is likely to be better insulated from rising market volatility resulting from sharp reversal of risk appetite globally. The local banking sector is expected to maintain stable profitability and overall asset quality.

2016 remained a challenging year for Standard Chartered Bank Taiwan Limited ("the Bank"). Net income was down 88%, which was a reflection of weakening global market conditions as well as slower economic growth in China. As a result, it had a short-term impact on Taiwan's growth momentum. The Bank continues to adjust its return on risk-weighted assets, products and income allocation, while creating synergy from restructuring actions for more sustainable returns as a whole in the long run.

Net revenue was down 11%. Lower interest income was a reflection of decreasing concentration on individual mortgage loans, weaker performance of unsecured loan business, as well as margin compression. Other headwind factors included lower year-on-year earnings from financial products due to economic slowdown in the newly emerging market and China, reduced commodity prices, interest rate hike by the Fed, and Brexit's impact on global financial markets since the end of June, 2016. The bad debt reserves increased mainly driven by the Renminbi ("RMB") depreciation. Notwithstanding the challenging set of results, while our expenses have come down by 8% as a result of cost efficiency initiatives from organization structure simplifying. The Bank will continue to improve returns through income source diversification and client connectivity to China.

The Bank's balance sheet remained strong and resilient. Overall customer loans recorded lower than those of in 2015, mainly affected by slower mortgage origination with tightened application criteria to refrain from speculative activities in the property market, less sales on personal credit loans, and reduction in high-risk unsecured corporate lending for risk control purpose. Savings and time deposit products have been dynamically adjusted to reduce high-cost deposits so as to support the Bank's business development strategy and ensure efficient management on cost of funds.

The Bank continued to be highly liquid and well capitalized, with a LCY liquidity reserve ratio of 59.57% in 2016. The capital adequacy ratio was 15.11%, and the Tier 1 ratio was 11.90%, both were well above the regulatory requirements.

NPL ratio increased from 0.35% a year ago to 0.63% in 2016, mainly driven by derivative products (including adjustment of customer ratings) being transferred to NPL as a result of RMB depreciation. The loan coverage ratio declined from 453.24% in 2015 to 304.18% in 2016. In general, the Bank still maintained satisfactory level of loan quality and bad debt coverage.

The category 1 coverage ratio reached 1.43% as of December 2016, out of which the coverage ratios for real estate loans and China exposure reached 1.75% and 1.50%, respectively. Mortgage and construction loan LTD ratio was well controlled at 26.11% through reshaping the Bank's balance sheet. All are above regulatory minimum requirements.

The Bank's credit rating by Fitch Ratings in October 2016 was AA+ (twn) for domestic long-term credit, F1+(twn) for domestic short-term credit, A for international long-term credit, F1 for international short-term credit, with an overall "Stable" outlook. In November 2016, Taiwan Ratings Corporation, a local arm of Standard & Poor's, rated the Bank as tAA for long-term credit, tA-1+ for short-term credit, with overall credit watch "Stable". By adopting and implementing prudent business strategies, the Bank is confident to deliver strong financial performance and maintain good asset quality with adequate capital levels in 2017.

Looking forward in 2017, the Bank will continue to focus on growing client franchise in three client businesses and providing clients with complete financial solutions. By leveraging the Group's network, it enables the Bank to develop more cross border business opportunities and become client's most trustworthy partner.

- **Corporate & Institutional Banking** : Taiwan is a key part of the Bank's Greater China strategy. With China and ASEAN countries being major trading partners of Taiwan and our unique position, the Bank will focus on diversifying our business through growth and improving long-term return, along with client's overseas expansion. Our strategic priorities are to capture network opportunities, capitalize our product edge of Financial Institution and optimize balance sheet and risk weighted assets.
- **Commercial Banking** : The Bank will focus on new client onboarding, growing value added revenue source and driving network propositions.
- **Retail Banking** : The Bank has made progress to continuously reshape the business into Priority segment and core cities focused. Our strategic priorities remain on growing Priority segment, driving return focused growth and uplifting productivity and efficiency.

The banking sector is facing various challenges and undergoing a major transformation with more stringent regulatory and capital requirements. Digitization changes the way the Bank works and the way the Bank does business with clients; however, opportunities are significantly greater through adoption of new technologies. With stronger capital, more diversified business and more focused strategic priorities, our foundations will be further secured for the Bank to be a leading market player. The Bank is opening a new chapter and its long-term commitment to Taiwan, to customers, to shareholders and to employees is a strong reflection of living up to the Bank's brand promise of being "Here for good" in Taiwan.


Benjamin Pi-Cheng Hung
Chairman



I. History

Standard Chartered PLC ("the Group") is a leading international banking group, with more than 80,000 employees and over 150 years of history in some of the world's most dynamic markets. We bank the people and companies driving investment, trade and the creation of wealth across Asia, Africa and the Middle East, where we earn around 90 per cent of our income and profits. Our heritage and values are expressed in our brand promise, Here for good.

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

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

The Bank has been widely recognized for its commitment to enhancing services and brand reputation in Taiwan. In 2016, the Bank received awards including: "Best Wealth Management International Bank", "Best Service International Bank", "Best Relationship Management Team International Bank", and "Most Preferred International Bank" by Wealth Magazine's Wealth Management awards; and "Best Retail Banking" under "Taiwan Banking and Finance Best Practice Awards", Standard Chartered is the only foreign bank that received this recognition from Taiwan Academy of Banking and Finance. On the Corporate Social Responsibility front, Standard Chartered's establishment of visually impaired telesales team was awarded "Excellent Practice Award", 2016, Golden Wingspan Award by Ministry of Labor. Seeing is Believing Visually Impaired Employment Platform initiated by Standard Chartered and supported by NGO partners and government agencies was awarded "2017 Zero Project - Innovative Practice Award" organized by Essl Foundation (Austria).

II. Information on mergers, acquisitions, reinvestment in affiliated enterprises and company restructure for the most recent fiscal year and up to the printing date of the annual report

Standard Chartered Life Insurance Agency Co. Ltd., ("SCLIA") and Taiwan Standard Chartered Insurance Agency, Co. Ltd., ("TSCIA"), 100% owned subsidiaries, were merged into the Bank through absorption on October 1, 2016. Please refer to page 78 for details.

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



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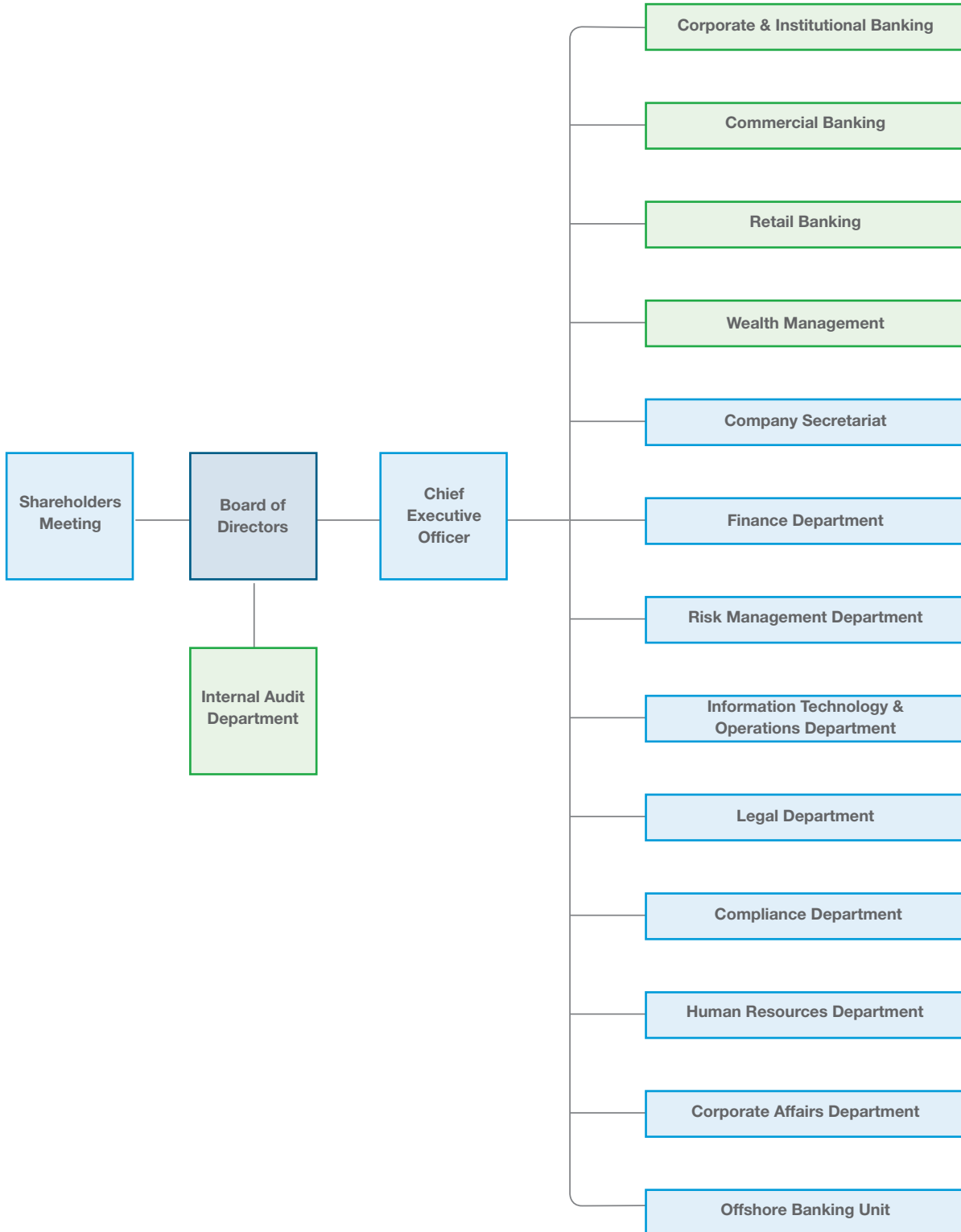
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I. Organization Structure

(I) Organization Structure



(II) Responsibilities of Major Departments

Internal Audit Department	<ul style="list-style-type: none"> In charge of audits of business, finance, asset management, IT and other functions; any other audit assignment required by Board of Directors and the regulator, etc.
Corporate & Institutional Banking	<ul style="list-style-type: none"> Engaging in the on-boarding and maintenance of client relationship, credit analysis, client due diligence, risk management, sales of lending, transaction banking products and service, and financial markets product and services (including securities business) to Financial Institutions clients, International Corporates clients and Global Subsidiaries clients.
Commercial Banking	<ul style="list-style-type: none"> In charge of developing a sustainable customer-focused strategy by engaging in the development, promotion, credit analysis, risk management, client on-boarding, client due diligence, and sale of commercial clients products and services. Responsible for business development and maintenance, sales channel management, operation process and risk management, enhancement of customer experience and service quality, analysis of business operations, evaluation of product performance, and project execution, etc.
Retail Banking	<ul style="list-style-type: none"> In charge of developing a long-term sustainable customer-focused strategy and building a high performance culture through robust execution. Responsible for retail clients segment development in customer value propositions, product development, and operating the Bank's businesses pursuant to the Banking Act and approved by the competent authorities, etc.
Wealth Management	<ul style="list-style-type: none"> In charge of establishing customer-focused wealth management and trust business through planning and implementation to execute investment and trust business service, and responsible for Taiwan wealth management products and enacting the business authorised by authorities.
Company Secretariat	<ul style="list-style-type: none"> Provide company secretarial, governance advisory and administrative support services for SCBTL and its directors, etc.
Finance Department	<ul style="list-style-type: none"> Responsible for the forecast and execution of budget planning; tax returns filing and accounting; annual reporting; capital & balance sheet management; consultation, management, evaluation and analysis of operational businesses, properties and facilities management; and supply chain, sourcing and vendors related management.
Risk Management Department	<ul style="list-style-type: none"> Responsible for the Risk Management of the entire Bank. The main areas are credit risk, market risk, and operational risk, etc. It is also in charge of credit limits approval, risk monitoring, control of credit documents and the formulation of credit policies & procedures.
Information Technology & Operations Department	<ul style="list-style-type: none"> In charge of overall banking operations; re-engineering, information security and system development, risk control and governance over technology and operations, technical support to software and hardware, etc.
Legal Department	<ul style="list-style-type: none"> Responsible for providing legal opinions for banking-related legal matters or litigations; interpreting banking-related laws and regulations; and investigating employee fraud or other materially misconduct acts.
Compliance Department	<ul style="list-style-type: none"> Responsible for planning, managing, and implementing the compliance framework; issuing compliance opinions and pre-launch sign-off for new products, services, and businesses; communicating with the regulators; interpreting banking-related laws and regulations and managing financial crime risks.
Human Resources Department	<ul style="list-style-type: none"> Responsible for establishing, executing and governing human resources policies and procedures in related to recruiting and hiring, compensations, benefits and rewards, employee development, succession plan and employee relations including managing a collaborative relationship with the union and employee welfare committee.
Corporate Affairs Department	<ul style="list-style-type: none"> In charge of the planning and execution of internal communication, media relations, government relations, sustainability, community engagement, sponsorship policies and reputation risk management, etc.
Offshore Banking Unit	<ul style="list-style-type: none"> In charge of the management and supervision of offshore banking businesses; serve as the contact window with local regulators, etc.

Note : The organizational Chart was approved by the Board of Directors on 23 January, 2017.

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

(I) Directors (Including INEDs) Information

1. Directors (Including INEDs)

15 May 2017

Title	Nationality	Name	Gender	Date elected	Term	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse & minors		Shareholding in other's name		Experience / Education	Also serve concurrently as	Other executives, directors or supervisors are spouse or within second-degree relative of consanguinity to each other		
							Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
Chairman	Canada	Standard Chartered Bank Representative : Benjamin Pi-Cheng Hung	Male	24/11/2015	3 yrs	26/03/2014	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Chief Executive Officer, Greater China, Standard Chartered Bank Executive Director & Chief Executive Officer, Standard Chartered Bank (Hong Kong) Limited Head of Consumer Banking, Standard Chartered Bank (Hong Kong) Limited Chief Operating Officer, Standard Chartered Bank (Hong Kong) Limited Master of Business Administration, University of Toronto (Canada)	Regional CEO, Greater China and North Asia, Standard Chartered Bank Chairman/Director, Standard Chartered Bank (China) Limited Chairman/Director, Standard Chartered Bank (Hong Kong) Limited Director of the Hong Kong Institute for Monetary Research Member of the Financial Services Development Council (Hong Kong) Member of the Hong Kong Monetary Authority Member of Hong Kong-United States Business Council Director of Community Chest of Hong Kong	N/A	N/A	N/A
Director	Hong Kong	Standard Chartered Bank Representative : Yuen Tung Anthony Lin	Male	24/03/2017	1 yrs and 8mths	24/03/2017	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	President and Head of Corporate Banking, Bank of America N.A., China Executive Vice President and Head of Corporate Banking Coverage and Head of Trade Finance and Corporate Cash Management, Deutsche Bank (China) Co. Ltd. Head of Transaction Banking, Standard Chartered Bank (China) Limited Head of Origination and Client Coverage, East China and General Manager of Shanghai Branch, Standard Chartered Bank (China) Limited Master of Business Administration, Chinese University of Hong Kong	CEO, Standard Chartered Bank (Taiwan) Limited	N/A	N/A	N/A
Director	Ireland	Standard Chartered Bank Representative : Norman Lyle	Male	24/11/2015	3 yrs	24/11/2015	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Supervisor, Standard Chartered Bank (Taiwan) Limited Supervisor, Standard Chartered Bank (China) Limited Group Finance Director, Jardine Matheson Holdings Limited Fellow of the Chartered Institute of Management Accountants Fellow of the Association of Corporate Treasurers Harvard Business School, Senior Management Programme UK Cabinet Top Office Management Programme	INED, Standard Chartered Bank (China) Limited INED, Lei Shing Hong Ltd, Hong Kong INED, Grosvenor Asia Pacific Limited Director, Chace Warren Limited Director, Chace Warren Management Limited	N/A	N/A	N/A
Director	R.O.C.	Standard Chartered Bank Representative : Wei-Chih Chen	Female	24/11/2015	3 yrs	10/12/2012	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Head of Learning & Talent Development, Standard Chartered Bank (Taiwan) Limited General Manager, Shared Distribution and Priority Banking, Standard Chartered Bank Taiwan Master of Business Administration, Lehigh University, Pennsylvania, USA	Head of Human Resources, Standard Chartered Bank (Taiwan) Limited	N/A	N/A	N/A

(Continued)

Title	Nationality	Name	Gender	Date elected	Term	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse & minors		Shareholding in other's name		Experience / Education	Also serve concurrently as	Other executives, directors or supervisors are spouse or within second-degree relative of consanguinity to each other		
							Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
Director	Australia	Standard Chartered Bank Representative : Rangus Hok Hoi Tse	Male	31/03/2016	2 yr and 7.5 mths	31/03/2016	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Regional Finance Head, Retail and Private Client and Products, Hong Kong and Greater China, Standard Chartered Bank (Hong Kong) Limited Chief Financial Officer, Consumer Banking, Standard Chartered Bank (Hong Kong) Limited Certified Practising Accountant ("CPA"), Australian Society of Certified Practicing Accountants Master degree in Applied Finance and MBA in Australian Graduate School of Management (which co-run by both The University of Sydney and The University of New South Wales)	Chief Financial Officer, Standard Chartered Bank (Taiwan) Limited Director, Celebration Limited			
Director	Australia	Standard Chartered Bank Representative : Wayne Robert Porritt	Male	28/06/2016	2 yrs and 5 mths	28/06/2016	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	SRCO, CIC, MENAP, Africa, Europe & Americas, Standard Chartered Bank CCO, WB, HK and Japan, Standard Chartered Bank Regional Head, GSAM and NEA, Standard Chartered Bank Managing problem loan assets in Asia, Australia, US and Europe, Bank of America	Chief Risk Officer, Greater China and North Asia, Standard Chartered Bank Executive Director, Standard Chartered Bank (Korea) Limited Director, Standard Chartered Trade Support (HK) Limited			
INED	R.O.C.	Standard Chartered Bank Representative : Man-Jung Chan	Female	24/11/2015	3 yrs	01/03/2013	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Legislator-at-Large & Chair of the Judicial Committee, Legislative Yuan, Republic of China Senior Advisor to the President, National Security Council, Republic of China Director General, International Secretariat, Pacific Economic Cooperation Council Director (Research & Analysis), International Secretariat, Asia-Pacific Economic Cooperation Executive Director, Chinese Taipei APEC Study Center Chief of Staff, APEC Business Advisory Associate-in-Research, Harvard Business School Adjunct Associate Professor, International Doctorate on Asian Studies (IDAS) & International Master Program on International Studies Programs (IMPIS), National Chengchi University Assistant Professor, Graduate School of American Studies, Tamkang University Ph.D., Political Economy, Boston University, USA	Founder & CEO, Out-of-the-Box Consultancy Board Member, Chinese Taipei Pacific Economic Cooperation Council Board Member & Commissioner on Economic Development, National Policy Foundation Advisor, Taiwan Institute of Economic Research Advisor, Taiwan Research Institute Research Committee Member, 21st Century Foundation Executive Board Member, Association of Emerging Market Studies Board Member, Sino-American Cultural & Economic Association Adjunct Associate Professor, MBA Program, Commerce Department, National Chengchi University Honorable Advisor, Legislative Yuan	N/A	N/A	N/A
INED	R.O.C.	Standard Chartered Bank Representative : Nei-Ping Yin	Male	24/11/2015	3 yrs	10/12/2009	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Member of Economic Advisory Group, Office of the President, Taiwan Member of National Stabilization Fund Management Committee Chief of Asia-Pacific Financial Research Center, Business School, National Chengchi University, Taiwan 5th term of Legislator Consultant of Ministry of Economic Affairs Master of Economics, Washington University in St. Louis, USA	Professor, Department of Money and Banking, National Chengchi University Counselor of Executive Yuan, Taiwan	N/A	N/A	N/A

(Continued)

Title	Nationality	Name	Gender	Date elected	Term	Date first elected	Shareholding when elected		Current shareholding		Shareholding of spouse & minors		Shareholding in other's name		Experience / Education	Also serve concurrently as	Other executives, directors or supervisors are spouse or within second-degree relative of consanguinity to each other		
							Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
INED	R.O.C.	Standard Chartered Bank Representative: Ban-Ren Chen	Male	25/03/2017	1 yr and 8 mths	25/03/2017	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Fubon Group • Director, Taipei Fubon Commercial Bank Co., Ltd. • Head of Wealth Management Group • Chairman, Fubon Securities Co., Ltd • Managing Director, Taiwan Mobile Company Country Business Manager, Consumer Banking, Citi Group, China Deputy President, Consumer Banking, China Trust Financial Holding Co., Ltd. Executive VP, Branch Banking & Wealth Management, Citi Group, Taiwan Senior Executive VP & Chief Financial Officer, McDonald's Taiwan Master of Business Administration, Southern Illinois University, USA	Nil	N/A	N/A	N/A

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

2. Major Shareholder of Institutional Shareholders

15 May 2017

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

3. Major Shareholder of Principal Institutional Shareholders

15 May 2017

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

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

Qualification	Over five years of experience in related fields and the following professional qualifications			Independence Status (Note)										The number of public companies in which the director or supervisor also serves concurrently as an Independent Director	
	An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the banking business in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the banking Business	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the banking business	1	2	3	4	5	6	7	8	9	10		
Name															
Standard Chartered Bank Representative : Benjamin Pi-Cheng Hung			√				√	√	√	√	√	√	√		
Standard Chartered Bank Representative : Yuen Tung Anthony Lin			√				√	√	√	√	√	√	√		
Standard Chartered Bank Representative : Norman Lyle		√	√	√	√	√	√	√	√	√	√	√	√		
Standard Chartered Bank Representative : Wei-Chih Chen			√				√	√	√	√	√	√	√		
Standard Chartered Bank Representative : Rangus Hok Hoi Tse		√	√				√	√	√	√	√	√	√		
Standard Chartered Bank Representative : Wayne Robert Porritt			√					√	√	√	√	√	√		

 (Continued)

Name	Qualification	Over five years of experience in related fields and the following professional qualifications			Independence Status (Note)										The number of public companies in which the director or supervisor also serves concurrently as an Independent Director
	An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the banking business in a public or private junior college, college or university	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialists who has passed a national examination and been awarded a certificate in a profession necessary for the banking Business	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the banking business	1	2	3	4	5	6	7	8	9	10		
Standard Chartered Bank Representative : Man-Jung Chan	√		√	√	√	√	√	√	√	√	√	√	√	√	
Standard Chartered Bank Representative : Nei-Ping Yin	√		√	√	√	√	√	√	√	√	√	√	√	√	
Standard Chartered Bank Representative : Ban-Ren Chen			√	√	√	√	√	√	√	√	√	√	√	√	

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

- (1) Neither an employee of the Bank, nor an employee of its affiliated enterprises.
- (2) Neither a director, supervisor of the Bank, nor a director, supervisor of its affiliated enterprises (provided that this shall not apply where the director/supervisor is an independent director of the Bank or its parent company, or any company of which over 50% of shares with voting right are held by the Bank directly or indirectly.)
- (3) Shareholder who is any natural person other than the director/supervisor, and the director's/supervisor's spouse or minor possessing more than 1% of the Bank's total issued shares, or the shareholder of natural person who possesses more than 1% of the Bank's total issued shares in the name of another person, or a top-ten shareholder of natural person.
- (4) Neither a spouse, nor a relative within 2nd degree relationship or lineal relative within 3rd degree relationship to any person specified in the preceding three criteria.
- (5) Neither a director, supervisor, or employee of an institutional shareholder who directly owns more than 5% of the Bank's issued shares, nor a director, supervisor or employee of the top five institutional shareholders who are owners of the Bank's issued shares.
- (6) Neither a director, supervisor, manager of a company/institution doing business or having a financial relationship with the Bank, nor a shareholder who owns more than 5% of such a company.
- (7) Not an owner, partner, director, supervisor, manager or spouse of any sole proprietor business, partnership, company or institution which has provided the Bank and its affiliates with business, legal, financial, accounting or counseling services. However, this restriction does not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies Whose Stock is Listed on the TWSE or Traded on the GTSM.
- (8) Not a spouse or relative within 2nd degree relationship to other directors.
- (9) Not a person under the circumstances specified in Article 30 of the Company Act.
- (10) Not a government agency, juridical person or its representative pursuant to Article 27 of the Company Act.

(II) Information on the Executive Officers and Branch Managers

15 May 2017

Title (Note 1)	Nationality	Name	Gender	Date appointed	Shareholding		Shareholding of spouse & minor		Shareholding in other's name		Education & Work Experience (Note 2)	Also serve concurrently as	Managers are spouse or within second-degree relative of consanguinity to each other		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Chief Executive Officer	Hong Kong	Yuen Tung Anthony Lin	Male	01/03/2017	0	0	0	0	0	0	Master of Business Administration, Chinese University of Hong Kong	N/A	N/A	N/A	N/A
Chief Auditor	R.O.C	Vicki Yang	Female	08/01/2014	0	0	0	0	0	0	Master of Business Administration, Syracuse University, USA	N/A	N/A	N/A	N/A
Head of Corporate & Institutional Banking	R.O.C	Sheila Chuang	Female	02/12/2016	0	0	0	0	0	0	Master of Business Administration, Rutgers University, State University of New Jersey, USA	Note 3	N/A	N/A	N/A
Head of Commercial Banking	R.O.C	Sheila Chuang	Female	24/11/2014	0	0	0	0	0	0	Master of Business Administration, Rutgers University, State University of New Jersey, USA	Note 3	N/A	N/A	N/A
Head of Retail Banking	R.O.C	Kate Lin	Female	31/08/2015	0	0	0	0	0	0	Mass Communication, Fu Jen Catholic University	N/A	N/A	N/A	N/A
Head of Wealth Management	Hong Kong	Cindy Man Yee Fu	Female	21/10/2013	0	0	0	0	0	0	Arts in Psychology and Economics, The University of Manitoba, Canada	N/A	N/A	N/A	N/A
Head of Company Secretariat	R.O.C	Cathy Li	Female	22/05/2008	0	0	0	0	0	0	Banking and Financial Law, LL.M. Boston University, USA	N/A	N/A	N/A	N/A
Chief Financial Officer	Australia	Rangus Hok Hoi Tse	Male	01/03/2016	0	0	0	0	0	0	Master of Business Administration, Australian Graduate School of Management	N/A	N/A	N/A	N/A
Chief Risk Officer	R.O.C	Etta Lin	Female	01/12/2015	0	0	0	0	0	0	Master of Business Administration, Kellogg School of Management, Northwestern University, USA	N/A	N/A	N/A	N/A
Chief Information Officer	R.O.C	Wen Shu	Female	01/08/2014	0	0	0	0	0	0	Master of Business Administration, University of Florida, USA	N/A	N/A	N/A	N/A
Head of Legal	R.O.C	Erick Chao Yin	Male	02/12/2015	0	0	0	0	0	0	LL.M., New York University, USA	N/A	N/A	N/A	N/A
Head of Compliance	R.O.C	Gladys Huang	Female	01/05/2016	0	0	0	0	0	0	LLB, Law School, National Taiwan University	N/A	N/A	N/A	N/A
Head of Human Resources	R.O.C	Wei-Chih Chen	Female	12/02/2010	0	0	0	0	0	0	Master of Business Administration, Lehigh University, Pennsylvania, USA	N/A	N/A	N/A	N/A
Head of Corporate Affairs	R.O.C	Jane Lu	Female	-	0	0	0	0	0	0	MSc. in European Studies, London School of Economics, UK	Note 4	N/A	N/A	N/A
Offshore Banking Unit Manager	R.O.C	Sheila Chuang	Female	22/04/2016	0	0	0	0	0	0	Master of Business Administration, Rutgers University, State University of New Jersey, USA	Note 3	N/A	N/A	N/A
Head of Trust	R.O.C	Hubert Wang	Male	26/07/2013	0	0	0	0	0	0	Master of Information Management, Chang Gung University	N/A	N/A	N/A	N/A
Head of Securities	R.O.C	Michelle Lai	Female	28/05/2015	0	0	0	0	0	0	Master of Business Administration, National Taiwan University	N/A	N/A	N/A	N/A
Head of Bancassurance (Note 6)	R.O.C	Amos Chao	Male	01/10/2016	0	0	0	0	0	0	Master of Business Administration, Long Island University, USA	N/A	N/A	N/A	N/A
Branch Manager, Main Branch	R.O.C	Vincent Sha	Male	24/07/2014	0	0	0	0	0	0	Dept. of Tourism Industry, Chinese Culture University	N/A	N/A	N/A	N/A
Branch Manager, Neihu Branch	R.O.C	Rita Tai	Female	21/06/2011	0	0	0	0	0	0	Dept. of Healthcare Management, Yuanpei College	N/A	N/A	N/A	N/A
Branch Manager, Xinyi Branch	R.O.C	Vincent Lien	Male	28/06/2016	0	0	0	0	0	0	Master of Business Administration, Tunghai University	N/A	N/A	N/A	N/A
Branch Manager, Jinshan Branch	R.O.C	Charles Huang	Male	28/01/2016	0	0	0	0	0	0	Master, Dept. of Finance, National Chengchi University	N/A	N/A	N/A	N/A
Branch Manager, Nanjing Branch	R.O.C	Sam Yao	Male	28/05/2014	0	0	0	0	0	0	Dept. of Information Management, Tamkang University	N/A	N/A	N/A	N/A
Branch Manager, Fuxing Branch	R.O.C	Jamie Chiung-Chen Chiu	Female	07/05/2016	0	0	0	0	0	0	Dept. of Business Administration, Van Nung Institute of Technology & Commerce	N/A	N/A	N/A	N/A
Branch Manager, Dazhi Branch	R.O.C	Coco Su	Female	02/12/2016	0	0	0	0	0	0	Master of Business Administration, Yuan Ze University	N/A	N/A	N/A	N/A
Branch Manager, Tianmu Branch	R.O.C	Monica Hsieh	Female	24/11/2015	0	0	0	0	0	0	Bachelor Degree in Economics, Shih Hsin University	N/A	N/A	N/A	N/A

(Continued)

Title (Note 1)	Nationality	Name	Gender	Date appointed	Shareholding		Shareholding of spouse & minor		Shareholding in other's name		Education & Work Experience (Note 2)	Also serve concurrently as	Managers are spouse or within second-degree relative of consanguinity to each other		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Branch Manager, East Taipei Branch	R.O.C	Mandy Chiu	Female	30/01/2015	0	0	0	0	0	0	Master, Dept. of Finance, Chaoyang University of Technology	N/A	N/A	N/A	N/A
Branch Manager, Zhongshan Branch	R.O.C	Ivan Lan	Male	31/03/2016	0	0	0	0	0	0	Dept. of Economics, Soochow University	N/A	N/A	N/A	N/A
Branch Manager, Banqiao Branch	R.O.C	Jerry Chen	Male	29/08/2016	0	0	0	0	0	0	Master of Banking and Finance, Tamkang University	N/A	N/A	N/A	N/A
Branch Manager, Ren'ai Branch	R.O.C	Sean Chin-Hsiang Chang	Male	21/06/2011	0	0	0	0	0	0	Dept. of Business Administration, Chung Yuan Christian University	N/A	N/A	N/A	N/A
Branch Manager, Dunhua Branch	R.O.C	Edward Wang	Male	24/11/2015	0	0	0	0	0	0	Bachelor Degree in Finance, Ming Chuang University	N/A	N/A	N/A	N/A
Branch Manager, No.88 Branch	R.O.C	Linda Wu	Female	26/09/2013	0	0	0	0	0	0	EMBA, Taiwan University	N/A	N/A	N/A	N/A
Branch Manager, Jianguo Branch	R.O.C	Eric HK Cheng	Male	28/06/2016	0	0	0	0	0	0	Dept. of Statistics, Fu Jen Catholic University	N/A	N/A	N/A	N/A
Branch Manager, Zhuangjing Branch	R.O.C	Emily Hsi	Female	28/05/2014	0	0	0	0	0	0	Dept. of Industrial and Business Management, Tamkang University	N/A	N/A	N/A	N/A
Branch Manager, Guishan Branch	R.O.C	Daisy Tang	Female	31/03/2016	0	0	0	0	0	0	Master of Business Administration, University of Michigan, USA	N/A	N/A	N/A	N/A
Branch Manager, Taoyuan Branch	R.O.C	Lillian Meng-Hua Chen	Female	02/12/2016	0	0	0	0	0	0	Dept. of Business Administration, Chihlee College of Business	N/A	N/A	N/A	N/A
Branch Manager, Sanmin Branch	R.O.C	Lillian Meng-Hua Chen	Female	-	0	0	0	0	0	0	Dept. of Business Administration, Chihlee College of Business	Note 5	N/A	N/A	N/A
Branch Manager, Nankan Branch	R.O.C	Sunny Hsiu-Ju Chiu	Female	29/08/2016	0	0	0	0	0	0	Dept. of Accounting and Statistics, Ta Tung Junior College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Bade Branch	R.O.C	Anita Yang	Female	29/08/2016	0	0	0	0	0	0	Associate degree in Business Management, Taoyuan Innovation Institute of Technology	N/A	N/A	N/A	N/A
Branch Manager, Dashulin Branch	R.O.C	Peter Kuo-Hsin Hu	Male	29/08/2016	0	0	0	0	0	0	Graduate School of Social Science and Management, National Chung Hsing University	N/A	N/A	N/A	N/A
Branch Manager, Dayuan Branch	R.O.C	Sherry Shu Hsueh Yeh	Female	31/03/2016	0	0	0	0	0	0	Tayuan County Daxing High School	N/A	N/A	N/A	N/A
Branch Manager, Daxi Branch	R.O.C	Jennifer Chiang	Female	29/08/2016	0	0	0	0	0	0	Master of Business Administration, Yuan Ze University	N/A	N/A	N/A	N/A
Branch Manager, Gongxi Branch	R.O.C	Rachel Li-Ying Chou	Female	31/03/2016	0	0	0	0	0	0	Dept. of Finance and Tax Administration, China Junior College of Industrial and Commercial Management	N/A	N/A	N/A	N/A
Branch Manager, Zhongli Branch	R.O.C	Eric Chi-Cheng Huang	Male	30/01/2015	0	0	0	0	0	0	Dept. of Accounting and Statistics, National Taipei College of Business	N/A	N/A	N/A	N/A
Branch Manager, East Neili Branch	R.O.C	Leo Yao-Mo Huang	Male	30/01/2015	0	0	0	0	0	0	Dept. of Finance and Tax Administration, Tamsui Oxford College	N/A	N/A	N/A	N/A
Branch Manager, Huanbei Branch	R.O.C	Tony Wei-Lung Tu	Male	24/11/2015	0	0	0	0	0	0	Dept. of Economics, Chinese Culture University	N/A	N/A	N/A	N/A
Branch Manager, Neili Branch	R.O.C	Bonny Hsiu-Ling Liu	Female	28/06/2016	0	0	0	0	0	0	Dept. of International Trade, Takming Junior College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Longgang Branch	R.O.C	Angel Su-Yueh Kang	Female	30/01/2015	0	0	0	0	0	0	Dept. of Accounting, Hsing Wu Junior College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Shanziding Branch	R.O.C	Marie Mei-Tsun Chen	Female	24/11/2015	0	0	0	0	0	0	Dept. of Accounting, Open Jr. College under National Taipei College of Business	N/A	N/A	N/A	N/A
Branch Manager, Xinwu Branch	R.O.C	Jason Tsai	Male	30/01/2015	0	0	0	0	0	0	Dept. of Statistics, Tamkang University	N/A	N/A	N/A	N/A
Branch Manager, Yangmei Branch	R.O.C	Yoyo Liang	Female	28/01/2016	0	0	0	0	0	0	Dept. of Banking and Insurance, Hsing Wu Junior College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Longtan Branch	R.O.C	Sally Pei-Chin Chung	Female	28/01/2016	0	0	0	0	0	0	Dept. of Industrial Engineering and Management, Nan Tai College	N/A	N/A	N/A	N/A
Branch Manager, Puxin Branch	R.O.C	Rita Yang	Female	29/08/2016	0	0	0	0	0	0	Dept. of Applied Business, National Open College of Continuing Education Affiliated to National Taichung University of Science and Technology	N/A	N/A	N/A	N/A
Branch Manager, Pingzhen Branch	R.O.C	Jerdon Chin-Fu Teng	Male	28/06/2016	0	0	0	0	0	0	Dept. of International Trade, Tamsui Oxford College	N/A	N/A	N/A	N/A
Branch Manager, Xinming Branch	R.O.C	Tommy Cheng-Lung Yu	Male	30/01/2015	0	0	0	0	0	0	Dept. of Economics, Fu Jen Catholic University	N/A	N/A	N/A	N/A

(Continued)

Title (Note 1)	Nationality	Name	Gender	Date appointed	Shareholding		Shareholding of spouse & minor		Shareholding in other's name		Education & Work Experience (Note 2)	Also serve concurrently as	Managers are spouse or within second-degree relative of consanguinity to each other		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Branch Manager, Guanyin Branch	R.O.C	Tiffany Yu-Fang Chang	Female	14/12/2009	0	0	0	0	0	0	Dept. of Business Administration, Chihlee College of Business	N/A	N/A	N/A	N/A
Branch Manager, Xinxing Branch	R.O.C	Jack Shou-Hui Chao	Male	24/01/2013	0	0	0	0	0	0	Dept. of Secretary, Shih Chien College	N/A	N/A	N/A	N/A
Branch Manager, North Hsinchu Branch	R.O.C	Serena Mei-Hui Chen	Female	24/01/2013	0	0	0	0	0	0	Dept. of Information, Open Jr. College under Taichung College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Zhongzheng Branch	R.O.C	Rita Shu-Hui Wu	Female	27/05/2015	0	0	0	0	0	0	Dept. of Industry Management, Oriental Institute of Technology	N/A	N/A	N/A	N/A
Branch Manager, Xinshe Branch	R.O.C	Claire Hui-Chi Cheng	Female	15/12/2010	0	0	0	0	0	0	Graduate School of Business Administration, Chung Hua University	N/A	N/A	N/A	N/A
Branch Manager, Xinfeng Branch	R.O.C	Peter Pin-Nien Chang	Male	28/06/2016	0	0	0	0	0	0	Dept. of Business Administration, National Chung-Hsing University	N/A	N/A	N/A	N/A
Branch Manager, Guangfu Branch	R.O.C	Nuan Lin	Female	24/01/2013	0	0	0	0	0	0	MA in Insurance, Feng Chia University	N/A	N/A	N/A	N/A
Branch Manager, Science Park Branch	R.O.C	Cindy Yu-Feng Wu	Female	27/05/2015	0	0	0	0	0	0	Dept. Technology Management, Chung Wua University	N/A	N/A	N/A	N/A
Branch Manager, Guanxi Branch	R.O.C	Sayuri Chiu-Ying Hsieh	Female	28/06/2016	0	0	0	0	0	0	Dept. of Industrial Engineering and Management, Van Nung Institute of Technology & Commerce	N/A	N/A	N/A	N/A
Branch Manager, Xipu Branch	R.O.C	Ben Pang-Yuan Liu	Male	29/06/2012	0	0	0	0	0	0	Finance Taxation, Feng Chia University	N/A	N/A	N/A	N/A
Branch Manager, Zhudong Branch	R.O.C	Johnson Chin-Jen Ho	Male	28/06/2016	0	0	0	0	0	0	Dept. of Accounting and Statistics, Tamsui Oxford College	N/A	N/A	N/A	N/A
Branch Manager, Hukou Branch	R.O.C	Jr-Lian Li	Female	28/06/2016	0	0	0	0	0	0	Dept. of Electronic Engineering, Ta Hwa College of Technology	N/A	N/A	N/A	N/A
Branch Manager, Zhubei Branch	R.O.C	David Jar-Fu Day	Male	28/06/2016	0	0	0	0	0	0	Dept. of Business Administration, Feng Chia University	N/A	N/A	N/A	N/A
Branch Manager, Gongguan Branch	R.O.C	Jerry Wen-Chung Su	Male	26/02/2010	0	0	0	0	0	0	Dept. of Business Administration, Feng Chia University	N/A	N/A	N/A	N/A
Branch Manager, Miaoli Branch	R.O.C	Sandy Hui-O Su	Female	24/11/2015	0	0	0	0	0	0	Dept. of Accounting, Open Jr. College under Taichung College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Zhunan Branch	R.O.C	Linda Shih Ling Lai	Female	24/11/2015	0	0	0	0	0	0	Dept. of Accounting, Ling Tung College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Toufen Branch	R.O.C	Geoff Kuo-Chi Hsu	Male	26/07/2013	0	0	0	0	0	0	General Executive Master's Program of Business Administration, Feng Chia University	N/A	N/A	N/A	N/A
Branch Manager, Houlong Branch	R.O.C	David Tsang Yuan Lin	Male	24/11/2015	0	0	0	0	0	0	Dept. of International Trade, Takming Junior College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Yuanli Branch	R.O.C	Tom Tu	Male	28/05/2014	0	0	0	0	0	0	Dept. of Business Administration, Minghsin University of Science and Technology	N/A	N/A	N/A	N/A
Branch Manager, Sanyi Branch	R.O.C	Vilan Shu-Ching Chiu	Female	24/01/2013	0	0	0	0	0	0	Dept. of Finance, Yu Da College of Business	N/A	N/A	N/A	N/A
Branch Manager, Nantun Branch	R.O.C	Leo Chang	Male	31/05/2013	0	0	0	0	0	0	Dept. of Finance Management, Chung Hua University	N/A	N/A	N/A	N/A
Branch Manager, Beitun Branch	R.O.C	James Chien	Male	31/03/2016	0	0	0	0	0	0	Dept. of Chinese Literature, National Cheng Kung University	N/A	N/A	N/A	N/A
Branch Manager, Wenxin Branch	R.O.C	Stephen Huang	Male	29/08/2016	0	0	0	0	0	0	Master in International Business, Chengchi University	N/A	N/A	N/A	N/A
Branch Manager, Donghai Branch	R.O.C	Roger Liao	Male	28/06/2016	0	0	0	0	0	0	Dept. of Technology, Chin-Yi University	N/A	N/A	N/A	N/A
Branch Manager, Fengyuan Branch	R.O.C	James Liou	Male	29/08/2016	0	0	0	0	0	0	Dept. of Finance, Southern Taiwan University of Science and Technology	N/A	N/A	N/A	N/A
Branch Manager, Taichung Branch	R.O.C	Gavin Liao	Male	29/08/2016	0	0	0	0	0	0	Master Program in International Economics, National Chung Cheng University	N/A	N/A	N/A	N/A
Branch Manager, Zhongqing Branch	R.O.C	Sunny Hsien-Tsung Kuo	Male	31/05/2013	0	0	0	0	0	0	Dept. of Business Administration, Minghsin Industrial and Commercial Junior College	N/A	N/A	N/A	N/A

(Continued)

Title (Note 1)	Nationality	Name	Gender	Date appointed	Shareholding		Shareholding of spouse & minor		Shareholding in other's name		Education & Work Experience (Note 2)	Also serve concurrently as	Managers are spouse or within second-degree relative of consanguinity to each other		
					Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Branch Manager, Xitun Branch	R.O.C	Jessica Miin Fang Chiu	Female	02/12/2016	0	0	0	0	0	0	Overseas Chinese University	N/A	N/A	N/A	N/A
Branch Manager, Changhua Branch	R.O.C	Gordon Yan	Male	21/11/2014	0	0	0	0	0	0	Dept. of Business Administration, National Taiwan University of Science and Technology	N/A	N/A	N/A	N/A
Branch Manager, Chiayi Branch	R.O.C	Roy Hsu	Male	28/08/2015	0	0	0	0	0	0	Master, Dept. of Finance, National Chengchi University	N/A	N/A	N/A	N/A
Branch Manager, East Tainan Branch	R.O.C	Lawrence Yu-Ren Lin	Male	23/01/2017	0	0	0	0	0	0	Dept. of Banking & Insurance, Feng Chia University	N/A	N/A	N/A	N/A
Branch Manager, Tainan Branch	R.O.C	Lillian Huang	Female	28/08/2014	0	0	0	0	0	0	Dept. of Banking and Insurance, Shih Chien College of Home Economics	N/A	N/A	N/A	N/A
Branch Manager, Dongning Branch	R.O.C	Kuang Kuang-Huai Ho	Male	23/01/2017	0	0	0	0	0	0	Dept. of Industrial Engineering and Management, National Lien-Ho College of Technology and Commerce	N/A	N/A	N/A	N/A
Branch Manager, Jiuru Branch	R.O.C	Stanley Kuo	Male	02/12/2016	0	0	0	0	0	0	Dept. of Business Administration, Tamkang University	N/A	N/A	N/A	N/A
Branch Manager, North Kaohsiung Branch	R.O.C	Yu-Cheng Lin	Male	28/05/2014	0	0	0	0	0	0	Dept. of Business Administration, Sun Yat-sen University	N/A	N/A	N/A	N/A
Branch Manager, Sanduo Branch	R.O.C	Irene Chiu	Female	28/06/2016	0	0	0	0	0	0	Master of Science in Finance, University of Leicester, UK	N/A	N/A	N/A	N/A
Branch Manager, Kaohsiung Branch	R.O.C	Jennifer Huang	Female	21/01/2014	0	0	0	0	0	0	Dept. of Accounting, Chinese Culture University	N/A	N/A	N/A	N/A

Note 1 : Information on the executive officers including the President, Vice Chief Executive Officer, function heads and branch managers or any personnel assuming equivalent positions shall be disclosed.

Note 2 : Experiences relevant to the current job positions: for example, if a person also works in a CPA firm or its affiliate during the appointment period, the title and responsibility in that company shall be specified.

Note 3 : Head of Commercial Banking serves concurrently as the Manager of Offshore Banking Unit, effective 22 April, 2016; Ms. Chuang also acts as the Head of Corporate & Institutional Banking, effective 2 December, 2016.

Note 4 : Head of Sustainability & Community Engagement temporarily acts for Head of Corporate Affairs Department, effective 23 March, 2017.

Note 5 : Branch Manager of Taoyuan Branch temporarily acts for Branch Manager of Sanmin Branch, effective 6 December, 2016.

Note 6 : The Bank established Bancassurance Department under the Wealth Management Division on 1 October, 2016.

Note 7 : The Bank was permitted to abolish the International Banking Department by Financial Supervisory Commission on 21 October, 2016.

(III) Remuneration Paid to Directors (including INEDs), Supervisors and Executive Officers in 2016

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

(1) Directors' Remuneration (including INEDs)

Unit : NTD'000

Title	Name	Director's Remuneration								Relevant Remuneration Received by Directors who Are Also Employees								Total of (A, B, C, D, E, F, G) as a percentage (%) of net profit after tax		Remuneration from investment companies other than subsidiaries			
		Remuneration (A)		Separation pay/ Pension (B)		Remuneration appropriated to directors from earnings (C)		Costs incurred from performing duties (D)		Total of (A, B, C, D) as a percentage (%) of net profit after tax		Salaries, bonus and special allowance (E)		Separation pay/ Pension (F)		Employees' remuneration (G) (Note4)							
		The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank		All companies included in consolidated financial statements			The Bank	All companies included in consolidated financial statements	
																Cash dividend	Stock dividend	Cash dividend	Stock dividend				
Chairman	Standard Chartered Bank Representative : Benjamin Pi- Cheng Hung																						
Director	Standard Chartered Bank Representative : John Ming Kiu Tan(Note1)																						
Director	Standard Chartered Bank Representative : Wei-Chih Chen																						
Director	Standard Chartered Bank Representative: Rangus Hok Hoi Tse																						
Director	Standard Chartered Bank Representative: Yen-Ting Chen (Note2)	7,104	7,104							4.25%	4.25%	64,517	64,517									42.88%	42.88%
Director	Standard Chartered Bank Representative: Norman Lyle																						
Director	Standard Chartered Bank Representative: Wayne Robert Porritt																						
INED	Standard Chartered Bank Representative: Nei-Ping Yin																						
INED	Standard Chartered Bank Representative: Man-Jung Chan																						
INED	Standard Chartered Bank Representative: Yen-Shiang Shih (Note3)																						

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

Directors' expense for driver salary totaled NTD 2,656 (thousand) in 2016.

Note 1 : Director John Ming Kiu Tan was discharged from office on 28 February, 2017.

Note 2 : Director Yen-Ting Chen was discharged from office on 29 February, 2016.

Note 3 : INED Yen-Shiang Shih was discharged from office on 29 June, 2016.

Note 4 : 2016 employees' remuneration refers to bonus distributed from earnings in 2015.

(2) Directors' Remuneration Bracket

Range of Remuneration Paid to Directors of the Bank	Name & No. of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements
Less than NTD 2,000,000	Norman Lyle, Nei-Ping Yin, Man-Jung Chan, Yen-Shiang Shih	Norman Lyle, Nei-Ping Yin, Man-Jung Chan, Yen-Shiang Shih	Norman Lyle, Nei-Ping Yin, Man-Jung Chan, Yen-Shiang Shih	Norman Lyle, Nei-Ping Yin, Man-Jung Chan, Yen-Shiang Shih
NTD 2,000,000 (inclusive) – NTD 5,000,000				
NTD 5,000,000 (inclusive) – NTD 10,000,000			Wei-Chih Chen, Yen-Ting Chen	Wei-Chih Chen, Yen-Ting Chen
NTD 10,000,000 (inclusive) – NTD 15,000,000			Rangus Hok Hoi Tse	Rangus Hok Hoi Tse
NTD 15,000,000 (inclusive) – NTD 30,000,000				
NTD 30,000,000 (inclusive) – NTD 50,000,000			John Ming Kiu Tan	John Ming Kiu Tan
NTD 50,000,000 (inclusive) – NTD 100,000,000				
NTD 100,000,000 above				
Total	4	4	8	8

Note : Only 4 Directors receive remuneration; in total, only 8 directors (some of which are also employees) receive directors' remuneration.

2. Supervisors' Remuneration and Remuneration Bracket : [Not Applicable]

3. Executive Officers' Remuneration and Remuneration Bracket

(1) Executive Officers' Remuneration

Unit: NTD'000

Title	Name	Salary (A)		Separation pay/ Pension (B)		Bonus & Special Allowance (C)		Employees' Bonus Distributed from remunerations (D) (Note 4)			Total of (A, B, C, D) as a percentage (%) of net profit after tax		Remuneration from investment from companies other than subsidiaries
		The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements	Cash dividend	Stock dividend	The Bank	
Chief Executive Officer (Note 1)	John Ming Kiu Tan												
Chief Auditor	Vicki Yang												
Head of Commercial Banking	Sheila Chuang												
Head of Retail Banking	Kate Lin												
Chief Financial Officer	Rangus Hok Hoi Tse												
Chief Risk Officer	Etta Lin	77,162	77,162			48,812	48,812					75.43%	75.43%
Chief Information Officer	Wen Shu												
Head of Compliance	Gladys Huang												
Head of Human Resources	Wei Chih Chen												
Chief Financial Officer (Note 2)	Yen Ting Chen												
Head of Compliance (Note 3)	Emma Chang												

Executive Officers' expense for driver salary totaled NTD 5,445 (thousand) in 2016.

Note 3 : Head of Compliance, Emma Chang was discharged from office on 30 April, 2016.

Note 1 : Director John Ming Kiu Tan was discharged from office on 28 February, 2017.

Note 4 : 2016 employees' remuneration refers to bonus distributed from earnings in 2015.

Note 2 : Chief Financial Officer, Yen Ting Chen resigned on 29 February, 2016.

(2) Executive Officers' Remuneration Bracket

Range of Remuneration Paid to Executive Officers of the Bank	Name & No. of Executive Officers	
	The Bank	All companies included in consolidated financial statements
Less than NTD 2,000,000		
NTD 2,000,000 (inclusive) – NTD 5,000,000	Gladys Huang	Gladys Huang
NTD 5,000,000 (inclusive) – NTD 10,000,000	Vicki Yang, Wei Chih Chen, Etta Lin, Emma Chang, Yen Ting Chen	Vicki Yang, Wei Chih Chen, Etta Lin, Emma Chang, Yen Ting Chen
NTD 10,000,000 (inclusive) – NTD 15,000,000	Kate Lin, Rangus Hok Hoi Tse, Wen Shu	Kate Lin, Rangus Hok Hoi Tse, Wen Shu
NTD 15,000,000 (inclusive) – NTD 30,000,000	Sheila Chuang	Sheila Chuang
NTD 30,000,000 (inclusive) – NTD 50,000,000	John Ming Kiu Tan	John Ming Kiu Tan
NTD 50,000,000 (inclusive) – NTD 100,000,000		
NTD 100,000,000 above		
Total	11	11

4. Remuneration Distributed to Managers : [None]

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

	2016	2015
Directors	42.88%	4.25%
Supervisors	-	0.06%
Executive Officers and Chief Auditor	75.43%	11.70%

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

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

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

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

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

III. Corporate Governance Practices

(I) Practices of Board of Directors

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

Title	Name	No. of Attendance in Person(B)	No. of Attendance by Proxy	Actual Attendance Ratio (%) (B/A) (Note)	Remarks
Chairman	Standard Chartered Bank Representative : Benjamin Pi-Cheng Hung	6	0	100%	
Director	Standard Chartered Bank Representative : John Ming Kiu Tan	6	0	100%	
Director	Standard Chartered Bank Representative : Yen-Ting Chen	0	1	0%	Step down on 29 February, 2016
Director	Standard Chartered Bank Representative : Wei-Chih Chen	5	1	83%	
Director	Standard Chartered Bank Representative : Norman Lyle	5	1	83%	
Director	Standard Chartered Bank Representative : Rangus Hok Hoi Tse	5	0	100%	Took office on 31 March, 2016 at the 3rd Session of 14th Term of the Board meeting
Director	Standard Chartered Bank Representative : Wayne Robert Porritt	4	0	100%	Took office on 28 June, 2016 at the 4th Session of 14th Term of the Board meeting
INED	Standard Chartered Bank Representative : Nei-Ping Yin	6	0	100%	
INED	Standard Chartered Bank Representative : Man-Jung Chan	6	0	100%	
INED	Standard Chartered Bank Representative : Yen-Shiang Shih	3	0	100%	Step down on 29 June, 2016

Note : Actual attendance ratio (%) is calculated based on the number of meetings and the actual number of attendance during the term of service.

Other matters to be noted :

1. Please specify the date, term, content of the motion and all independent directors' opinions as the Bank's response if any of the following conditions is met:
 - (1) Matters specified in Article 14.3 of the Securities and Exchange Act : [None]
 - (2) Other board resolutions where independent directors have expressed objection or qualified opinions that have been noted in the record or declared in writing : [None]
2. Avoidance of conflict of interest by directors: Information specifying the Directors' names, content of the motion, reasons for avoidance, and participation in the voting is in place.

Term and Session	Name	Content of Motion	Reasons for Avoidance	Participation in the Voting
28 June, 2016, 4th Session of 14th Term	Benjamin Pi-Cheng Hung Wayne Robert Porritt	Approval for related party transaction of underwriting senior note issuance with Standard Chartered Bank (Hong Kong) Limited ("SCBHK")	SCBHK's issued ordinary share capital is 49 per cent beneficially owned by Standard Chartered Holdings Limited and 51 per cent beneficially owned by Standard Chartered Bank. Mr. Benjamin Hung is the Chairman of SCBHK and Mr. Wayne Porritt is the Chief Risk Officer of Greater China and North Asia Region, which covers SCBHK. According to the "Rules and Procedures for Loans and Non-credit Transactions with Related Parties for the Company and its Subsidiaries" approved by the Board on 30 March, 2015, the credit and non credit transaction between the Company and SCBHK is considered related party transaction. The Company shall not offer conditions more favourable than those of other similar transactions. Mr. Benjamin Hung, Chairman of SCBHK and the Company and Mr. Wayne Porritt recused themselves from the discussion and vote for this item to avoid any potential conflict of interest issue.	The related party did not exercise the voting right to the proposal, and the other Directors unanimously resolved that the proposal be approved.

3. Goals to enhance the function of the Board of Directors (e.g. establishment of the Audit Committee, improvement of information transparency, etc.) and evaluation of the execution status in the current and most recent years: With the aim to achieve information transparency, required documentation will be provided to the Board to ensure the directors have sufficient information prior to the Board meeting. The President also continues to lead the Country Executive committee members to present business reports of their respective functions in quarterly main Board meetings and also report on the status of Country economies, political and regulatory development of the country for the Board's reference. An Audit Committee was approved by the Board to establish on 24 November, 2015. 6 meetings were convened by the Audit Committee in accordance with the Audit Committee Charter in 2016.

(II) Practices of Audit Committee Meetings

6 meetings were convened by the Audit Committee in 2016. Attendance of Independent Non-Executive Directors in the meetings is specified as follows :

Title	Name	No. of Attendance in Person(B)	Actual Attendance Ratio (%) (B/A) (Note)	Remarks
INED	Standard Chartered Bank Representative : Nei-Ping Yin	6	100%	
INED	Standard Chartered Bank Representative : Man-Jung Chan	6	100%	
INED	Standard Chartered Bank Representative : Yen-Shiang Shih	4	100%	Step down on 29 June, 2016

Note : Actual attendance ratio (%) is calculated based on number of meetings and the actual number of attendance during the term of service.

Other matters to be noted:

- Please specify the date, term, content of the motion, Audit Committee resolutions and the Bank's response to the Audit Committee's opinions if any of the following conditions is met:
 - Matters specified in Article 14.5 of the Securities and Exchange Act : [None]
 - Other resolutions not consented by Audit Committee but have been approved by at least two-thirds of the Board : [None]
- Avoidance of conflict of interest by independent directors: Information specifying the independent directors' names, content of the motion, reasons for avoidance, and participation in the voting : [None]
- Communication with the Chief Auditor and accountants (including communication methods and results pertaining to material matters of the Bank's financial and business conditions)

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

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

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

Please refer to the "About Us" information on the Bank's English website.

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

Assessment Item	Execution Status (Note 1)			Reasons of Discrepancies Between the Bank's Corporate Governance Practices and the "Corporate Governance Best-Practice Principles for Banks"
	Yes	No	Description	
<p>(I) Shareholdings structure and shareholders' equity</p> <p>1. Does the Bank establish internal operating procedures for handling shareholders' recommendations, queries, disputes or litigation issues and are the procedures being followed accordingly?</p> <p>2. Is the Bank the ultimate controller of the major shareholders?</p> <p>3. Does the Bank establish the risk control mechanism and firewalls between the Bank and its affiliated enterprises?</p>	V		<p>1. The Bank is owned by a sole shareholder - Standard Chartered Bank, and there are no disputes or litigation matters with the shareholder. Any recommendation or queries of the shareholder is raised to the Board of Directors for review and consideration. The Chairman, Chief Executive Officer and Executive Committee of the Bank address shareholder's recommendations and queries with prudence. No internal procedure is stipulated for this purpose.</p> <p>2. The Bank is a subsidiary wholly owned by Standard Chartered Bank, whose shareholding is 100% owned by Standard Chartered Holdings Limited.</p> <p>3. In terms of transactions with related party, any credit extension to the stakeholders and affiliates of the Bank is conducted pursuant to Articles 32, 33, 33-1 to 33-5 of the Banking Act and reported to the ALCO Committee on a monthly basis. Any non-credit extension is conducted pursuant to Article 45 of the Financial Holding Company Act.</p>	No discrepancy is found
<p>(II) Composition and responsibilities of the Board of Directors</p> <p>1. Except for the remuneration and audit committee, does the Bank set up other functional committees voluntarily?</p> <p>2. Does the Bank evaluate independence of its CPA regularly?</p>	V		<p>1. An audit committee was approved by the Board to establish on 24 November, 2015. Except for the authority required to be exercised by the Board of Directors under the law, the Board of Directors has delegated its authority, obligation and responsibility to the Executive Committee for their day-to-day management, operation and control of the Bank's businesses. The Board of Directors may, during the adjournment of the Board meeting, request the Executive Committee</p>	No discrepancy is found

 (Continued)

Assessment Item	Execution Status (Note 1)			Reasons of Discrepancies Between the Bank's Corporate Governance Practices and the "Corporate Governance Best-Practice Principles for Banks"
	Yes	No	Description	
			(chaired by the Chief Executive Officer) to effectively supervise and review the Bank's business operations, report the Bank's business performance at the Board meetings, and escalate information through adequate reporting procedures to ensure necessary actions will be taken by the Board of Directors. 2. Evaluation on the independence of the CPA is conducted by the Bank on a regular basis. The Bank confirms the independence of its CPA.	
(III) As a listed company, does the Bank set up a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors; handling matters relating to board meetings and shareholders meetings according to laws; handling corporate registration and amendment registration; and producing minutes of board meetings and shareholders meetings, etc.)?	V		The Bank has Company Secretariat in place to be responsible for corporate governance related matters, including but not limited to furnishing information required for business execution by directors and supervisors; handling matters relating to board meetings and shareholders meetings according to laws; handling corporate registration and amendment registration; and producing minutes of board meetings and shareholders meetings, etc.	No discrepancy is found

 (Continued)

Assessment Item	Execution Status (Note 1)			Reasons of Discrepancies Between the Bank's Corporate Governance Practices and the "Corporate Governance Best-Practice Principles for Banks"
	Yes	No	Description	
(IV) Does the bank establish communication channels with stakeholders (including but not limited to shareholders, staff, and customers)?	V		<p>1. The respective departments are fully responsible for dealing with stakeholders' complaints or rights in accordance with the relevant regulations and the Bona Fide Principle.</p> <p>2. SCB Supplier Charter is stated in tender document to supplier during tender process, SCB Supplier Charter is a formal position statement that details what SCB expects from its suppliers and those within the suppliers' sphere of influence. It outlines SCB values and brand promise and covers 5 areas: Ethics, Human Rights, Environment, Health and Safety Standards, and Environmental Protection.</p>	No discrepancy is found
<p>(V) Information disclosure</p> <p>1. Does the Bank establish a website where information regarding financial/business statements and corporate governance is disclosed?</p> <p>2. Are there any other disclosure channels of the Bank (e.g. set up an English website, assign designated personnel to collect and disclose the Bank's information, implement spokesperson system, or publish investors' conference on the website)?</p>	V	V	<p>1. The Bank's website (including English website) is set up by responsible departments including the Group Technology and Operations, Customer Service and other related departments for purpose of information collection and disclosure. The Bank's Chief Executive Officer also serves as the Bank's spokesman. Refer to the annual report for more details about the corporate governance of the Bank.</p> <p>2. Same as above.</p>	No discrepancy is found

 (Continued)

Assessment Item	Execution Status (Note 1)			Reasons of Discrepancies Between the Bank's Corporate Governance Practices and the "Corporate Governance Best-Practice Principles for Banks"
	Yes	No	Description	
(VI) Is there other information essential to understand the corporate governance of the Bank (e.g. employee welfare, employee care, investor relations, stakeholder rights, training records of directors and supervisors, risk management policies and implementation of risk measurement criteria, implementation of customers' policies, liability insurance purchased by the Bank for directors and supervisors, donations to political parties, stakeholders and charity groups, etc.)?	V		<p>The Bank's Directors (including INEDs) regularly participate in internal and external Corporate Governance trainings covering topics related to financial, risk management, business and other courses. The Directors (including INEDs) are responsible for instructing the employees at all levels to strengthen their professional and legal knowledge. The Bank purchases the liability insurance for the Directors (including INEDs) and senior management on annual basis.</p> <p>Pursuant to Article 16-1, Chapter 3 of the "Corporate Governance Best-Practice Principles for Banks", our donations to political parties, stakeholders and charity groups required to be disclosed are as follows:</p> <p>(1) Taipei Parent's Association for the Visually Impaired (Seeing is Believing Visually Impaired Employment Platform).</p> <p>(2) Small & Medium Enterprise Guarantee Fund, Taiwan.</p>	No discrepancy is found
(VII) Specify the Bank's remediation efforts and action plans for results provided in the most recent year's corporate governance evaluation report issued by the Corporate Governance Center of Taiwan Stock Exchange Corporation. (No need to specify if the Bank is not included in the evaluation.) : [Not Applicable]				

Note : Check "yes" or "no" in the "Execution Status" and provide a brief explanation in the "Description" column.

(V) Organizational Structure, Responsibility and Operation of Remuneration Committee Established by the Bank If Any : [None]

(VI) Practices of Corporate Social Responsibility

Systems, measures and practices of the Bank's social responsibility to environmental protection, community participation, social contribution, social services, public welfare, consumer rights, human rights, safety and hygiene, and other social responsibility related activities

Assessment Items	Execution Status (Note 1)		
	Yes	No	Description (Note 2)
(I) Implement Corporate Governance			
1. Does the Bank have the corporate social responsibility policy or system in place and carry out review of its effectiveness?	V		<p>1. Our Commitment — Here for good</p> <p>The core value of the Bank's culture is sustainability, which focuses on building the Bank into a sustainable business, creating shareholder value, providing customers with comprehensive services, contributing to local economy, and being positive force in its communities. These are exactly the materialization of our brand promise — Here for good. Our significant achievements of sustainability through investing in communities in 2016:</p> <p>(1) Supported by three NGOs that including Parent's Association for the Visually Impaired, Eden Social Welfare Foundation, and Technology Development Association for Disabled. "Standard Chartered Seeing is Believing VI Employment Platform" was successfully established to demonstrate the joint efforts among public and private sectors as well as the nonprofits to support job placements of the visually impaired. From May 2013 up to end of 2016, the project has successfully matched job placements for 327 visually impaired people.</p> <p>(2) Through Taipei Standard Chartered Charity Marathon, the Bank contributed over NTD 50 million (including Group matching) to support "Seeing is Believing" global project and visually impaired employment project in Taiwan.</p> <p>(3) To demonstrate the Bank's core competence in community services, and embed the volunteering culture the Bank initiated the Standard Chartered Financial Education Academy to promote financial education targeting at the elementary school teachers and students, college students, and visually impaired. From 2013 to date, over 45,000 people have benefited from this program.</p> <p>(4) Each employee is entitled to 3 paid days of volunteering leave every year. As we encourage all staff to join the community service activities of their enthusiasm, department based volunteering activities are also welcome in conjunction with family day to call upon deeper coherence to the Bank's culture and the community.</p> <p>(5) In 2016, we have contributed 3,427.5 days of employee volunteering service in the local communities.</p> <p>2. New Joiners are required to attend "Right Start Live" when on boarding to know about SCB's brand promises – Here for good and core values. They will also be introduced of code of conduct in working environment through case studies and our volunteer activities such as Standard Chartered Marathon and SCB Financial Education Workshop. Also, there will be</p>
2. Does the Bank hold corporate social responsibility trainings on a regular basis?	V		
3. Does the bank set up a designated unit supervised by senior management to promote corporate social responsibility of the Bank and report the execution status to the Board of Directors?		V	
4. Does the Bank establish a reasonable remuneration policy that links to employee performance evaluation system and CSR policy, and set up an effective reward and punishment system?	V		

 (Continued)

Assessment Items	Execution Status (Note 1)		
	Yes	No	Description (Note 2)
			<p>Labor Health and Safety training for them on the same day. Frontline sales and services employees will have half day compliance training in their Day 1 Readiness training curriculum, which includes topics about anti-money laundering, know your customers and how to prevent mis-selling. All new joiners will also be assigned with e-learning courses including "Group Code of Conduct", "Group Anti-Money Laundering and Counter Terrorist Financing", "Understanding Sanctions", "Safety, Security & Environment", "Labor Safety and Health Training", "Gender Equality in Employment Law" and so on to assist employees to be aware of social responsibility. Furthermore, the Bank communicates the importance of Sponsorship and Donation Policy internally every year, provides "Fighting Bribery & Corruption - A Practical Guide" e-learning course to all employees and organizes workshops to ensure compliance with approval process by all departments to minimize reputational risks.</p> <p>3. "Here for good" is our core value and brand promise with an aim to be the best international bank. The Bank is committed to human resources development, corporate governance, sustainable products and services, financial crime prevention, risk and crisis management, environmental protection, diversity and inclusion, as well as community participation, etc. The Bank ensures responsible departments will fulfill our corporate social responsibility by following the Group's sustainability guideline and international standards.</p> <p>4. The Bank applies a consistent Performance Evaluation and Remuneration Standard ("PERS") to all employees which clearly defines performance management framework that ensures employees have clear objectives and receive ongoing feedback. Remuneration outcomes relate to the performance of the individual, the business they work in and the Group. The Bank aims to ensure everyone is aligned to deliver long-term sustainable growth in the interests of shareholders. At an individual level, employees are assessed annually in relation to what they have achieved and how they have achieved it, based on the values and behaviours they have demonstrated. This assessment feeds into decision-making in relation to individual variable remuneration. Employees' performance is assessed against financial and non-financial objectives, including a mandatory compliance performance objective. In addition to performance assessments, consideration of how the employee has behaved and lived the values in their day to day role also factors in to the assessments. The approach puts more focus on risk and control issues. Assessing 'how' an employee has achieved an objective, 'what' has been achieved, as well as 'how' an employee has demonstrated risk and control behaviours are the key components of our performance assessment process and remuneration decisions.</p>

 (Continued)

Assessment Items	Execution Status (Note 1)		
	Yes	No	Description (Note 2)
			<p>The Bank has the ability to apply ex-post risk adjustments through the following mechanisms :</p> <p>(1) Performance adjustment of deferred variable remuneration through share-price movement over the deferral period and, for some employees, in relation to specific performance measures.</p> <p>(2) In year adjustment of variable remuneration awards, where an employee has been determined as accountable for a risk, control and/or conduct issue or event.</p> <p>(3) The application of malus and claw-back in relation to material risk and control events. This can be applied to variable remuneration awards for up to 7 years post grant.</p>
<p>(II) Develop Sustainable environment</p> <p>1.Does the Bank strive to improve the utilization rate of various resources and use renewable materials that have minimal impact to the environment?</p> <p>2.Does the Bank establish an adequate environmental management system based on characteristics of the industry?</p> <p>3.Does the Bank investigate greenhouse gas inventory and set up strategies for energy saving, emission reduction and greenhouse gas mitigation to cope with climate change which would have business impact to the Bank?</p>	V	V	<p>1. Standard Chartered Group's success in managing our environmental impact has been certified by the Leadership in Energy and Environmental Design (LEED) rating, an equivalent green building rating scheme.</p> <p>2. The Group operates in many countries vulnerable to environmental challenges, including the effects of climate change. Rather than simply continuing current business practices, the Bank works to inspire and encourage our employees and customers to minimize their environmental footprint. This strategy is supported by senior management on the Group EcoNet, our environment coordinators' network. The Group is proud to be included in the Dow Jones Sustainability Index (DJSI) for the fifth consecutive year and the FTSE 350 Climate Disclosure Leadership Index for the second time. This recognizes the Group's achievements in managing the use of energy and carbon emissions, as well as promoting sustainable environment.</p> <p>3. In 2016, the Bank has not only continuously adopted several practices to reduce carbon dioxide emissions and save energy, but also took active part in the world-renowned environmental protection activities. Employees were encouraged to reduce CO2 emissions and save energy both at homes and offices. As a result, the use of energy and water by approximately -5% and 2% respectively year-on-year. These practices include:</p> <p>(1) Taskforces to monitor the conventional lighting of branches and main offices and replace them with LED or energy-saving lighting;</p> <p>(2) Taskforces to monitor the old energy-consumption air conditioners and replace them with more efficient facilities that meet global environmental standards;</p> <p>(3) Newly renovated branches and offices are equipped with air conditioners, Lighting and Power & Water supply facilities that met the environmental protection standards and energy savings certification;</p> <p>(4) Implement limited hours on air-conditioning in main offices to lower energy consumption after office hours;</p>

 (Continued)

Assessment Items	Execution Status (Note 1)		
	Yes	No	Description (Note 2)
			<p>(5) Promote one-hour lights-out campaign during the lunch time of main offices;</p> <p>(6) Continuously monitor the usage of electricity and water in main offices and look into any abnormality of utility usage and provide countermeasures thereof;</p> <p>(7) Install water-saving facilities in main branches and offices;</p> <p>(8) Actively participate in global environment activities such as the "Earth Hour" and increase environmental awareness amongst our staff;</p> <p>(9) Continue to sponsor public parks, namely Victoria Park</p> <p>(10) On paper saving, the Bank continues to promote paperless meetings, improve related meeting facilities and rigid measures on copying process, as well as track the paper usage in offices on a monthly basis to raise staff awareness on paper saving;</p> <p>(11) The Bank's IT Department implemented new server whose efficiency and capacity are several times higher than the old equipment. By introducing the server virtualization technology, it has substantially reduced the number of hosts, the volume of power consumption, and the heat generated by machines as corporate social responsibility. Our computer servers totaled 428 units in 2009 and gradually reduced to 339 units in 2016, with an actual reduction rate of 20.8%, reduction of 10,728 degrees of electricity per month; it means a reduction of 80,201KG carbon dioxide emissions per month, which is equivalent to planting 7,324 trees per year in Taiwan.</p>
<p>(III) Safeguard Public Welfare</p> <p>1. Does the Bank establish management policies and procedures in accordance with related laws and international human rights treaties?</p> <p>2. Does the Bank establish an employee grievance system and communication channel for proper handling of related issues?</p> <p>3. Does the Bank provide a safe and healthy workplace for employees and conduct periodical health and safety trainings?</p>	V	V	<p>1. The Bank complies with domestic labor laws to guarantee employees' legitimate rights and interests, treat all employees with fairness, and ensure a human labor's freedom of assembly and association as well as the rights of collective bargaining. We care about the disadvantaged minority, prohibit to hire child labor and prevent any kind of forced labor. We are committed to ensure equal opportunity in employment and prohibit the discrimination against any job applicant or employee on the basis of race, class, language, thought, religion, political party, place of origin, place of birth, gender, gender orientation, age, marital status, appearance, facial features, disability, or past membership in any labor union. All above are fulfilled in details and practices of the Bank's Collective Bargaining Agreement, HR policies and procedures, as well as Fair Accountability and Diversity & Inclusion policy.</p> <p>2. The Bank sets employee grievance policy and procedure, and announced to all employees. The main purpose is to provide employees with the means to resolve grievances connected directly with their employment. It is aimed at encouraging open and honest</p>

 (Continued)

Assessment Items	Execution Status (Note 1)		
	Yes	No	Description (Note 2)
4. Does the Bank conduct regular communications with employees and have adequate process/method in place to notify changes in operations that may have major impact to employees?	V		<p>communication. This will increase the likelihood that Employee concerns can be resolved quickly and internally, with a view to encouraging high Staff morale and engagement, decreasing staff attrition, and avoiding legal claims. All grievances will be handled fairly and in accordance with the applicable grievance procedure. A decision regarding the grievance will be notified to the employee in writing within a reasonable period.</p> <p>3. Based on the local health and safety regulations and SCB Group standards, the following health and safety trainings are provided to employees:</p> <p>(1) New hires are required to receive 3 hours of health and safety training;</p> <p>(2) All employees are required to receive 3 hours of health and safety refresher training every 3 years;</p> <p>(3) To assist health and safety personnel to obtain required certificates and receive regular refresher trainings;</p> <p>(4) Other necessary trainings in relation to emergency response;</p> <p>(5) Based on the Rules for Labor Health Protection, health care rooms are established and professional medical personnel are engaged to provide health care services including:</p> <p>1) Health education, health promotion and guidance;</p> <p>2) Prevention of occupational disease and injury, health consultation and first aid;</p> <p>3) Analysis, management, and storage of physical examination records;</p> <p>4) Regular provision of health information;</p> <p>5) Health seminars by medical doctors;</p> <p>6) Breast feeding room for female employees;</p> <p>7) Door-to-Door Health Service to all employees.</p> <p>4. The Bank complies with domestic labor laws to communicate with employees regularly, such as quarterly Labor-Management Meeting and Bi-Weekly Meeting with the Bank union. All meeting minutes are posted on the Bank's intranet site. The Bank and employees both agreed to maintain harmonious employer-employee relationships and promote the rights of all employees through sustainable development in the spirit of "live-and-let-live", share of interests and client-oriented services. The Bank keeps employees informed of major changes in operations that may have major impact to them through reasonable channels, including the channels listed above.</p> <p>5. We provide different professional trainings for different needs of business or support functions. Frontline sales and services new joiners need to attend Day 1 Readiness training. Based on different job roles, the training is provided with different days. New managers will receive a nine-month New Manager Program. There are also leadership programs designed for managers from different levels. For those ambitious and high potential</p>
5. Does the Bank establish effective career development plan for employees?	V		
6. Does the Bank have relevant policy and procedures in place to protect consumer rights pertaining to product research, procurement, operations and services?	V		
7. Does the Bank adhere to relevant regulations and international guidelines to promote and label its products and services?	V		
8. Prior to engaging with a vendor, does the Bank conduct an assessment on corporate social responsibility records of the vendor?	V		
9. In case the major supplier/vendor involves in violation of the corporate social responsibility policy and has inverse influence to the environment and society, does the Bank's contract cover termination clause with the major supplier/vendor at any time?	V		

 (Continued)

Assessment Items	Execution Status (Note 1)		
	Yes	No	Description (Note 2)
			<p>talents, the Bank also provides related trainings to help them pursuit and develop their career paths.</p> <p>6. The Bank has entered into agreement with our vendors for customer disputes resolution, which covers terms and conditions to define the response timeline, handling process and remedy plan. In regards to the consumer rights protection and customer services, the Bank has its policy and procedure in place to address customer feedbacks on a timely manner. Also, customer opinions are incorporated into the product/service design. A 24-hr customer hotline is provided to ensure customer requirements and disputes are effectively taken care of. To ensure a smooth customer complaints channel, a customer complaints hotline is posted on the Bank's website for reference. In addition, a customer service email is provided on the website to collect customer feedbacks and respond consumer disputes. Any customer complaint, whether it is through telephone, teller counter, letter, fax, media and/or official letter from relevant regulator, will be addressed in compliance with the Bank's standard process for handling customer complaints. To efficiently process customer complaints, an e-form system is set up for tracking customer complaints and results. In addition to reply and log reasons, corrective actions and precautions on system by following the Customer Complaints DOI, reports of disputable cases are compiled and analyzed on weekly and monthly basis. Disputes with greater recurrence rate are monitored of their corrective actions on continuous effort. Where any inconsiderate service is identified through the customer complaints channel or satisfactory survey, for instance, a product or process design fails to meet customer expectation, a customer is not served by our staff based on standard process, a problem is not adequately addressed and so on, all relevant departments will be informed and corrective actions and precautions will be carried out immediately to protect customers' rights and interests.</p> <p>7. Prior to providing financial products or services to our customers, the Bank has explained to the customers key features of the financial products or services and key contractual terms, and disclosed the associated risks pursuant to Financial Consumer Protection Act and other relevant laws and regulations.</p> <p>8. The Bank's brand promise "Here for good" fully demonstrates our mission as well as over 150 years of business model. The Bank is committed to ensure that its operate with high standards of social, ethical and environmental considerations in all aspects of its business. As a responsible corporate citizen, the Bank expect its suppliers uphold consistent standards as we do in aspects of ethics, human rights, environments, health & safety, labor and environmental protection. The Bank also has an obligation to ensure that our suppliers promote conservation or protection</p>

 (Continued)

Assessment Items	Execution Status (Note 1)		
	Yes	No	Description (Note 2)
			<p>of the environment as part of their business operations. To implement the concept of environmental protection, Standard Chartered Bank built into the selection process to develop specifications and recommendations for environmentally friendly products as the preferred specification to review the efforts made by a supplier on the more environmentally sensitive products and the implementation of its corporate social responsibility system. The above has been incorporated as one of the selection criteria of suppliers, so that sourcing decisions will be made, to the extent practicable, to use a more environmentally friendly product or service.</p> <p>9. SCB Supplier Charter is stated in tender document to supplier during tender process, SCB Supplier Charter is a formal position statement that details what SCB expects from its suppliers and those within the suppliers' sphere of influence. It outlines SCB values and brand promise and covers 5 areas: Ethics, Human Rights, Environment, Health and Safety Standards, and Environmental Protection.</p>
<p>(IV) Reinforce Information Disclosure Does the Bank disclose reliable and relevant corporate social responsibility information on its website and MOPS (market observation post system)?</p>	V		<p>The Bank continues to disclose the Bank's sustainability achievements through the annual reports. In addition, starting from March 2011, the Bank is required to disclose donations to political parties, stakeholders and charity groups on the Bank's website in accordance with Article 16.1, Chapter 3 of the Corporate Governance Best-Practice Principles for Banks.</p>
<p>(V) In the event the Bank has developed its own Corporate Social Responsibility Best Practice Principles pursuant to the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies, please specify the practices and differences between the two Principles : [Not Applicable]</p>			
<p>(VI) Other important information that helps to understand the best practices of corporate social responsibility : [None]</p>			
<p>(VII) Please specify, if appropriate, any Corporate Social Responsibility Report already met the verification criteria of a certification institution : [None]</p>			

Note 1 : Check "yes" or "no" in the "Execution Status" and provide a brief explanation in the "Description" column.

Note 2 : In the event the Bank has developed its own Corporate Social Responsibility Report ("CSR Report"), it may, instead of providing explanations, simply specify that "refer to the CSR Report with page numbers" in the "Description" column.

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

Assessment Item	Execution Status (Note)		
	Yes	No	Description
<p>(I) Establish Ethical Corporate Management Policies and Programs</p> <p>1. Does the Bank stipulate its ethical corporate management in internal rules and external documents, and if such management policies are enforced under the supervision of the Board of Directors and senior management?</p> <p>2. Does the Bank establish the Bank's ethical corporate management programs to forestall unethical conduct ("prevention program"), including procedures, guidelines, penalties applicable for the violation of the policy, disciplinary hearing process, and if these process and procedures are being executed accordingly?</p> <p>3. Does the Bank adopt any preventative measures against business activities which may be at a higher risk of being involved in an unethical conduct or any other items that are stipulated in Article 7.2 of the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"?</p>	V		<p>1. Promulgation of Legal and Compliance Principles and Prevention of Unethical Conduct: All of the Bank's policies and procedures related to ethical corporate management are approved by the Executive Committee and Board of Directors, followed by enforcement of each policy by its owners and subject to Board of Directors' review on an annual basis.</p> <p>2. The Bank has established the "Code of Conduct", which mainly encompasses "Compliance with Laws, Regulations and Standards Policy", "Reject bribery and corruption", "Treat clients fairly", "Manage conflicts of interest", "Do not take part in insider trading", "Protect confidential information", and "Compete fairly in the market place" to prevent unethical behaviours. In addition, the Bank has in place the "Gifts and Entertainment Policy", "Anti-Bribery Policy", and relevant procedures. All staff of the Bank shall comply with the aforesaid Code and policies, and complete related trainings as required. Also, the Bank requires all staff to re-commit to the "Code of Conduct" annually so as to ensure that the Code is embedded in our day-to-day operations. The Bank has established "Taiwan Disciplinary Policy" and relevant procedures to ensure that a fair, timely and consistent approach is in place to handle misbehavior or misconduct of employees. Where appropriate, the Bank may conduct the disciplinary hearing (and any appeal) in writing with the consent of employees.</p> <p>3. In addition to the above-mentioned "Code of Conduct", the Bank has in place the "Anti-Bribery Policy", the "Sponsorships and Donations Policy" and the "Gifts and Entertainment Policy" with relevant procedures to prevent employees from failing to meet the expected standards.</p>
<p>(II) Implement Ethical Corporate Management</p> <p>1. Does the Bank evaluate counterparty's records of ethical corporate management and clearly indicate terms of ethical behavior in the contracts?</p> <p>2. Does the Bank set up a dedicated (or sideline) unit under the Board of Directors to promote the ethical corporate management and report its execution status to the Board of Directors regularly?</p>	V	V	<p>1. The Bank set out a Supplier Charter which includes a number of principles for the behavioral standard that Standard Chartered expects from all its suppliers, and those within a supplier's sphere of influence that assist them in performing their obligations to the Bank. One of major principles is that Standard Chartered expects its suppliers to conduct themselves ethically and morally and respect local laws, and strictly prohibits bribery and corruption in any form. Suppliers are encouraged to use the Bank's secure Speaking Up web service to report all suspected cases, actual breaches or concealment of any forbidden acts. Terms regarding the ethical behavior have also been incorporated into the suppliers' contracts.</p> <p>2. Despite there is no dedicated unit in place, the Bank's employees shall follow the plans, policies and procedures associated with Ethical Corporate Management adopted by the Bank or approved by the Board of Directors, including Treating Customer Fairly and Code of Conduct. The Head of Compliance reports the implementation status to the Board of Directors on a regular basis.</p>

 (Continued)

Assessment Items	Execution Status (Note 1)		
	Yes	No	Description (Note 2)
<p>3. Does the Bank establish any conflict of interest policy and provide an adequate reporting channel?</p> <p>4. Does the Bank establish effective accounting system and internal control system for the Bank's ethical corporate management, and if such systems are audited by the internal auditor or by external CPA firm on a regular basis?</p> <p>5. Does the Bank conduct regular ethical management trainings held internally and externally?</p>	V		<p>3. The Bank has established the "Conflicts of Interest Policy" and relevant procedure, "Transactional Conflicts and Information Walls Procedures", "Personal Account Dealing Procedures", and "Outside Business Interests Procedures" for compliance in our daily operations.</p> <p>4. Internal Audit has followed "the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" to formulate the annual audit plan and perform audits in accordance with the plan. The Bank has strict accounting system and related procedures in place for compliance with the "Regulations Governing the Preparation of Financial Statements by Public Banks", "Regulations Governing the Preparation of Financial Reports by Securities Firms", IFRSs endorsed by the FSC and the "Sample of Accounting System for Banking Sector" stipulated by the Bankers' Association. In addition, the Bank's financial statements are duly audited and certified by our CPA firm in accordance with relevant regulations and generally accepted auditing standards to ensure data accuracy.</p> <p>5. The Bank provides trainings of the above-mentioned "Group Code of Conduct" and related policies/procedures to all staff through various training courses including periodic e-Learning.</p>
<p>(III) Implement Speak Up System</p> <p>1. Does the Bank establish a concrete speak-up and reward system and set up a convenient reporting channel with designated personnel for handling speak-up cases?</p> <p>2. Does the Bank have standard procedure and confidentiality mechanism in place to handle investigated cases?</p> <p>3. Does the Bank establish a process to protect the discloser from unfair treatment for the speak-up?</p>	V		<p>1. The bank has established the "Speaking Up Policy" and "Speaking Up Procedures" to provide staff with a secure, confidential way to report concern about misconduct when existing escalation process to line management are not appropriate. The Compliance Department is accountable for ensuring that this Policy and its governance and assurance processes have been implemented. The Shared Investigative Services of Legal Department must ensure that adequate processes are in place to enable Staff to Speak Up confidentially and to define how Speaking Up disclosures should be investigated and managed.</p> <p>2. Every reasonable effort must be made to maintain the confidentiality of the Staff member raising the concern. Speaking Up disclosures and details of any information and documentation stemming from the disclosure must only be passed to those who 'need to know'.</p> <p>3. Shared Investigative Services must ensure that all Speaking Up disclosures are recorded, reviewed and where appropriate, independently investigated.</p>
<p>(IV) Reinforce Information Disclosure</p> <p>Does the Bank disclose the ethical corporate management on the official website and MOPS and its implementation status?</p>	V		<p>The Bank has disclosed regulatory required information on both official website as well as MOPS, including annual report, important financial information and financial statements, etc.</p>

 (Continued)

Assessment Items	Execution Status (Note 1)		
	Yes	No	Description (Note 2)
V. In the event the Bank has developed its own Ethical Corporate Management Best Practice Principles pursuant to the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies", please specify the practices and differences between the two Principles : [Not Applicable]			
VI. Other important information that helps to understand the best practices of the Bank's ethical corporate management (e.g. if the Bank is currently reviewing its own ethical corporate management best practice principles) : [None]			

Note : Check "yes" or "no" in the "Execution Status" and provide a brief explanation in the "Description" column.

(VIII) Corporate Governance Principles and Inquiry of Relevant Regulations

Please visit the website of Market Observation Post System (MOPS) for detailed information of the corporate governance at <http://mops.twse.com.tw>.

(IX) Other Material Information

Please visit the website of Market Observation Post System (MOPS) for other material information published at <http://mops.twse.com.tw>.

(X) Implementation of Internal Control System

1. Internal Control System Statement

Internal Control System Statement to Financial Supervisory Commission

On behalf of Standard Chartered Bank (Taiwan) Limited (the "Company"), we hereby certify that, from 1 January to 31 December 2016, the Company has duly complied with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" in establishing an internal control system and implementing risk management procedures. The Company has been audited by an independent audit department that reports to the Board of Directors and Audit Committee regularly.

With respect to the securities business, the Company has conducted an evaluation on the effectiveness of the design and implementation of its internal control system in accordance with the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets", promulgated by the Securities and Futures Bureau of the Financial Supervisory Commission ("FSC").

After prudent evaluation, except for the items listed in the attached schedule, the Company's departments/units have been found to implement effective internal control and compliance systems during the year to which this Statement relates. This Statement shall become a major part of the annual report and prospectus of the Company and be made public. Any false representation or concealment in this Statement shall be subjected to legal consequences as stipulated in Articles 20, 32, 171 and 174 of the Securities & Exchange Act.


Statement by

Chairman :



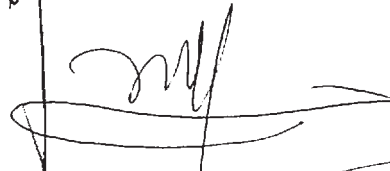
(Signature)

President :



(Signature)

Chief Internal Auditor :



(Signature)

Head of Compliance :



(Signature)

Date : 24 March 2017

Standard Chartered Bank (Taiwan) Limited

Issues and Corrective Actions for Internal Control System

As of 31 December 2016

Issues for Improvement	Corrective Actions	Target Completion Date
<p>Nine branches of the Company were found to have not reported to the authorities cash transactions that took place between March 2015 and February 2016 and exceeded the mandatory reporting threshold (NTD500k) within five business days post transactions due to negligence by both staff and supervisors, thereby breaching Article 7.1 of the Money Laundering Control Act and Article 4 of the Regulations Governing Cash Transaction Reports and Suspicious Transaction Reports by Financial Institutions. A fine of NTD400k was imposed in accordance with Article 7.3 of the Money Laundering Control Act.</p> <p>(Official letter from the Financial Supervisory Commission dated 6 January 2017 (No. 10550006690))</p>	<ol style="list-style-type: none"> The Company conducted a house-cleaning exercise and rectified the filing of the transactions that were overlooked. Relevant guidelines on large amount cash transactions were reiterated for full observance. Staff involved were sent for further disciplinary actions. Starting from 29 August 2016, a system control was put in place that would automatically reconcile large amount transaction details against electronic reporting data. If the reconciliation is done without break, the core banking system shall be allowed to close the day. Relevant management reports were also enhanced to ensure accurate and timely reporting of large amount cash transactions. 	Completed
<p>While relevant internal controls and procedures in relation to Know Your Customer have been established by the Company, customer risk tolerance levels were found to be enhanced simply based on customer responses and statements of past experience in the Customer Investment Profiles ("CIP") without further establishing validation and review mechanisms. It is therefore considered that the Company's sound operations could be undermined, and an Order for Correction was issued as per the Banking Act.</p> <p>(The official letter dated 6 March 2017 (No. 10500276040) by the Financial Supervisory Commission)</p>	<ol style="list-style-type: none"> The Company has put in place extra reinforcements on top of existing mechanisms for the protection of financial consumers. Going forward, no matter CIPs are conducted via which channel, monthly exception reports will be generated for customers who meet specific criteria. Branch Operations will make confirmation calls on exceptions flagged and retain recordings, coupled with subsequent review and monitoring by supervisors. Any irregularity or violation will be subject to further investigation. Results of such review and monitoring will be reported to the Business Operational Risk Forum on a monthly basis. Going forward, no matter CIPs are conducted via which channel, the Company will text or email customers to re-confirm CIP inconsistencies in terms of investment experience and education levels. This control is expected to roll out by end of April 2017. 	End of April 2017

Internal Control System Statement
Standard Chartered Bank (Taiwan) Limited

The Company has self evaluated the implementation of its internal control system from 1 January to 31 December 2016, hereby certifying the following:

1. Being aware that the establishment, implementation and maintenance of an internal control system is the responsibility of its Board of Directors and executive management team, the Company has established such system accordingly to reasonably assure soundness of its operations, reliability of its financial reports, and compliance of applicable laws and regulations.
2. Any internal control system could have its inherent restraints. No matter how robust its design could be, an effective internal control system could only offer reasonable assurance to the achievement of the above mentioned three objectives. The effectiveness of an internal control system could also vary as external environments evolve. However, the Company's internal control system has built in a self monitoring mechanism. Once a deficiency is identified, the Company will take corrective actions immediately.
3. The Company bases its judgment concerning the design and implementation effectiveness of its internal control system on the criteria provided in the Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies ("the Regulations") promulgated by the Financial Supervisory Commission ("FSC"), including control environment, evaluation of risk, control operation, information and communication, and supervision.
4. The Company has followed the above criteria to review the design and implementation effectiveness of its internal control system.
5. Based on the review, the Company takes the view that its internal control system (including soundness of its operations, reliability of its financial reports, and compliance of applicable laws and regulations) is designed and implemented effectively to reasonably assure the achievement of the above mentioned objectives.
6. This Statement shall become a major part of the annual report and prospectus of the Company and be made public. Any false representation or concealment in this Statement shall be subjected to legal consequences as stipulated in Articles 20, 32, 171 and 174 of the Securities & Exchange Act.
7. This Statement has been approved by the Company's Board of Directors on 24 March 2017, in which all of the directors present agreed to the Statement.

This Statement is submitted to the FSC by

Chairman :		(Signature)
President :		(Signature)
Chief Internal Auditor :		(Signature)
Head of Compliance :		(Signature)

Date : 24 March 2017

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

Independent Auditors' Report on Internal Control

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

According to Article 28 of the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries (the Rules) issued by the Financial Supervisory Commission (FSC), Republic of China (ROC), in addition to having its annual financial statements audited and certified by an independent auditor, a bank should also engage the auditor to examine its internal control systems and to express an opinion on the accuracy of and internal control over its financial reporting, the status of its compliance with applicable laws and regulations, and the appropriateness of its policy on the recording of bad debt provision.

We have been engaged by Standard Chartered Bank (Taiwan) Limited to conduct the aforementioned examination and have summarized the examination scope, procedures, and conclusions in the attachment to this report in accordance with Article 31 of the Rules.

The report is intended solely for the information and use of the Board of Directors and the management of Standard Chartered Bank (Taiwan) Limited and the Banking Bureau of FSC and is not intended to be and should not be used by anyone other than these specified parties.



KPMG
March 24, 2017

Independent Auditors' Report on Internal Control

Standard Chartered Bank (Taiwan) Limited :

We have audited the design and implementation of internal control system (include the financial reports submitted to the competent authority in accordance with the financial reporting internal control system) and compliance system of the insurance agent department of Standard Chartered Bank (Taiwan) Limited from the date of merger, October 1, 2016, to December 31, 2016. Establishing and maintaining an adequate internal control system are the responsibilities of the Bank's management. Our responsibility is to express an opinion on the internal control system mentioned above for the insurance agent department of Standard Chartered Bank (Taiwan) Limited based on our audits.

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

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

In our opinion, the design and implementation of internal control system regarding to financial reporting (include the accuracy of the financial reports submitted to the competent authority in accordance with the financial reporting internal control system) and ensuring securities of assets (means preventing unauthorized acquisition, use, and disposition of assets), in all material respects, are in conformity with the Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies. The design and implementation of compliance system is in conformity with related regulations.



KPMG

March 24, 2017

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

Disclosure	Case & Amount
<p>1. Indictment by prosecutors against the person in charge or employees because of a crime committed on duty</p>	<p>1. An ex-employee kept pre-signed transaction documents and manipulated customer accounts, which was a breach of the relevant regulations. The Bank filed a criminal claim against said ex-employee. The Taipei District Prosecutors Office indicted said ex-employee in December 2013 and the Taiwan Taipei District Court rendered a guilty judgment in March 2015. The ex-employee appealed to the High Court, which still rendered a guilty judgment in July 2015. Then the case was concluded.</p> <p>2. The Bank's ex-employees illegally collected and used customers' personal data with the intention to make profit. The Bank filed a criminal claim against said ex-employees. The Taipei District Prosecutors Office indicted said ex-employees in March 2014 and the Taipei District Court judged one of said ex-employees guilty and the others innocent in November 2015. Then the case was concluded.</p> <p>3. The Bank's ex-employees defrauded of the Bank's money so the Bank filed a criminal claim against said ex-employees. The Miaoli District Prosecutors Office indicted said ex-employees in September 2014 and the Taiwan Miaoli District Court rendered a guilty judgment in February 2016.</p> <p>4. The Bank's ex-employee illegally collected customers' personal data by accessing to an internal system which the ex-employee was not authorized to reviewing certain information therein. The Bank filed a criminal claim against said ex-employee. The Hsin-Chu District Prosecutors Office indicted said ex-employee in May 2016 and the Hsin-Chu District Court judged said ex-employee guilty in September 2016. Then the case was concluded.</p>
<p>2. Penalty fine imposed by Financial Supervisory Commission ("FSC") due to violation of the laws and regulations</p>	<p>1. The approval from Financial Supervisory Commission (the "FSC") had not been obtained before the change of OBU Manager, which violated Article 21-1 of the Offshore Banking Act (the "Act"), and a fine of NTD 500,000 was imposed on the Bank pursuant to Article 22-2 of the Act. (1 July, 2015)</p> <p>2. The Bank had failed to file large amount cash transaction reports, which violated Paragraph 3 of Article 7 of Anti-Money Laundering Act, and a fine of NTD 400,000 was imposed on the Bank.</p>
<p>3. Penalty imposed by FSC due to violation of Article 61-1 of the Banking Act</p>	<p>1. Control deficiencies had been identified from the Bank's conducting of derivatives business. We were fail to implement appropriate risk controls while conducting high risk derivatives transactions. This is in violation of Paragraph 1 of Article 61-1 of the Banking Act. (29 January, 2016)</p> <p>2. The Bank had failed to conduct Know Your Customer operation process, which violated Paragraph 1 of Article 61-1 of the Banking Act. (6 March 2017)</p>

 (Continued)

Disclosure	Case & Amount
<p>4. Any material frauds or contingencies (fraud, theft, misappropriation and robbery of assets, false transaction, forged documents and marketable securities, kickbacks, natural disaster loss, loss from external factors, hacker attack, data theft, and disclosure of confidential information and customer data and such major incidents) or security accidents resulting from the failure to abide by security instructions of financial institutions, or the incidents which resulted in loss over NTD 50 million, individually or totally, in the respective year.</p>	<p>None</p>
<p>5. Other matters required to be disclosed by FSC</p>	<p>None</p>

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

Date	Type of Meeting	Major Resolution	Execution Status
28/01/2016	Special Meeting of Board of Directors	<ol style="list-style-type: none"> 1. Approval of summary of risk management framework and approach of the Company 2. Approval of delegation of authority of the Company 3. Approval for divestment strategy of nine non-core properties 4. Approval of hongtai lease renewal 5. Approval of related party transaction of underwriting senior note issuance with New York branch of Standard Chartered Bank 6. Approval of 2015 total variable compensation payment 7. Approval of appointment of senior executive officer 	<ol style="list-style-type: none"> 1. Approve to execute as per resolution 2. Approve to execute as per resolution 3. Approve to execute as per resolution 4. Approve to execute as per resolution 5. Approve to execute as per resolution 6. Approve to execute as per resolution 7. Approve to execute as per resolution
31/03/2016	Quarterly Meeting of Board of Directors	<ol style="list-style-type: none"> 1. Directorate 2. 2015 Annual financial statements, business report and profit allocation/ loss off-setting statement of the Company 3. Approval of revised 2016 annual budget of Company 4. Approval of related party transaction of entering into the group advisory and services charging agreement 5. Approval of 2015 internal control system statement 6. Approval of the outsourcing activities with related parties 7. Approval of appointment of senior executive officer 	<ol style="list-style-type: none"> 1. Approve to execute as per resolution 2. Approve to execute as per resolution 3. Approve to execute as per resolution 4. Approve to execute as per resolution 5. Approve to execute as per resolution 6. Approve to execute as per resolution 7. Approve to execute as per resolution
28/06/2016	Quarterly Meeting of Board of Directors	<ol style="list-style-type: none"> 1. Directorate 2. Approval of 2015 annual report of the Company 3. Approval of revised 2016 annual budget of Company 4. Approval for related party transaction of underwriting senior note issuance with Standard Chartered PLC 5. Approval for related party transaction of underwriting senior note issuance with Standard Chartered Bank Hong Kong 6. Approval for related party transaction of underwriting senior note issuance with Standard Chartered Bank UK 7. Approval for related party transaction of underwriting senior note issuance with Standard Chartered Bank, New York branch 8. Approval for related party transaction of underwriting senior note issuance with Standard Chartered Bank, Singapore branch 9. Amendment to performance evaluation and remuneration standard of the Company 10. Directorate 	<ol style="list-style-type: none"> 1. Approve to execute as per resolution 2. Approve to execute as per resolution 3. Approve to execute as per resolution 4. Approve to execute as per resolution 5. Approve to execute as per resolution 6. Approve to execute as per resolution 7. Approve to execute as per resolution 8. Approve to execute as per resolution 9. Approve to execute as per resolution 10. Approve to execute as per resolution

 (Continued)

Date	Type of Meeting	Major Resolution	Execution Status
29/08/2016	Quarterly Meeting of Board of Directors	<ol style="list-style-type: none"> 1. Approval of 2016 first semi-annual audited statements of the Company 2. Adoption of the revised delegated authorities manual and review of the Chief Executive Officer's financial limits 	<ol style="list-style-type: none"> 1. Approve to execute as per resolution 2. Approve to execute as per resolution
02/12/2016	Quarterly Meeting of Board of Directors	<ol style="list-style-type: none"> 1. Approval of 2017 annual budget of the Company 2. Approval of 2010 and 2011 payment to the advisory and service expenses ("HOAE") and wholesale bank group income and group expense recharges ("GINGER") 3. Approval of 2017 occasio plan 4. Approval of mobile payment application submission to Financial Supervisory Commission 5. Approval for sale of non core property 6. Approval of the internal control and audit system of bancassurance of the Company 7. Approval of renewal of outsourcing activity with related party – information technology services 8. Approval of appointment of senior executive officer 	<ol style="list-style-type: none"> 1. Approve to execute as per resolution 2. Approve to execute as per resolution 3. Approve to execute as per resolution 4. Approve to execute as per resolution 5. Approve to execute as per resolution 6. Approve to execute as per resolution 7. Approve to execute as per resolution 8. Approve to execute as per resolution
16/12/2016	Special Meeting of Board of Directors	<ol style="list-style-type: none"> 1. Appointment of senior executive officer 	<ol style="list-style-type: none"> 1. Approve to execute as per resolution
23/01/2017	Monthly Meeting of Board of Directors	<ol style="list-style-type: none"> 1. Approval for related party transaction of foreign bond agency business with Standard Chartered Bank, London, Singapore branch of Standard Chartered Bank, Standard Chartered Bank (Hong Kong) limited 2. Approval for related party transaction of underwriting senior note issuance with Standard Chartered PLC, Standard Chartered Bank, New York branch of Standard Chartered Bank, Singapore branch of Standard Chartered Bank, and Standard Chartered Bank (Hong Kong) limited 3. Approval of 2016 total variable compensation payment 	<ol style="list-style-type: none"> 1. Approve to execute as per resolution 2. Approve to execute as per resolution 3. Approve to execute as per resolution
24/03/2017	Quarterly Meeting of Board of Directors	<ol style="list-style-type: none"> 1. Directorate 2. 2016 Annual financial statements, business report and profit allocation/ loss off-setting statement of the Company 3. Update on New Taiwan Dollar Non- Deliverable Forward ("NDF") incident report 4. Approval of the outsourcing activities with related parties 5. Approval of updated divestment strategy of non-core properties 6. Approval of appointment of anti-money laundering compliance officer of the Company 7. Directorate 	<ol style="list-style-type: none"> 1. Approve to execute as per resolution 2. Approve to execute as per resolution 3. Approve to execute as per resolution 4. Approve to execute as per resolution 5. Approve to execute as per resolution 6. Approve to execute as per resolution 7. Approve to execute as per resolution

(XIII) Disagreement Record or Written Statement of the Directors or Supervisors against the Important Resolutions Made by the Board Meetings : [None]

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

Title	Name	Date appointed	Date resigned	Reason
Chief Financial Officer	Yen Ting Chen	26/06/2012	29/02/2016	Resigned
Head of Compliance	Emma Chang	23/07/2012	30/04/2016	Discharged
Chief Executive Officer	John Ming Kiu Tan	26/03/2014	28/02/2017	Discharged
Head of Corporate Affairs	Hope Ong	21/12/2012	22/03/2017	Resigned

IV. Information on CPA Charges

(I) CPA Charges and Fee Brackets

Name of CPA Firm	Name of CPA		Audit Period	Remark
KPMG	Yung-Sheng Wang (Victor Wang)	Yuan-Sheng Yin (Jason Yin)	Fiscal Year 2016	

Unit : NTD'000

Bracket		CPA Charge	Audit Fee	Non-audit Fee	Total
1	Less than 2,000,000				
2	2,000,000 (inclusive) - 4,000,000			2,230	2,230
3	4,000,000 (inclusive) - 6,000,000				
4	6,000,000 (inclusive) - 8,000,000				
5	8,000,000 (inclusive) - 10,000,000				
6	Over 10,000,000 (inclusive)		15,170		15,170
Total			15,170	2,230	17,400

(II) Non-audit fees paid to CPAs, the firm to which the CPAs belong and its affiliate(s) exceed 25% of the annual auditing fee : [No]

Unit : NTD'000

Name of CPA Firm	Name of CPA	Audit Fee	Non-audit Fee					Audit Period	Remark
			System Design	Business Registration	Human Resources	Others	Sub-total		
KPMG	Yung-Sheng Wang Yuan-Sheng Yin	15,170				2,230	2,230	01/01/2016 – 31/12/2016	Internal control: 2,030 Capital adequacy ratio: 200

(III) Change of CPA firm and the audit fee for the year of change is less than that charged for the previous year : [None]

(IV) Auditing fee is 15% less or more below the fee charged for the previous year : [None]

V. Information on Change of CPA

(I) About the Former CPA

Date of replacement	28 June, 2016		
Reason & description of replacement	Job rotation within KPMG		
Specify whether the appointment is terminated or declined by the appointer or CPA	Situation	Party concerned	CPA
	Terminate appointment		
	Decline appointment		V
Opinion and reason for any audit report other than unqualified opinion in the last two years	None		
Any disagreement with the Bank	None		
Other disclosures (In accordance with Item 1-(iv), Paragraph 6, Article 10 of the Regulations)	None		

(II) About the Successive CPA

Name of the CPA firm	KPMG
Name of CPA	Yuan-Sheng Yin
Date of appointment	28 June, 2016
Prior to appointment of the CPA, if the Bank inquired such accountant about the accounting treatment method or the applicable accounting principles of any specific transaction and his/her possible opinion on the financial report, it shall disclose the matters it inquired about and the result thereof	None
Written opinion of the successive CPA expressing an dissenting opinion about the former CPA	None

(III) Written response from the former CPAs in accordance with Item 1 and Item 2-(iii), Paragraph 6, Articles 10 of the Regulations Governing Information to be Published in the Annual Reports of Banks : [Not Applicable]

VI. Name, title, and service period of the Bank's Chairman, President or Executive Officer(s) in charge of financial and accounting affairs who has served a position in an independent auditing firm to which the CPAs belong or its affiliate(s) during the past year : [None]

VII. Disclosure of changes in shareholdings (share transfer and pledge) held by directors, supervisors, executive officers, and other individuals pursuant to Article 11 of the Regulations Governing A Same Person or Same Concerned Party Holding the Issued Shares with Voting Rights over a Particular Ratio of a Bank : [None]

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

VIII. Information on Top 10 shareholders among which are related parties, spouses, or relatives within 2nd degree relationship : [None]

IX. The shares and consolidated shareholding ratios of the same investees held by the Bank, the Bank's directors, supervisors, executive officers, function heads, branch managers, and the entities under the Bank's direct or indirect control

Unit : Share; %

Name of Investee Company	The Bank's Investment		Investment by Directors, Supervisors, Executive Officers, Function Heads, Branch Managers and the Entities Directly or Indirectly Controlled by the Bank		Comprehensive Investment	
	Shares	Shareholding Ratio	Shares	Shareholding Ratio	Shares	Shareholding Ratio
Taiwan Small and Medium Enterprises Development Co., Ltd.	3,417,440	4.84%	-	-	3,417,440	4.84%
Universal Venture Fund Co., Ltd.	606,804	4.76%	-	-	606,804	4.76%
Financial Information Service Co., Ltd.	5,937,750	1.14%	-	-	5,937,750	1.14%
Windance Co., Ltd.	18,850,000	2.73%	-	-	18,850,000	2.73%
Taiwan Financial Asset Service Co., Ltd.	5,000,000	2.94%	-	-	5,000,000	2.94%
TSC Bio-Venture Capital Corp.	850,500	5.00%	-	-	850,500	5.00%
Sun Asset Management Corp.	84,980	1.42%	-	-	84,980	1.42%

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I. Capital and Shares

(I) Source of Capital

Unit : Share/NTD

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

Note 1 : Capital after the acquisition of Hsinchu International Bank.

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

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

(II) Shareholder Structure

As of 15 May, 2017

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

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

(III) Distribution of Equity Holdings

Par Value NTD 10
As of 15 May, 2017

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

(IV) List of Major Shareholders

As of 15 May, 2017

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

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

Item		Year	2016	2015	30 Apr 2017 (Note 3)
Market Value Per Share (Note 1)	Highest		-	-	-
	Lowest		-	-	-
	Average		-	-	-
Net Worth Per Share	Before Appropriation		14.33	14.87	14.78
	After Appropriation		(Note 2)	14.51	-
Earnings Per Share	Weighted Average Shares(thousand shares)		2,910,572	2,910,572	2,910,572
	Earnings Per Share		0.06	0.49	0.40
Dividends Per Share	Cash Dividends		(Note 2)	0.36	-
	Free-Gratis Dividends	Retained Earnings		-	-
		Capital Reserve		-	-
	Accumulative Dividends Undistributed		-	-	-
Return Analysis (Note 1)	Price/Earnings Ratio		-	-	-
	Price/Dividend Ratio		-	-	-
	Cash Dividend Yield(%)		-	-	-

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

Note 2 : The 2016 earnings appropriation of the Bank is yet approved the Board of Directors.

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

(VI) Dividend Policy and Enforcement

Refer to Dividend Policy in Financial Statements of Appendix 1 on page 40.

(VII) Impact of Stock Dividends on Business Performance and EPS : [Not Applicable]

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

1. The ratio or range of remuneration to employees, directors, and supervisors as set forth in the Bank's Articles of Association : Refer to Dividend Policy in Financial Statements of Appendix 1 on page 40.
2. Proposal for the distribution of employees' remuneration resolved by the Board of Directors : Refer to the Employee Benefits Expense in Financial Statements of Appendix 1 on page 48.
3. Earnings in the previous year allocated to the remuneration to employees, directors and supervisors : Refer to Dividend Policy in Financial Statements of Appendix 1 on page 40.

(IX) Share Buyback History : [None]

II. Issuance of Financial Debentures

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

(Continued)

Balance Outstanding	0 (thousand)	0 (thousand)	0 (thousand)	0 (thousand)	1,000,000 (thousand)	2,550,000 (thousand)	0 (thousand)	400,000 (thousand)	4,000,000 (thousand)
Paid-in Capital in Previous Year	29,105,720 (thousand)								
Audited Net Worth in Previous Year	38,289,788 (thousand)								
Repayment Status	Normal								
Terms of Redemption or Early Repayment	N/A								
Terms and Conditions of Conversion and Exchange	N/A								
Restriction Clause	N/A								
Capital Utilization	To support medium and long term funding needs and to manage the liquidity ratios under Basel III guideline								
Amount of declared issuance plus previous outstanding balance as percentage of audited net worth of the previous fiscal year (%)	121.69%								
Whether accounted for equity capital and type of capital	No								
Name of credit rating agency, date and credit rating	Fitch Ratings, AAA(twn), 19 May 2011								

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

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

 (Continued)

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

III. Preferred Stocks, Overseas Depository Receipts, Employee Stock Options, and Restricted Stock Awards : [None]

IV. Acquisitions or Assignment Involving Other Financial Institutions

Approved by the Bank's board of directors in June 2016 and by the Insurance Bureau in July 2016, Standard Chartered Life Insurance Agency Co., Ltd. ("SCLIA") and Taiwan Standard Chartered Insurance Agency Co., Ltd. ("TSCIA"), which are 100% owned subsidiaries, were merged into the Bank through absorption on October 1, 2016. The Bank's shareholders' equity is not affected by the merger. After the merger, the assets, liabilities, rights and obligations of these two subsidiaries, as of the date of merger, were generally assumed by the Bank.

1. Where the Bank has acquired another financial institution through merger or acquisition in the most recent fiscal year, the annual report shall disclose the CPA's opinion on the reasonableness of the share swap ratio : [Not Applicable]
2. If the Bank is listed on a stock exchange or over-the-counter, the annual report shall disclose information on the merger and acquisition of other financial institutions in the most recent five fiscal years. If the Bank has issued new shares for the acquisition of the shares of another financial institution, the annual report shall include an evaluation opinion prepared by the managing underwriter : [Not Applicable]
3. If the Bank is not listed on a stock exchange or over-the-counter, the annual report shall disclose the implementation status of new share issuance in the most recent quarter for the acquisition of the shares of another financial institution and the effect (of new share issuance) on shareholders' equity : [Not Applicable]
4. Where the board of directors has, during the most recent fiscal year or the current fiscal year up to the date of printing of annual report, adopted a resolution approving a merger, acquisition, or issuance of new shares due to acquisition of shares of another financial institution, the annual report shall disclose the state of implementation and the basic information of the institution to be merged or acquired. Where new shares are being issued due to a merger or acquisition of shares of another financial institution currently in progress, the annual report shall disclose the state of implementation and its effect on shareholders' equity : [Not Applicable]

V. Capital Utilization Plan and Execution Status

(I) Capital Utilization Plan

There is no new issue of debentures in 2016 and 2015.

(II) Execution Status of the Capital Utilization Plan

1. There is no new issue of debentures in 2016 and 2015.
2. The Bank's medium and long-term loans and capital adequacy ratios :

	31 December 2016	31 December 2015	31 December 2014
Medium and Long Term Loan	210,887,646 (thousand)	240,866,469 (thousand)	259,937,959 (thousand)
Increase / (Decrease)	(29,978,823) (thousand)	(19,071,490) (thousand)	(18,463,668) (thousand)
Capital Adequacy Ratio	15.11%	14.37%	13.91%
Increase / (Decrease)	0.74%	0.46%	0.24%



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I. Scope of Business

(I) Primary Business of Respective Business Division

1. Corporate & Institutional Banking

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

2. Commercial Banking

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

3. Retail Banking

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

(II) Ratio of Major Businesses and Changes

1. Ratio of Major Businesses to Total Assets

(1) Deposits

Unit : NTD'000

	31 December, 2016		31 December, 2015		Growth Rate (%)
	Amount	Ratio (%)	Amount	Ratio (%)	
Savings Deposits	174,453,344	35.42	173,643,251	34.90	0.47
Time Deposits	126,412,106	25.66	130,150,713	26.15	(2.87)
Demand Deposits	189,010,368	38.37	189,396,025	38.06	(0.20)
Checking Account	2,626,583	0.53	4,317,267	0.87	(39.16)
Remittance	104,532	0.02	81,745	0.02	27.88
Total	492,606,933	100.00	497,589,001	100.00	(1.00)

(2) Loans

Unit : NTD'000

	31 December, 2016		31 December, 2015		Growth Rate (%)
	Amount	Ratio (%)	Amount	Ratio (%)	
Bill Negotiation/Discount	682,626	0.25	482,760	0.16	41.40
Short-term Loan and Overdraft	47,384,080	17.39	61,009,087	19.81	(22.33)
Short-term Secured Loan	12,324,192	4.52	5,091,227	1.65	142.07
Medium-term Loan	31,478,466	11.55	36,443,142	11.83	(13.62)
Medium-term Secured Loan	5,928,623	2.18	10,681,659	3.47	(44.50)
Long-term Loan	7,047,005	2.59	8,724,055	2.83	(19.22)
Long-term Secured Loan	166,433,552	61.09	185,017,613	60.06	(10.04)
Non-accrual Loans	1,158,416	0.43	594,738	0.19	94.78
Total	272,436,960	100.00	308,044,281	100.00	(11.56)

2. Growth and Changes of Major Businesses

Unit : NTD'000

Item		31 December, 2016	31 December, 2015	Increase (Decrease)	Growth Rate (%)
Deposits and Remittance		492,606,933	497,589,001	(4,982,068)	(1.00)
Loan and Bills Discounted		272,436,960	308,044,281	(35,607,321)	(11.56)
Guarantees		2,712,222	2,808,832	(96,610)	(3.44)
Consumer Banking	No. of Credit Cards Issued	3,340,907	3,320,853	20,054	0.60

Unit : NTD'000

Item		2016	2015	Increase (Decrease)	Growth Rate (%)
Sales Volume of Non-discretionary Money Trust Investing in Domestic & Foreign Securities		45,093,329	53,455,902	(8,362,573)	(15.64)
Foreign Exchange (USD/Thousand)	International Exchange	213,935,983	220,617,738	(6,681,755)	(3.03)
	Import	1,014,163	3,118,477	(2,104,314)	(67.48)
	Export	6,625,012	10,621,786	(3,996,774)	(37.63)
	Total	221,575,158	234,358,001	(12,782,843)	(5.45)

(III) Business Plan for 2016

1. Corporate & Institutional Banking

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

2. Commercial Banking

- (1) Continue to build scale in Taiwan market and deepen our client relationships to become core bank to our major clients.
- (2) Increase cross-border opportunities across our international network.
- (3) Deploy "banking the ecosystem" to support clients to access funds quickly, so as to enhance their efficiency and expand market share.
- (4) Continue to promote S2B services to help clients on efficient treasury management.
- (5) Listen to the voice of customers, and provide suitable financial solutions and advisory services that cater customers' needs.
- (6) Fulfill our corporate social responsibilities to meet expectation from regulators.
- (7) Maintain tight management of risks.

3. Retail Banking

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

(IV) Market Analysis

1. Domestic Economic and Financial Conditions

Taiwan's real GDP growth in 2016 rebounded to 1.4% from 0.8% in 2015. Weaker exports continued to act as a major drag to headline growth. Taiwan tech sector, however, outperformed, riding on the back of steady global demand for latest mobile technology and wearable devices. Domestic demand remained a major growth pillar. Indeed, consumer spending held up despite unexpected outcomes to UK referendum on EU membership and US presidential election resulted in rising market volatility and temporary dented market sentiment.

In 2017, the Bank expects real GDP growth to mildly rebound to 1.6%, aided by moderate growth in external demand and recovery to global oil and commodity prices. The relatively benign growth outlook bodes well for capex spending as well as hiring, further lending support to domestic demand and consumption. The government also embarked several reforms and policy measures in bids to support longer-term growth, including initiatives on infrastructure spending, long-term elderly care, and "New Southbound Policy", etc. Inflation is likely to remain stable at 1.6% in 2017, up modestly from 1.3% in 2016. Taiwan Central Bank ("CBC"), therefore, is likely to maintain pro-growth monetary stance and keeps rediscount rate unchanged at 1.375% in 2017.

Uncertainty over US foreign trade and monetary policy poses potential threat to current recovery outlook, causing a sharp reversal in risk appetite and threatening financial market stability. Taiwan, however, is in relatively strong position to weather potential external shocks, given its robust current account balance, large FX reserves and low public sector debt leverage. Local banking sector is well capitalized and the overall debt leverage in the economy remains manageable. These suggest Taiwan is likely to be better insulated from rising market volatility resulting from sharp reversal of risk appetite globally. The local banking sector is expected to maintain stable profitability and overall asset quality.

2. Market Outlook and Growth Potential

Looking forward in 2017, the Bank will continue to focus on growing client franchise in three client businesses and providing clients with complete financial solutions. By leveraging the Group's network, it enables the Bank to develop more cross border business opportunities and become client's most trustworthy partner.

1. Corporate and Institutional Banking :

Taiwan is a key part of the Bank's Greater China strategy. With China and ASEAN countries being major trading partners of Taiwan and our unique position, the Bank will focus on diversifying our business through growth and improving long-term return, along with client's overseas expansion. Our strategic priorities are to capture network opportunities, capitalize our product edge of Financial Institution and optimize balance sheet and risk weighted assets.

2. Commercial Banking :

The Bank will deepen client relationship to seek optimal performance by providing value added solutions and driving network propositions; while continue to on board new clients and maintain our strong risk discipline on credit quality.

3. Retail Banking :

The Bank has made progress to continuously reshape the business into Priority segment and core cities focused. Our strategic priorities remain on growing Priority segment, driving return focused growth and uplifting productivity and efficiency.

3. Strength, Weakness and Countermeasure of Future Development

1. Favorable factor :

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

2. Adverse factor :

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

3. Countermeasure :

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

(V) Financial Instruments and Summary of Business Development :

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

Financial Supervisory Commission ("FSC") approved Standard Chartered Bank (Taiwan) Limited ("the Bank") to operate life insurance agency business and property insurance agency business on 1 July, 2016. The Bank has established Bancassurance Department under the Wealth Management Division to be in charge of life insurance agency and property insurance agency business.

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

The Bank has devoted into the infrastructure reengineering in these two years, along with continuous application systems revamp and information security upgrade. In addition, modern technologies are also applied to develop new products and services. The major projects include operation system upgrade, mail server upgrade, database integration, eTeller system implementation, process automation, upgrade network equipment, and information security health assessment, etc. Under the focus of customer centricity, we will further enhance the information systems in order to strengthen the customer data protection and the Bank's information assets.

On top of the continuous driving for stability, and leveraging SCB group resources and existing infrastructure to propel the business growth, the Bank will be better poised to provide local customers with better services and broader arrays of products. In order to provide high net worth clients with diversified wealth management services, the Bank expects to invest in developing the internal "Portfolio Lending" platform and service. This will offer high net worth clients with financial instruments equivalent to what international financial institutions can provide, to further enhance clients' financial flexibility, investment return and satisfaction.

(VI) Short and Long-term Business Development Plans

1. Short-Term Plan

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

2. Long-Term Plan

- (1) Continue to enhance core banking systems by deploying new innovative technologies, and introduce SCB group applications to support business growth and strengthen the control over information security.
- (2) Consolidate automated channel service platforms and provide differentiated service contents and personalized customer relationship management.
- (3) Provides comprehensive portfolio approach with solutions and products customised to meet clients' individual financial goals, life stages and risk appetite ; and offer efficiency process and digital utilization to improve client experience.
- (4) Become the Bank of Choice for Taiwanese Corporate and Institutional Clients expanding overseas into SCB footprint, by leveraging our extensive Greater China network and international presence in emerging markets, as well as through our comprehensive product services in cross-border solutions in transaction banking, RMB leadership, capital markets and corporate finance.

II. Employee Analysis

(I) Employee Profile

Year		2016	2015	As of 15 May 2017
Gender	Female	2,168	2,284	2,115
	Male	1,001	1,088	1,002
	Total	3,169	3,372	3,117
Average Age		39.04	38.75	39.38
Average Year of Service		8.79	8.62	8.70
Level of Education (%)	Doctorate	0.06%	0.03%	0.06%
	Master	15.62%	14.95%	15.78%
	University/College	77.31%	77.73%	77.36%
	Senior High School	6.60%	6.94%	6.35%
	Below Senior High School	0.41%	0.35%	0.45%
Certificates and Licenses Held by Employees	Securities Investment Trust and Consulting Professional	121	126	122
	Proficiency Test for Trust Operations Personnel	1,190	1,173	1,165
	Examination on Investment Trust and Consulting Regulations (including Self-disciplinary Rules)	648	706	645
	Qualification Certificate for Trust Business Professionals - Business Personnel	1,208	1,263	1,183
	Qualification Certificate for Trust Business Professionals - Managerial Personnel	335	333	327
	Proficiency Test for Stock Affair Personnel	10	10	10
	Securities Specialist	170	181	171
	Senior Securities Specialist	141	153	141
	Futures Specialist	154	161	148
	Proficiency Test for Financial Planning Personnel	313	344	311
	Investment-orientated Insurance Product Specialist	519	531	515
	Business Personnel for Foreign Currency Non-investment Type Insurance Products	922	937	906
	Personal Insurance Agent Registration Certificate	2,249	2,657	2,169
	Property Insurance Agent Registration Certificate	1,178	1,339	1,108
	Property Insurance Representative	123	123	126
	Proficiency Test for Bond Specialist	8	7	7
	Basic Proficiency Test for International Banking Personnel	109	114	107
	Securities Dealer	1	2	1
	Basic Proficiency Test for Bank Lending Personnel	239	257	236
	Advanced Proficiency Test for Bank Lending Personnel	9	9	9
	Basic Proficiency Test on Bank Internal Controls	850	906	841
	Certified Internal Auditor Certificate	4	4	4
Financial Markets and Professional Ethics Examination	933	991	920	

(II) Employee Education and Training

Year	2016	2015
Total Count of Learners	88,736	88,205
Average Learning Days	5.8	6.2

Note : Trainings include offline and online courses.

III. Corporate Responsibilities and Ethics

Our Commitment – Here for good

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

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



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

Our significant achievements of sustainability through investing in communities in 2016 :

• "Standard Chartered Seeing is Believing VI Employment Platform"

The Bank has devoted in the "Seeing is Believing" project to prevent avoidable blindness in the world for 10 years. Starting May 2013, we called upon Jardine's Group and Fubon Culture and Education Foundation from the Standard Chartered Visually Impaired Corporate Advisory Council to provide employment support for the visually impaired, and invited Chunghwa Post and KPMG to join in 2015. Supported by three NGOs that including Parent's Association for the Visually Impaired, Eden Social Welfare Foundation, and Technology Development Association for Disabled. "Standard Chartered Seeing is Believing VI Employment Platform" was successfully established to demonstrate the joint efforts among public and private sectors as well as the nonprofits to support job placements of the visually impaired. To date, the project has successfully placed 327 visually impaired workers into jobs as of the end of 2016.

• 2017 Taipei Standard Chartered Charity Marathon

Through the race, the Bank contributed over NTD 50m (including Group matching) to support "Seeing is Believing" global project and visually impaired employment project in Taiwan. Nearly 1,600 Standard Chartered employees participated in the charity marathon either by running or volunteering. There were nearly 200 of visually impaired runners signed up for the run which made this event to have the largest participation of visually impaired people. In addition, visually-impaired workers were recruited to provide services for runners in the event which demonstrated their capabilities.

- **"8-minute Service Pledge Programme"**

In an attempt to enhance our quality of customer service and live up to our corporate social responsibility, the Retail Banking Department designated its 8-minute service pledge programme to support the promotion of visually impaired employment in Taiwan.

- **"One Hour Donation"**

The Bank encourages employees to donate their one hour salary in Seeing is Believing programme for avoidable blindness in developing countries. There were 370 employees donated their one hour salary to participate for this good cause in 2016.

- **Standard Chartered Financial Education Academy**

To demonstrate leveraging the Bank's core competence in community services, and embed the volunteering culture the Bank initiated the Standard Chartered Financial Education Academy to promote financial education targeting at the elementary school teachers and students as well as college students, visually impaired starting 2013. The program aimed to enhance the comprehension of financial knowledge as well as their personal financial management skills for all sub-groups. To date, over 45,000 visually impaired people, college students, elementary school teachers, and elementary students were impacted by this programme through comprehensive and diversified financial education curriculums.

- **Employee Volunteering and Community Care**

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

- **The highlights of employee volunteering activities in 2016**

- Recruit staff as the line trainers to Standard Chartered Financial Education Academy to demonstrate leveraging the Bank's core competence in community services, aiming to enhance the comprehension of financial knowledge as well as their personal financial management skills for visually impaired people, college students, elementary school teachers and students. In 2016, the Bank collaborated with elementary school teachers to develop desktop financial education games and newly interactive financial education games. The games build in real-life simulation of financial planning and provide children the opportunity to experience the real-life financial situation in a fun way through tournament.
- Standard Chartered Bank and Friends of Daan Forest Park Association hosted an environmental protection event and engaged 116 Commercial Banking staff and their families to help clean the Firefly Eco Pond of the Daan Forest Park and its surroundings.
- As part of our long-term charity events, the Bank's staff collect invoices and donate to Hwashan Social Warfare Foundation. They also call for the public's awareness to care for the elderly.
- Participated Yu-An Retarded Children's Home to organize and coordinate their Charity Carnival and helped those children in need have a better life.
- For the second consecutive year participated in Syin-Lu Social Welfare Foundation for second-hand clothes donation to support mentally retarded children on their employment.

- Support the Angel Heart Family Social Welfare Foundation by taking part in the "Angel Heart Day" and standing up for children with disabilities and their families.
- Assist Man Fair Sheltered Workshop to organize and coordinate Charismas donation goods.

In 2016, we have contributed 3,427.5 days of employee volunteering service in the local communities.

• Other Community Investment Program

Junior Golfer Sponsorship : To cultivate athletic talents for the future, the Bank began a 5-year sponsorship program by the Golf Association of ROC since 2012. The program aimed to support the junior golfers and the intention was to enhance the junior golfers' mental maturity and stability through participating in competitions. An estimated more than a thousand of junior golfers will benefit from this sponsorship annually.

• Sustainable Environment

With the climate change issue getting more concerned by the international community following the COP21 conference, Standard Chartered, as being an international commercial bank, is committed to the implementation of various environmental energy saving and carbon reduction measures in order to achieve the goal of business sustainability. In Taiwan, the Bank continues to promote various energy-saving and carbon-reduction activities, actively participates in global environmental activities while encouraging staff to embed the energy-saving and carbon-reduction habits into their work as well as daily lives. As a result, the trend of using energy and water is about -5% and 2%, respectively year-on-year. Here are some examples of what we have achieved:

1. Efficient monitoring of energy data

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

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

Unit : kWh/m²/year

EUI Result	2019 Target	EUI 2016	EUI 2015	2016 V.S 2015 Annual Comparison
Standard Chartered	230	158	167	(5%)

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

Unit : kL/m²/year

WUI Result	2019 Target	WUI 2016	WUI 2015	2016 V.S 2015 Annual Comparison
Standard Chartered	0.50	0.95	0.93	2%

2. Replacement of energy-saving facilities

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

3. Green behaviour promotion

In main offices and branches, implement timed usage of air conditioning and lights-out during lunch hours to reduce total electricity usage. Moreover, we continue to promote volunteer monitoring of utility consumption (for electricity and water), proactively looking into any abnormality of utility usage and providing countermeasures.

4. Participation of environmental conservation activities

Actively participate in global environment activities, such as Earth Hour and increase environmental awareness amongst our staff. We also continue to sponsor the Victoria Park, to help maintain a greener environment.

Awards in 2016

- Best Wealth Management International Bank, Best Service International Bank, Best Relationship Management Team International Bank, and Most Preferred International Bank, 2016, Wealth Management awards by Wealth Magazine.
- Best Retail Banking, 2016, Taiwan Banking and Finance Best Practice Awards by Taiwan Academy of Banking and Finance.
- The establishment of visually impaired telesales team was awarded Excellent Practice Award, 2016, Golden Wingspan Award by Ministry of Labor.
- Seeing Is Believing Visually Impaired Employment Platform initiated by Standard Chartered and supported by NGO partners and government agencies was awarded 2017 Zero Project-Innovative Practice Award organized by ESSL Foundation (Austria).

IV. Non-supervisory Staff Information

The number of non-supervisory employees, and their average welfare and benefits expense in 2016 compared to those of in the previous year are provided in the table below :

Item	2016	2015	2016 V.S 2015 Annual Comparison
No. of Non-supervisory Staff	1,140	1,214	(74)
Average Welfare and Benefits Expense of Non-supervisory Staff (NTD)	859,531	802,967	56,564

V. Information Technology

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

The host is CLX : HP Non-Stop Server NB54004 whilst the operating system is Non-stop kernel J06.15.

(II) Future Development or Procurement Plan

In order to improve the data security, we will work on the comprehensive data center firewall renovation, which is targeted to complete by 2017.

The Bank's computer operating system will be upgraded to Windows 10 in 3 years.

In response to Microsoft's strategy for product support lifecycle, the Bank plans to complete OS upgrade within 2 years for the server systems that are no longer supported by Microsoft.

(III) Emergency Support and Security Protection Measures

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

VI. Labor-Management Relations

(I) Employee Welfare and Benefits

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

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

(II) Retirement Policy

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

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

To exemplify our brand promise to be "Here for good", the Bank signed the second Collective Bargaining Agreement (CBA) with the SCB Union on 22 September 2015. Our harmony and trustworthy partnership between labor and management is highly esteemed not only a unique model of leading by example among all the foreign banks in Taiwan, but also a global standard of demonstrating a great collaborative strategy leading to win-wins with all employees benefited. By upholding the spirits of coexistence, co-prosperity, co-benefit, and customer centricity, together we will pursue business sustainability, maintain harmonic labor-management relationship and commit to protect employees' rights and interests. The Bank was fined NTD 20,000 as a breach of Labor Standard Act by regulator on 23 August, 2016.

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

During 2016 and until the date of printing of this annual report, no loss was incurred from litigations relating to labor disputes.

VII. Important Contracts

Contract Type	Vendor	Contract Start and End Date	Services	Restriction
Insurance agent and sales agreement	PCA Life Assurance Co., Ltd	26/12/2016-26/12/2017 (Note 1)	PCA Life has signed the Agency and Cooperation Agreement for the Distribution of Insurance Products with Standard Chartered Bank (Taiwan) Limited	None
Insurance Distribution Agreement	PCA Life Assurance Co., Ltd.	02/2017-07/2029	PCA Life has signed the Taiwan cooperation agreement with Standard Chartered Bank (Taiwan) Limited	Unless otherwise provided in this Agreement, the Bank will exclusively sell the insurance products of PCA Life.
Insurance Sales Agreement	Fubon Life Insurance Co., Ltd., Standard Chartered Life Insurance Agency Co., Ltd.	18/12/2016-18/12/2017 (Note 2)	Fubon Life has signed the insurance product promotion tripartite agreement with Standard Chartered Life Insurance Agency Co., Ltd. and Standard Chartered Bank (Taiwan) Limited	None
Main Branch Space	Yu Pao Co., Ltd.	01/07/2016-30/06/2021	HT Building Main branch rental fee	Early termination is not allowed.
Office Space	Yu Pao Co., Ltd. and Yu-Qing Co., Ltd.	01/07/2016-30/06/2021	HT Building office rental fee	1. Early termination is not allowed. 2. Penalty will be charged if total leased space is less than 4,000 pings.
Security Guards and ATM Patrol Services	ISS Security Ltd.	01/08/2016-31/07/2018	Branches/building security guards and ATM patrol services	None
Telecom (Voice & Data) Integrated Services	Taiwan Fixed Network	01/10/2015-30/09/2019	Provide Telecom (Voice & Data) Integrated Services	None
Facilities Management and Property Project Management Agreement	CBRE Property Services Limited Taiwan Branch	01/11/2014-30/06/2019	Facilities Management and Property Project Management Services	None
Gift Coupon Purchase Contract	Giotto International Inc.	10/2014-03/2018	Supply gift coupon purchase service	None
Outsourcing Contract	Standard Chartered Bank, London	16/10/2012-01/11/2017	1. IT system development, monitoring, and maintenance 2. Back office data process for foreign exchange, derivatives and fixed income products	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation
	Standard Chartered Bank, Singapore Branch	01/04/2017-31/03/2018	Back office data process for foreign exchange, derivatives and fixed income products	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation
	Standard Chartered Global Business Services Sdn. Bhd. (Note 3)	01/04/2016-31/10/2017	1. IT system development, monitoring, and maintenance 2. Back office data process for trade, loan, and derivatives	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation

 (Continued)

Contract Type	Vendor	Contract Start and End Date	Services	Restriction
Outsourcing Contract	Standard chartered Global Business Services Private Limited India (Note 4)	01/11/2013-31/10/2017	1. IT system development, monitoring, and maintenance 2. Back office data process for trade, retail banking finance, financial reports preparation and analysis	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation
	Atos Information Technology HK Ltd.	01/01/2015-31/12/2020	Data Center management and maintenance service	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation
	Acer Cybercenter Service Inc.	01/01/2015-31/05/2021	IT system development, monitoring, and maintenance	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation
	High Performance Information Co., Ltd.	01/07/2014-30/06/2017		
	Leebao Security Company Limited	01/10/2016-30/09/2022	ATM monitoring	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation
	Xpedite Systems Ltd.	01/11/2016-31/10/2017	Bank statements and reports delivery service to global clients	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation
	Leebao Security Company Limited	01/01/2016-31/12/2017	Delivery services for marketable securities, checks, forms, and cash	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation
	Taiwan Security Co., Ltd.	01/12/2016-30/11/2017		
	Transnational Logistics Solutions (Taiwan Branch)	01/04/2017-31/03/2019		
	Yuen Foong Paper Co., Ltd.	01/01/2015-31/12/2017	Check printing and delivery	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation
	Gemalto Pte Ltd.	01/05/2017-30/04/2018	Credit card embossing service	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation
	Fuco Tech Co., Ltd.	01/01/2015-31/12/2017	Bank statements printing and delivery	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation
	Fuji Xerox Document Management Solutions	01/07/2016-30/06/2019	Data processing, including the data entry, processing, and output of information system	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation

 (Continued)

Contract Type	Vendor	Contract Start and End Date	Services	Restriction
Outsourcing Contract	Hi-Life International Co., Ltd.	01/06/2016-31/05/2017	Credit card payment collection	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation
	Taiwan Familymart Co., Ltd.	01/06/2016-31/05/2017		
	President Chain Store Corp.	01/06/2016-31/05/2017		
	China Credit Information Service, Ltd.	28/02/2017-01/03/2018	Credit analysis report for lending customers	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation
	Plenty Asset Management Co., Ltd.	01/01/2017-01/01/2018	Debt Collection	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation
	Yu Bon Credit Management and Consultant	01/01/2017-01/01/2018		
	Lian Li Asset Management Corp., Ltd.	01/01/2017-01/01/2018		
	Gold Partners (Asia) Asset Management Co., Ltd.	01/01/2017-01/01/2018		
	Crown Van Lines Co., Ltd.	01/01/2017-31/12/2019	Document Storage	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation
	Mitake Information Incorporation	01/07/2013-30/06/2017	SMS message delivery	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation
	HONDA Appraisers Joint Firm	01/01/2016-01/01/2018	Appraisal services	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation
	Great Eastern Real Estate Appraisers Joint Firm	01/01/2016-01/01/2018		
	Belle Yeh Real Estate Appraisers Joint Firm	01/01/2016-01/01/2018		
	Euro-Asia Real Estate Appraisers Joint Firm	01/01/2016-01/01/2018		
	DTZ Debenham Tie Leung Real Estate Appraisers Joint Firm	01/01/2016-01/01/2018		
	Hwan Yu Real Estate Appraisers Joint Firm	01/01/2016-01/01/2018		
China Property Appraising Center Co., Ltd.	01/03/2017-01/03/2018			
Euro-Asia International Asset Service Co.	15/02/2017-14/02/2018			

Note 1 : The initial term of this agreement shall be one year starting from 26 December, 2016. After the expiration of the initial term, this agreement shall be automatically extended on a yearly basis unless terminated in written notice by either party.

Note 2 : The initial term of this agreement shall be one year starting from 18 December, 2015. After the expiration of the initial term, this agreement shall be automatically extended on a yearly basis unless terminated in written notice by either party. Standard Chartered Life Insurance Agency Co., Ltd. ("SCLIA") was merged into the Bank through absorption on 1 October, 2016. As of the date of merger, rights and obligations related to the service agreements of SCLIA were generally assumed by the Bank.

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

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

VIII. Information on Financial Assets Securitization

The Bank has no other securitization assets.

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客服：已完成您的身分確認，謝謝您陳先生，請問有什麼可以為您服務？
客戶：我想用20000點兌換抵扣消費款\$500，你可以直接幫我辦理嗎？
客服：沒問題，我可以線上立即為您辦理，請稍候

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

Standard Chartered Life Insurance Agency Co., Ltd. and Taiwan Standard Chartered Insurance Agency Co., Ltd., which are 100% owned subsidiaries, were merged into the Bank through absorption on October 1, 2016. Since the Bank no longer has other subsidiaries, the Bank will only issue its individual financial statements, with comparative yearly financials provided in consolidated basis. Thus, Financial Highlights will only disclose individual financial information.

(I) Condensed Balance Sheet

Unit : NTD'000

Item	Year	5-year Financial Information				
		2016	2015	2014	2013 (Note 2)	2012 (Note 2)
Cash and cash equivalent, Due from the Central Bank and call loans to banks		116,277,971	96,710,310	126,851,984	114,413,331	84,520,033
Financial assets at fair value through profit or loss		26,530,679	29,014,134	36,411,714	20,458,887	29,544,710
Available-for-sale financial assets-net		157,879,248	182,784,483	201,168,244	230,156,830	226,363,332
Derivative financial assets for hedging-net		140,667	81,431	48,199	172,750	428,983
Securities purchased under resell agreements		3,196,000	2,499,824	2,556,376	1,950,000	3,402,039
Receivable-net		18,603,886	21,890,528	29,855,420	32,531,005	37,536,087
Current tax assets		284,209	239,692	127,143	111,724	115,818
Assets held for sale-net		-	-	-	-	-
Discounts and loans-net		267,281,457	303,239,940	337,544,264	344,157,478	340,637,979
Financial assets held-to-maturity		-	-	-	-	-
Investment under equity method-net		-	-	-	-	-
Restricted assets		14,284,345	10,372,019	15,702,585	641,400	675,200
Other financial assets-net		127,362	130,089	146,039	151,245	151,409
Property, plant and equipment-net		4,687,179	4,925,588	5,407,192	5,563,504	6,049,665
Investment property-net		-	-	-	-	-
Intangible assets-net		3,156,048	3,156,048	3,156,075	3,157,050	3,193,435
Deferred tax assets		1,767,016	2,238,372	2,318,677	2,397,891	2,639,983
Other assets-net		1,307,968	9,942,704	8,473,078	2,629,938	927,597
Total assets		615,524,035	667,225,162	769,766,990	758,493,033	736,186,270
Deposits from the Central Bank and banks		31,412,055	27,979,736	25,876,934	45,985,672	9,283,983
Financing from Central Bank and other banks		-	-	-	-	-

(Continued)

Item	Year	5-year Financial Information				
		2016	2015	2014	2013 (Note 2)	2012 (Note 2)
Financial liabilities at fair value through profit or loss		14,882,839	17,058,968	13,462,099	7,533,988	8,357,471
Derivative financial liabilities for hedging		40,185	32,480	5,065	3,227	13,523
Bonds and bills sold under repurchase agreements		-	-	-	-	-
Payables		13,880,847	20,816,563	23,733,188	12,060,209	12,052,748
Current tax liabilities		17,998	99,875	85,530	35,311	105,362
Liabilities directly associated with assets held for sale		-	-	-	-	-
Deposits and remittances		492,606,933	497,589,001	597,519,644	576,902,709	562,430,032
Bank notes payable-net		16,037,802	53,341,063	53,202,188	55,559,925	62,014,537
Preferred stock liability		-	-	-	-	-
Other financial liabilities		1,033,273	1,158,492	3,304,529	13,120,022	34,690,236
Provisions		1,482,568	1,791,407	1,908,858	1,915,124	1,981,028
Deferred tax liabilities		645,744	672,273	720,274	592,787	665,364
Other liabilities		1,754,631	3,405,545	5,167,178	2,378,547	1,607,943
Total liabilities	Before distribution	573,794,875	623,945,403	724,985,487	716,087,521	693,202,227
	After distribution	573,794,875	623,945,403	724,985,487	716,087,521	693,202,227
Equity attributable to owners of the parent company		41,729,160	43,279,759	44,781,503	42,405,512	42,984,043
Common Stock	Before distribution	29,105,720	29,105,720	29,105,720	29,105,720	29,105,720
	After distribution	29,105,720	29,105,720	29,105,720	29,105,720	29,105,720
Capital surplus		5,794,771	5,794,771	5,786,031	5,786,031	5,786,031
Retained earnings	Before distribution	6,990,412	7,763,677	9,025,881	6,905,319	7,107,572
	After distribution	(Note1)	6,729,496	6,297,801	5,837,819	4,417,572
Other equity interest		(161,743)	615,591	863,871	608,442	984,720
Total equity	Before distribution	41,729,160	43,279,759	44,781,503	42,405,512	42,984,043
	After distribution	(Note 1)	42,245,578	42,053,423	41,338,012	40,294,043

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

Note 2 : Financials have been reclassified by moving the accounting item of "trade finance advances to banks" from the "loans" item to "due from Financials have been reclassified by moving the accounting item of "trade finance advances to banks" from the "loans" item to "due from the Central Bank and call loans to banks" and by adding "restricted assets" as a new item to conform to the 2014 presentation.

Condensed Balance Sheet - Standalone : [Not Applicable]

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

Unit : NTD'000

Item	Year	5-year Financial Information				
		2016	2015	2014	2013	2012
Interest income		9,725,689	12,236,352	14,060,064	14,391,931	15,074,936
Less: interest expense		3,567,771	5,104,577	5,331,658	5,043,953	5,257,563
Net interest income		6,157,918	7,131,775	8,728,406	9,347,978	9,817,373
Net non-interest income		6,071,276	6,589,565	7,120,592	5,758,690	6,850,433
Net revenue		12,229,194	13,721,340	15,848,998	15,106,668	16,667,806
Bad debts expense and guarantee liability provision		1,469,813	1,085,551	682,630	1,632,146	2,020,735
Operating expenses		9,981,995	10,878,869	11,348,676	10,629,392	10,944,479
Income from continuing operation before tax		777,386	1,756,920	3,817,692	2,845,130	3,702,592
Income tax (expense) benefit		(610,368)	(317,938)	(551,273)	(454,071)	(639,797)
Net income from continuing operation		167,018	1,438,982	3,266,419	2,391,059	3,062,795
Net income		167,018	1,438,982	3,266,419	2,391,059	3,062,795
Other comprehensive income (net of tax)		(683,436)	(221,386)	177,072	(279,590)	(90,022)
Total comprehensive income		(516,418)	1,217,596	3,443,491	2,111,469	2,972,773
Net income attributable to owners of the parent company		167,018	1,438,982	3,266,419	2,391,059	3,062,795
Net income attributable to non-controlling interests		-	-	-	-	-
Total comprehensive income attributable to owners of the parent company		(516,418)	1,217,596	3,443,491	2,111,469	2,972,773
Total comprehensive income attributable to non-controlling interests		-	-	-	-	-
Earnings per share		0.06	0.49	1.12	0.82	1.05

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

(III) Name of Independent Auditors and the Audit Opinion

Item \ Year	2016	2015	2014	2013	2012
Name of CPA	Yung-Sheng Wang, Yuan-Sheng Yin	Lin Wu, Yung-Sheng Wang	Ming-Zhi Wang, Lin Wu	Ming-Zhi Wang, Lin Wu	Ming-Zhi Wang, Lin Wu
Audit Opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion

II. Financial Analysis for the Past Five Years

(I) Ratio Analysis

Item	Year	5-year Financial Analysis				
		2016	2015	2014	2013	2012
Operating Capability	Ratio of loans to deposits (%)	55.32	61.92	57.22	62.12	63.24
	Ratio of non-performing loans (%)	0.63	0.35	0.29	0.56	0.70
	Ratio of interest cost to annual average deposits (%)	0.57	0.66	0.66	0.64	0.69
	Ratio of interest income to annual average loans outstanding (%)	2.49	2.61	2.73	2.97	3.19
	Total assets turnover (time)	0.02	0.02	0.02	0.02	0.02
	Average operating income per employee (thousand dollar)	3,859	4,069	4,296	3,901	4,010
	Average profit per employee (thousand dollar)	53	427	885	617	737
Profitability	Return on Tier 1 capital (%)	2.05	4.50	9.84	7.43	9.33
	Return on assets (%)	0.03	0.20	0.43	0.32	0.41
	Return on equity (%)	0.39	3.27	7.49	5.60	7.01
	Net income ratio (%)	1.37	10.49	20.61	15.83	18.38
	Earnings per share (NTD)	0.06	0.49	1.12	0.82	1.05
Financial Structure	Ratio of liabilities to assets (%)	93.22	93.51	94.18	94.41	94.16
	Ratio of property and equipment to equity (%)	11.23	11.38	12.07	13.12	14.07
Growth Rate	Asset growth rate (%)	(7.75)	(13.32)	1.49	3.03	(1.07)
	Profit growth rate (%)	(55.75)	(53.98)	34.18	(23.16)	(62.29)
Cash Flow	Cash flow ratio (%)	117.09	(41.15)	(1.54)	95.34	(122.77)
	Cash flow adequacy ratio (%)	264.81	(234.89)	7.72	8.14	(319.91)
	Ratio of cash flow from operations to cash flow from investments (%)	815.72	2,367.74	16.29	(4,166.46)	(1,938.63)
	Ratio of liquidity reserve (%)	59.57	58.92	56.47	53.70	54.96
	Balance of secured loans of related parties (thousand dollar)	2,388,696	2,570,261	2,710,970	2,691,498	2,633,353
	Total secured loans of related parties as a percentage of total loans (%)	0.84	0.79	0.73	0.68	0.68
Operating Scale	Market share of assets (%)	1.26	1.36	1.63	1.75	1.87
	Market share of net worth (%)	1.26	1.31	1.48	1.56	1.71
	Market share of deposits (%)	1.38	1.39	1.78	1.83	1.90
	Market share of loans (%)	1.01	1.14	1.29	1.47	1.51

Please explain reasons for changes (if any) in the financial ratios for the past two years:

1. Non-performing loans (NPL) ratio increased year-on-year, mainly driven by Renminbi depreciation and higher bad debt reserves.
2. Profitability, average profit per employee and profit growth rate decreased year-on-year, mainly driven by net profit drop. The decrease in net profit was a reflection of weakening global market conditions as well as slower economic growth in China, which in turn led to slower growth momentum in Taiwan and declining short-term profits. The lower performance was also affected by the adverse factors listed below:
 - (1) decreasing concentration on individual mortgage loans, weaker performance of unsecured loan business, as well as margin compression;
 - (2) other headwind factors included lower year-on-year earnings from financial products due to economic slowdown in the newly emerging market and China, reduced commodity prices, interest rate hike by the Fed, and Brexit's impact on global financial markets since the end of June, 2016;

(3) increased bad debt reserves mainly driven by the Renminbi ("RMB") depreciation

3. Asset growth rate (%) increased year-on-year, mainly affected by slower mortgage origination with tightened application criteria to refrain from speculative activities in the property market, less sales on personal credit loans, and reduction in high-risk unsecured corporate lending for risk control purpose.
4. Cash flow and cash flow adequacy ratio grew year-on-year, mainly because savings and time deposit products have been dynamically adjusted in 2015 to reduce high-cost deposits so as to support the Bank's business development strategy and ensure efficient management on cost of funds. As a result, cash flow from business operations declined in 2015.

Note : Financial ratios are computed as follows :

1. Operating capability
 - (1) Ratio of Loans to Deposits = Total loans / Total deposits
 - (2) Ratio of Non-performing Loans = Total NPL / Total loans
 - (3) Ratio of Interest cost to annual average deposits = Total interest cost associated with deposits / Annual average deposits
 - (4) Ratio of Interest income to annual average loans outstanding = Total interest income associated with loans / Annual average loans outstanding
 - (5) Total assets turnover = Operating income / Average total assets
 - (6) Average operating income per employee = Operating income / Total number of employees
 - (7) Average profit per employee = Net income after tax / Total number of employees
2. Profitability
 - (1) Return on Tier 1 capital = Net income before tax / Average net Tier 1 capital
 - (2) Return on assets = Net income after tax / Average total assets
 - (3) Return on equity = Net income after tax / Average total equity
 - (4) Net income ratio = Net income after tax / Operating income
 - (5) Earnings per share = (Net income attributable to owners of the parent company - Preferred stock dividend) / Weighted average number of shares issued
3. Financial structure
 - (1) Ratio of liabilities to total assets = Total liabilities / Total assets
 - (2) Ratio of property and equipment to equity = Net property and equipment / Net equity
4. Growth rate
 - (1) Asset growth rate = (Total assets of the year - Total assets of previous year) / Total assets of previous year
 - (2) Profit growth rate = (Net income before tax of the year - Net income before tax of previous year) / Net income before tax of previous year
5. Cash flow
 - (1) Cash flow ratio = Net cash flow from operating activities / (Call loans and overdrafts from banks + Commercial paper payable + Financial liabilities at fair value through profit or loss + Bonds and bills sold under repurchase agreements + Current portion of payables)
 - (2) Cash flow adequacy ratio = Net cash flow from operating activities for the past five years / (Capital expenditures + Cash dividends) for the past five years
 - (3) Ratio of cash flow from operations to cash flow from investments = Net cash flow from operating activities / Net cash flow from investing activities
6. Ratio of liquidity reserve = Liquid assets defined by the Central Bank / Reserve for liabilities
7. Operating scale
 - (1) Market share of assets = Total assets / Total assets of all authorized deposit-taking and loan-underwriting financial institutions
 - (2) Market share of net worth = Net worth / Total net worth of all authorized deposit-taking and loan-underwriting financial institutions
 - (3) Market share of deposits = Total deposits / Total deposits of all authorized deposit-taking and loan-underwriting financial institutions
 - (4) Market share of loans = Total loans / Total loans of all authorized deposit-taking and loan-underwriting financial institutions

Ratio Analysis - Standalone : [Not Applicable]

(II) Capital Adequacy

Unit : NTD'000

Item		Year	5-year CAR					
			2016	2015	2014	2013	2012	
Self-owned capital	Common Equity Tier 1 Capital		37,530,261	38,369,729	39,718,971	37,901,116	39,323,690	
	Other Non-Common Equity Tier 1 Capital		-	-	-	-	-	
	Tier 2 Capital		10,119,637	10,861,100	16,734,827	18,733,607	20,305,439	
	Total Self-Owned Capital		47,649,898	49,230,829	56,453,798	56,634,722	59,629,129	
RWA	Credit Risk	Standardized Approach	273,014,017	300,942,295	356,351,785	363,987,158	320,140,839	
		Internal Ratings-Based Approach	-	-	-	-	-	
		Securitization	-	-	-	-	-	
	Operational Risk	Basic Indicator Approach	25,574,978	28,135,608	30,051,647	31,138,609	31,816,384	
		Standardized Approach / Alternative Standardized Approach	-	-	-	-	-	
		Advanced Measurement Approaches	-	-	-	-	-	
	Market Risk	Standardized Approach	16,826,701	13,447,757	19,491,065	19,217,874	18,918,596	
		Internal Models-Based Approach	-	-	-	-	-	
	Total Risk-Weighted Assets			315,415,696	342,525,660	405,894,497	414,343,642	370,875,819
	Capital Adequacy Ratio			15.11%	14.37%	13.91%	13.67%	16.08%
Tier 1 Capital Ratio			11.90%	11.20%	9.79%	9.15%	10.60%	
Common Equity Tier 1 Capital Ratio			11.90%	11.20%	9.79%	9.15%	10.60%	
Leverage Ratio			5.41%	4.77%	4.35%	-	-	

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

Note : The ratios are computed as follows :

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

Capital Adequacy - Standalone : [Not Applicable]

III. Audit Committee's Report for 2016 Financial Statements

STANDARD CHARTERED BANK (TAIWAN) LIMITED

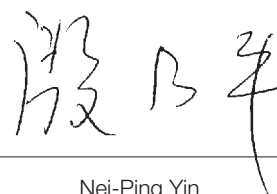
Audit committee's Report

The board of directors have compiled and submitted the Company's 2016 audited individual financial statement, audited by Victor Wang and Jason Yin of KPMG. We are satisfied that they have been correctly complied with the books and accounts of the Company and comply with applicable regulations. The Audit Committee's Report is issued in accordance with Article 14-4, 14-5, Clause 1, item 2, Article 36 of Securities and Exchange Act and Article 219 of Company Act.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Audit Committee Convener :

Signed : _____



Nei-Ping Yin

24 March, 2017

STANDARD CHARTERED BANK (TAIWAN) LIMITED

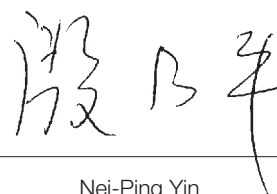
Audit Committee's Report

The Board of directors has compiled the Company's 2016 business report and profit allocation statement. The Audit Committee has reviewed said business report and profit allocation statements and believed these statements comply with applicable regulations. The Audit Committee's Report is duly issued in accordance with Article 14-4 of Securities and Exchange Act and Article 219 of Company Act.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Audit Committee Convener :

Signed : _____



Nei-Ping Yin

24 March, 2017

IV. 2016 CPA Audited Financial Statements of the Bank : Refer to Appendix1

V. 2016 Standalone Financial Statements and Independent Auditors' Report : [Not Applicable]

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



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

Analysis of Financial Conditions

Analysis of Financial Results

Cash Flows

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

Reinvestment Policy for 2016, Main Reasons for Investment Gain or Loss, and the Improvement and Investment Plan for the Next Year

Risk Management

Emergency Response Mechanism

Other Important Matters

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I. Analysis of Financial Conditions

Standard Chartered Life Insurance Agency Co., Ltd. and Taiwan Standard Chartered Insurance Agency Co., Ltd., which are 100 % owned subsidiaries, were merged into the Bank through absorption on October 1, 2016. Since the Bank no longer has other subsidiaries, the Bank will only issue its individual financial statements, with comparative yearly financials provided in consolidated basis. Thus, the following analysis of Financial Conditions and Financial Results will only disclose individual financial information.

Unit : NTD'000

Item	Year	2016	2015	Increase / (Decrease) Variance	
				Amount	%
Cash and cash equivalent, Due from the Central Bank and call loans to banks		116,277,971	96,710,310	19,567,661	20.23
Financial assets at fair value through profit or loss		26,530,679	29,014,134	(2,483,455)	(8.56)
Available-for-sale financial assets-net		157,879,248	182,784,483	(24,905,235)	(13.63)
Derivative financial assets for hedging-net		140,667	81,431	59,236	72.74
Securities purchased under resell agreements		3,196,000	2,499,824	696,176	27.85
Receivable-net		18,603,886	21,890,528	(3,286,642)	(15.01)
Current tax assets		284,209	239,692	44,517	18.57
Assets held for sale-net		-	-	-	-
Discounts and loans-net		267,281,457	303,239,940	(35,958,483)	(11.86)
Financial assets held-to-maturity		-	-	-	-
Investment under equity method-net		-	-	-	-
Restricted assets		14,284,345	10,372,019	3,912,326	37.72
Other financial assets-net		127,362	130,089	(2,727)	(2.10)
Property, plant and equipment-net		4,687,179	4,925,588	(238,409)	(4.84)
Investment property-net		-	-	-	-
Intangible assets-net		3,156,048	3,156,048	-	-
Deferred tax assets		1,767,016	2,238,372	(471,356)	(21.06)
Other assets-net		1,307,968	9,942,704	(8,634,736)	(86.84)
Total assets		615,524,035	667,225,162	(51,701,127)	(7.75)
Deposits from the Central Bank and banks		31,412,055	27,979,736	3,432,319	12.27
Financing from Central Bank and other banks		-	-	-	-
Financial liabilities at fair value through profit or loss		14,882,839	17,058,968	(2,176,129)	(12.76)
Derivative financial liabilities for hedging		40,185	32,480	7,705	23.72
Bonds and bills sold under repurchase agreements		-	-	-	-
Payables		13,880,847	20,816,563	(6,935,716)	(33.32)

 (Continued)

Item	Year	2016	2015	Increase / (Decrease) Variance	
				Amount	%
Current tax liabilities		17,998	99,875	(81,877)	(81.98)
Liabilities directly associated with assets held for sale		-	-	-	-
Deposits and remittances		492,606,933	497,589,001	(4,982,068)	(1.00)
Bank notes payable-net		16,037,802	53,341,063	(37,303,261)	(69.93)
Preferred stock liability		-	-	-	-
Other financial liabilities		1,033,273	1,158,492	(125,219)	(10.81)
Provisions		1,482,568	1,791,407	(308,839)	(17.24)
Deferred tax liabilities		645,744	672,273	(26,529)	(3.95)
Other liabilities		1,754,631	3,405,545	(1,650,914)	(48.48)
Total liabilities	Before distribution	573,794,875	623,945,403	(50,150,528)	(8.04)
	After distribution	573,794,875	623,945,403	(50,150,528)	(8.04)
Equity attributable to owners of the parent company		41,729,160	43,279,759	(1,550,599)	(3.58)
Common stock		29,105,720	29,105,720	-	-
Capital surplus		5,794,771	5,794,771	-	-
Retained earnings	Before distribution	6,990,412	7,763,677	(773,265)	(9.96)
	After distribution	(Note)	6,729,496	-	-
Other equity interest		(161,743)	615,591	(777,334)	(126.27)
Total equity	Before distribution	41,729,160	43,279,759	(1,550,599)	(3.58)
	After distribution	(Note)	42,245,578	-	-

Asset growth rate (%) increased year-on-year, mainly affected by slower mortgage origination with tightened application criteria to refrain from speculative activities in the property market, less sales on personal credit loans, and reduction in high-risk unsecured corporate lending for risk control purpose. In addition, savings and time deposit products have been dynamically adjusted to reduce high-cost deposits so as to support the Bank's business development strategy and ensure efficient management on cost of funds.

Note : The Annual General Meeting is not held yet.

Analysis of Financial Conditions - Standalone : [Not Applicable]

II. Analysis of Financial Results

Unit : NTD'000

Item	Year	2016	2015	Increase / (Decrease) Variance	
				Amount	%
Interest income		9,725,689	12,236,352	(2,510,663)	(20.52)
Less : interest expense		3,567,771	5,104,577	(1,536,806)	(30.11)
Net interest income		6,157,918	7,131,775	(973,857)	(13.66)
Net non-interest income		6,071,276	6,589,565	(518,289)	(7.87)
Net revenue		12,229,194	13,721,340	(1,492,146)	(10.87)
Bad debts expense and guarantee liability provision		1,469,813	1,085,551	384,262	35.40
Operating expenses		9,981,995	10,878,869	(896,874)	(8.24)
Income from continuing operation before tax		777,386	1,756,920	(979,534)	(55.75)
Income tax (expense) benefit		(610,368)	(317,938)	(292,430)	91.98
Net income from continuing operation		167,018	1,438,982	(1,271,964)	(88.39)
Net income		167,018	1,438,982	(1,271,964)	(88.39)
Other comprehensive income (net of tax)		(683,436)	(221,386)	(462,050)	208.71
Total comprehensive income		(516,418)	1,217,596	(1,734,014)	(142.41)
Net income attributable to owners of the parent company		167,018	1,438,982	(1,271,964)	(88.39)
Net income attributable to noncontrolling interests		-	-	-	-
Total comprehensive income attributable to owners of the parent company		(516,418)	1,217,596	(1,734,014)	(142.41)
Total comprehensive income attributable to non-controlling interests		-	-	-	-
Earnings per share		0.06	0.49	(0.43)	(87.76)

The decrease in net profit was a reflection of weakening global market conditions as well as slower economic growth in China, which in turn led to slower growth momentum in Taiwan and declining short-term profits. The lower performance was also affected by the adverse factors listed below:

1. decreasing concentration on individual mortgage loans, weaker performance of unsecured loan business, as well as margin compression;
2. other headwind factors included lower year-on-year earnings from financial products due to economic slowdown in the newly emerging market and China, reduced commodity prices, interest rate hike by the Fed, and Brexit's impact on global financial markets since the end of June, 2016;
3. increased bad debt reserves mainly driven by the Renminbi ("RMB") depreciation.

Analysis of Financial Results - Standalone : [Not Applicable]

III. Cash Flows

(I) Liquidity Analysis for the Past Two Years

Item	Year	2016	2015	Increase (Decrease) %
	Cash flow ratio		117.09	(41.15)
Net Cash flow adequacy ratio		264.81	(234.89)	499.70
Ratio of cash flow from operations to cash flow from investments		815.72	2,367.74	(1,552.02)

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

(II) Liquidity Analysis for the Next Year

Unit : NTD'000

Cash Balance at the Start of the Period (1)	Net Operating Cash Flow for the Whole Year (2)	Cash Outflow for the Whole Year (3)	Cash Surplus (Deficit) (1)+(2)-(3)	Remedy plan in case of Cash Deficiency	
				Investment Plan	Financing Plan
14,168,772	(10,995,390)	(7,514,247)	10,687,629	None	None

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

(I) Major Capital Expenditures in the Most Recent Year

Digitization has become an irreversible trend for wealth management in the era of Bank 3.0. In 2016 the bank had invested in digitization and business transformation, also establish the 1st iWealth Centre, to provide more efficient and convenient wealth management services to the clients, allowing the digital services to blend into the lives of our customers.

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

V. Reinvestment Policy for 2016, Main Reasons for Investment Gain or Loss, and the Improvement and Investment Plan for the Next Year

The primary objective of the Bank's reinvestment plans is to generate operational synergy and strengthen cross-sector management as a financial institution. As of 2016, net realized gain from investee companies totaled NTD 494,543 thousand dollars, which was primarily contributed by Standard Chartered Life Insurance Agency Co., Ltd. ("SCLIA"), Taiwan Standard Chartered Insurance Agency Co., Ltd. ("TSCIA"), and cash dividends received from investee companies. For better synergy, SCLIA and TSCIA were successfully merged into the Bank on 1 October, 2016.

VI. Risk Management

(I) Qualitative and Quantitative Information of All Risks

1. Credit Risk Management Structure and Capital Requirement

(1) Credit Risk Management Structure

Year 2016 Description / Disclosure

1. Credit risk strategy, goal, policy and procedure

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

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

Strategy & Goal

Through our 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:

- 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 ;
- Responsibility: it is the responsibility of all employees to ensure that risk-taking is disciplined and focused. We take account of our social, environmental and ethical responsibilities in taking risk to produce a return;
- Accountability : risk is taken only within agreed authorities and where there is appropriate infrastructure and resource. All risk-taking must be transparent, controlled and reported;
- Anticipation : we seek to anticipate future risks and maximize awareness of all risks; and
- Competitive advantage: we seek competitive advantage through efficient and effective risk management and control.

Policies and Procedures

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

2. Credit risk management organization and structure

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

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

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

3. The scope and characteristics of credit risk report and evaluation system

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

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

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

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

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

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

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

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

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

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

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

5. Method used for regulatory capital calculation

Standardized Approach

(2) Required Capital for Credit Risk under Standardized Approach

31 March 2017

Unit : NTD'000

Exposure Type	Exposure after Risk Mitigation	Required Capital (Note)
Sovereign	207,439,665	-
Non-central government public sector entities	-	-
Banks (including multilateral development banks)	126,415,619	2,595,616
Corporations (including security and insurance companies)	100,431,873	6,990,474
Retail	65,603,576	3,984,997
Residential mortgage	121,928,626	6,296,729
Equity security investment	31,012	9,924
Other assets	12,292,773	726,263
Total	634,143,145	20,604,004

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

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

(1) Asset-backed Securitization Management Structure

Year 2016
Description / Disclosure

1. Strategy and procedure of asset securitization management

Currently, the Bank has no securitized asset.

2. Asset securitization management organization and structure

Not applicable.

3. The scope and characteristics of asset securitization risk report and evaluation system

Not applicable.

4. Policies for hedging or mitigating asset securitization risks as well as the strategy and procedure for maintaining efficiency in the tools of hedging and mitigating risks

Currently, the Bank has no securitized asset.

5. Method used for regulatory capital calculation

Not applicable.

6. The general qualitative disclosure requirement, including a discussion of:

- (1) the Bank's objectives in relation to securitization activities, as well as the types of risks assumed and retained with resecuritization activity;
- (2) the nature of other risks (e.g. liquidity risk) inherent in securitized assets;
- (3) the various roles played by the Bank in the securitization process and an indication of the extent of the Bank's involvement on each of them;
- (4) a description of the processes in place to monitor changes in the credit and market risk of securitization exposures;
- (5) a description of the Bank's policy governing the use of credit risk mitigation to mitigate the risks retained through securitization and resecuritization exposures.

Not applicable.

7. Summary of the Bank's accounting policies for securitization activities

Not applicable.

8. The name of external credit assessment institution (ECAI) used for asset securitization and the exposures for which ECAI is used in the banking book

Not applicable.

9. An explanation of significant changes to any of the quantitative information (e.g. movement of assets between banking book and trading book) since the last reporting period

Not applicable.

(2) Asset Securitization : [None]

(3) Securitization Exposure and Capital Charge by Transaction Type : [None]

(4) Securitization Products : [None]

3. Operational Risk Management Structure and Capital Requirement

(1) Operational Risk Management Structure

Year 2016 Description / Disclosure

1. 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.

2. 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.

3. 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.

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.

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

The operational risk management procedures and processes are 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.

5. Method used for regulatory capital calculation

Basic Indicator Approach

(2) Required Capital for Operational Risk

31 March 2017

Unit : NTD'000

Year	Gross Operating Profit	Required Capital
2014	15,161,585	
2015	13,463,783	
2016	12,294,598	
Total	40,919,965	2,045,998

4. Market Risk Management Structure and Capital Requirement

(1) Market Risk Management Structure

Year 2016 Description / Disclosure

1. Strategy and procedure of market risk management

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

2. Market risk management organization and structure

Market and Liquidity Risk Taiwan followed the regulatory of the Taiwan Financial Supervisory Commission to develop 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.

3. 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.

	2016			2015		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Foreign exchange VaR	4,860	11,533	1,145	3,538	8,192	1,095
Interest rate VaR	50,710	66,716	26,394	36,570	53,778	26,591
Risk rate VaR	51,038	67,165	26,959	36,773	53,978	26,914

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.

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

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

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

5. Method used for regulatory capital calculation

Standardized Approach / Delta-Plus for Options

(2) Required Capital for Market Risk

31 March 2017

Unit : NTD'000

Item		Required Capital
Standardized Approach	Interest Rate Risk	1,268,980
	Foreign Exchange Risk	115,997
	Equity Position Risk	-
	Commodities Risk	-
Internal Model-Based Approach		-
Total		1,384,977

5. Liquidity risk

(1) Maturity analysis of assets and liabilities

Structure Analysis of Maturity Date - New Taiwan Dollars

31 March 2017

Unit : NTD'000

	Remaining period to expiration						
	Total	0~10days	11~30days	31~90days	91~180days	181days~1 year	Over 1 year
Capital Provided	781,345,463	100,023,654	132,892,865	144,054,710	114,672,471	79,020,515	210,681,248
Capital Used	870,500,274	58,692,597	103,238,796	236,548,130	124,031,236	72,984,828	275,004,687
Gap	(89,154,811)	41,331,057	29,654,069	(92,493,420)	(9,358,765)	6,035,687	(64,323,439)

Structure Analysis of Maturity Date - US Dollars

31 March 2017

Unit : USD'000

	Remaining period to expiration					
	Total	0~30days	31~90days	91~180days	181days~1 year	Over 1 year
Capital Provided	22,817,226	7,952,519	8,273,248	4,158,898	1,563,257	869,304
Capital Used	24,033,580	9,015,675	7,747,336	4,197,615	1,494,709	1,578,245
Gap	(1,216,354)	(1,063,156)	525,912	(38,717)	68,548	(708,941)

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

Refer to the Financial Statements of Appendix 1 from page 70 to Page 73.

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

1. On 25 May, 2016, the Financial Supervisory Commission ("FSC") issued a letter (Ref. No.: Jin-Quan-Yin-Fa-Zi-10510001510) to request that when banks distribute annual profit for the fiscal year of 2016, 2017 and 2018, respectively, banks shall allocate 0.5% to 1% of its net profit as special reserve for the payment for employees' job rotation or redundancy arrangement arising from FinTech (Bank 3.0). Starting from the fiscal year of 2017, the expense for employees' job rotation or redundancy arrangement arising from FinTech (Bank 3.0) could be reversed against aforesaid special reserve. The Bank has complied with the regulatory requirements. The Bank will allocate a special reserve from 0.5% of its net profit as per assessment by Human Resources Department.
2. In response to the Net Stable Funding Ratio designed as the globally consistent long-term liquidity quantitative indicator by the Basel Committee on Banking Supervision, the FSC, together with the Central Bank, promulgated the "Standards for Implementing the Net Stable Funding Ratio of Banks" (Ref. No.: Jin-Quan-Yin-Fa-Zi-10510005800) and the "Methods for Calculating the Net Stable Funding Ratio" on 26 December 2016, which will come into effect since 2018, in line with international schedule. The purpose is to ensure that domestic banks will have sufficient long-term stable funding sources to support business expansion, thus reducing future funding pressure. The Bank will fully comply with the regulatory requirements.
3. According to the letter from FSC with Ref. No. of Jin-Guan-Yin-Fa-Zi-10600006550 issued on 14 March, 2017, Taiwan will adopt the International Financial Reporting Standard 9 (IFRS 9) starting from 1 January, 2018. The Bank will comply with the regulatory requirements accordingly. After our assessment, the booked amounts of the Bank's bad debt provision, accumulated impairment loss, as well as guarantee liability provision are well above the IFRS 9 requirements. Therefore, it is not necessary for the Bank to increase allowance for provisions, nor will it affect the financial statements, net worth and capital adequacy ratio of the Bank.

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

In response to Bank 3.0 of digital finance, the Bank understands the innovations on technology and customer behavior change well and continues to work on banking system enhancements to fulfill customers' needs and provide more efficient financial services. The Bank announced its new teller system interface in 2016 and the transactions can be completed once the vouchers are printed by the system and verified by the customers. The upgraded system has not only simplified the process, but also promoted service quality over the counter and enhanced the efficiency with more convenient services to the customers. In addition, customer data protection is the top priority of the Bank. We keep on adopting new technologies to uplift the overall service level and investing resources to strengthen the security over systems with high level standards.

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

Brand image and reputation are the most significant intangible assets for a bank. The protection of the Bank's reputation will take priority over all activities including revenue generation activities at all times. The Bank has specific reputational risk policy and procedure, in particular, the local and group level mechanisms of reputational risk management: from anticipation, monitoring, reporting, fast tracking, to supervision, that are thorough and comprehensive, as guarantees to ensure the least likelihood of the incident of reputational risks.

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

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

Merger of two subsidiary companies - Standard Chartered Life Insurance Agency Co., Ltd. ("SCLIA") and Taiwan Standard Chartered Insurance Agency Co., Ltd. ("TSCIA") completed on 1 October, 2016. The bank will benefit from the elimination of annual business service tax expense for service fees paid by the 2 subsidiaries and improvement of operation efficiency. This change is to make the Bank directly accountable for insurance sales without real change to its current/potential risks.

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

There was no branch expansion executed by the Bank in 2016. To ride on the trend of digital banking development and enhance branch network operational efficiency, 7 branches were closed in 2016. As at the end of 2016, the Bank has a total of 74 branches in Taiwan, excluding OBU. Before the branch closures, the Bank took proactive approach in dealing with clients' rights and obligations by sending out notification letters, posting announcements in branches and on official website to fully inform our clients while continuously provide outstanding services.

(VII) Business Concentration Risk and Responsive Actions Thereof

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

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

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

(VIII) Impact, Risks and Responsive Actions for Change of the Bank's Ownership : [None]

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

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

(X) Litigation and Non-litigation Matters

For a corporate lending between the Bank (previously Hsinchu International Bank) and a corporate client, it was repaid in full by the corporate guarantor. However, the corporate guarantor and another individual guarantor brought litigations against the Bank in the Taipei District Court in June 2012, alleging the guarantees were not in existence as the original loan was flawed and potentially void. The corporate guarantors also claimed a refund of NTD 115,437 thousand dollars. In respect of the litigation initiated by the corporate guarantor, the Bank obtained favorable judgments and the case was concluded. As to the litigation initiated by the personal guarantor, the Taiwan High Court dismissed the appeal filed by the personal guarantor in March 2017. The personal guarantor filed an appeal to the Supreme Court. The Bank cannot predict the outcome. Except for the above, the Bank is not involved in other material litigations within 2016 and as of the date of printing of the annual report.

(XI) Other Critical Risks and Responsive Actions Thereo : [None]

VII. Emergency Response Mechanism

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

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

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

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

VIII. Other Important Matters : [None]



Special Notes

Information on Affiliated Enterprises

Private Placement of Securities and Bank Debentures

Shares Held or Disposed of by the Subsidiaries

Other Supplementary Notes

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I. Information on Affiliated Enterprises

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

Not applicable. Standard Chartered Life Insurance Agency Co., Ltd. and Taiwan Standard Chartered Insurance Agency Co., Ltd., which are 100% owned subsidiaries, were merged into the Bank through absorption on October 1, 2016. Please refer to page 78 for details.

(II) Consolidated Financial Statements of Affiliated Enterprises : [None]

(III) Affiliation Reports

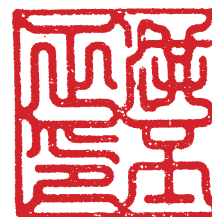
Declaration

The 2016 Affiliation Reports of Standard Chartered Bank (Taiwan) Limited for the period between 1 January 2016 and 31 December 2016 have been prepared in conformity with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises". No material discrepancy was found in the Reports as compared to the relevant information disclosed in the Notes to the Financial Statements for the same period.

Standard Chartered Bank (Taiwan) Limited



Chairman : Benjamin Pi-Cheng Hung



24 March, 2017

Independent Auditors' Review Opinion on Affiliation Reports

To : Standard Chartered Bank (Taiwan) Limited

Independent Auditors' Review of the Affiliation Report

Standard Chartered Bank (Taiwan) Limited

We have conducted the review of the 2016 Affiliation Report of Standard Chartered Bank (Taiwan) Limited (the 'Bank') in accordance with articles promulgated on dated 30 November, 1999 in the letter of Ref. No. (88)-Tai-Tsai-Zheng-(VI)-04448 issued by the Securities and Futures Bureau, Financial Supervisory Commission R.O.C (formerly known as Securities and Exchange Commission, Ministry of Finance Securities). This review opinion is to verify if the 2016 Affiliation Report of the Bank are in compliance with "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" and if the information disclosed in the 2016 Affiliation Report has material inconsistency corresponding to those in the Notes to Financial Statements audited by KPMG on dated 24 March, 2017.

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



Taipei, Taiwan (Republic of China)

March 24, 2017

1. Relationship with the Holding Company

Unit : Share ; %

Name of the Controlling Entity	Reason of Control	Controlling Entity's Shareholding and Pledge			Directors, Supervisors or Managers Representing the Controlling Entity	
		No. of Shares ('000)	Shareholding (%)	No. of Pledged Shares ('000)	Title	Name
Standard Chartered Bank	Shareholding 100%	2,910,572	100%	-	Chairman	Benjamin Pi-Cheng Hung
					Director	John Ming Kiu Tan
					Director	Norman Lyle
					Director	Wei-Chih Chen
					Director	Rangus Hok Hoi Tse
					Director	Wayne Robert Porritt
					INED	Nei-Ping Yin
					INED	Man-Jung Chan

INED : Independent Non-Executive Directors.

2. The transactions with controlling entity:

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

As of 31 December, 2016, other significant transactions between the Bank and Standard Chartered Bank ("SCB") are as follows:

- a) The foreign exchange and derivative transactions fair value with SCB recorded a loss of NTD 2,319,389 thousand;
- b) Deposits with other banks was NTD 845,908 thousand, with commission expense at NTD 67 thousand;
- c) Call loans to banks was NTD 16,948,800 thousand, with interest income at NTD 42,805 thousand and interest receivable at NTD 706 thousand;
- d) The interest expense of overdrafts on banks was NTD 31 thousand;
- e) The interest expense incurred from call loans from banks was NTD 2,184 thousand;
- f) The issuance of financial debentures payable to SCB was NTD 6,456,686 thousand, with interest payable at NTD 12,323 thousand and the interest expense at NTD 400,192 thousand;
- g) Operational and advisory service fees, consulting and technical support service fees and wholesale banking business service fees were NTD 1,012,446 thousand, NTD 287,723 thousand, and NTD 195,000 thousand, respectively. The fees payables related to above transactions were NTD 10,076,197 thousand;
- h) The reversal of royalty expenses for obtaining the right to use intellectual property of SC PLC Group was NTD 570 thousand;
- i) The Group's insurance expenses amounted to NTD 33,431 thousand;
- j) The related cost of the Executive Share Option Scheme amounted to NTD 23,425 thousand, accounts payable to SCB for the share-based payment scheme costs amounted to NTD 20,980 thousand, and the prepaid fee to SCB for the said costs amounted to NTD 900 thousand;
- k) The technical support service fees and the technical support service fees payable amounted to NTD 10,292 thousand and NTD 257 thousand, respectively;
- l) Income from the advisory service, loan administrative and transactional services amounted to NTD 333,232 thousand. The related income receivable was NTD 61,685 thousand;
- m) The advisory service expense and loan administrative expense, with related fees payable amounted to NTD 23 thousand.

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

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

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

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

IV. Other Supplementary Notes : [None]



Appendix

Appendix 1 :
2016 CPA Audited Financial
Statements of the Bank

Appendix 2 :
Directory of Branches and
Offices

Appendix 1 : 2016 CPA Audited Financial Statements of the Bank

Stock Code:2807

STANDARD CHARTERED BANK (TAIWAN) LIMITED

FINANCIAL STATEMENTS

**December 31, 2016 and 2015
(With Independent Auditor's Report Thereon)**

Independent Auditors' Report

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

Opinion

We have audited the financial statements of Standard Chartered Bank (Taiwan) Limited ("the Bank"), which comprise the statement of financial position as of December 31, 2016 and 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended December 31, 2016 and 2015, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to the first paragraph present fairly, in all material respects, the financial position of the Bank as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years ended December 31, 2016 and 2015, in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), International Financial Reporting Interpretations Committee ("IFRICs"), and the Standing Interpretations Committee ("SICs") endorsed by the FSC (hereinafter referred to as "the IFRSs endorsed by the FSC").

Basis for Opinion

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

Key Audit Matters

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

1. Impairment of loans and advances

1) Risk and descriptions of the key audit matter:

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

Wholesale banking clients are subjected to continuous depreciation of the CNY against the USD, which adds more uncertainty to the recoverability of the loans and advances; residential mortgage is one of the major components of loans. Due to the declining in property trading volume and the decreasing in pricing, causing the values of the collaterals to drop which adds probability of insufficient guarantee. This matter requires significant attention of our audit for the financial statement.

Please refer to note 6 (6), (7) and (10) for further description of impairment loss of loans and advances.

2) Procedures performed:

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

2. Valuation of financial instruments

1) Risk and descriptions of the key audit matter:

The risk is that the valuation of financial instruments may be misstated due to the application of valuation techniques which often involve the exercise of judgment and the use of assumptions and estimates. Of the financial instruments that are held at fair value through profit and loss or as available-for-sale in the Bank's balance sheet, majority were qualified as being measured using level 1 or 2 inputs in the fair value hierarchy as of December 31, 2016. This means they were valued using prices that were observable in the market place or through models with market observable inputs, including those inputs that can be observed directly (quoted prices) or indirectly (derived from quoted prices) from active markets, resulting in the valuation risk being low. The measurement of the fair value of the input parameters of Level 3 are not based on observable market data, therefore, during the valuation process, those related to the modeling assumptions used by the Bank in measuring expected exposures of derivatives and the appropriateness of the proxies used (for estimating loss rates) for counterparties may cause differences in calculation.

Please refer to Note 6 (37) for further description of valuation of financial instruments.

2) Procedures performed:

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

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

3. Realization of deferred tax assets

1) Risk and descriptions of the key audit matter:

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

Please refer to note 6(22) for further description of the recognition of deferred tax assets.

2) Procedures performed:

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

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

4. Goodwill impairment

1) Risk and descriptions of the key audit matter:

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

Please refer to note 6(12) for further description of the impairment of goodwill.

2) Procedures performed:

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

5. Disclosures on related party transactions

1) Risk and descriptions of the key audit matter:

The Bank is one of the subsidiaries under Standard Chartered PLC ("The SC PLC Group"). The Bank provided administrative support service and has service agreements with multiple individuals under the Group, with significant amount. Main services include interbank fund transferring, trading of derivatives, service income and cost, etc. The risk lies in any related party transactions that could not be disclosed or recognized.

Please refer to note 7 for further description of disclosures on related party transactions

2) Procedures performed:

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

A handwritten signature of the firm KPMG in black ink.

KPMG

Taipei, Taiwan (Republic of China)
March 24, 2017

Notes to Readers

The accompanying financial statements are intended only to present the statement of financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

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, 2016 and 2015
(expressed in thousands of New Taiwan Dollars)

	December 31, 2016		December 31, 2015		December 31, 2016		December 31, 2015	
	Amount	%	Amount	%	Amount	%	Amount	%
Assets								
Cash and cash equivalents (notes 6(1) and 7)	102,109,199	17	87,019,615	13	21000		31,412,055	5
Due from the Central Bank and call loans to banks (notes 6(2) and 7)	26,530,679	4	29,014,134	4	22000	14,882,839	2	
Financial assets at fair value through profit or loss (notes 6(3) and 7)	140,667	-	81,431	-	23200	40,185	-	
Derivative financial assets for hedging—net (notes 6(4) and 7)	3,196,000	1	2,499,824	-	23000	3,673,461	1	
Securities purchased under resale agreements and debt instruments (note 6(5))	18,603,886	3	21,890,528	3	23100	10,207,386	2	
Receivables—net (notes 6(6), (10) and 7)	284,209	-	239,692	-	23200	17,998	-	
Current tax assets (note 6(22))	267,281,457	43	303,239,940	46	23500	492,606,933	80	
Discounts and loans—net (notes 6(4), (7), (10) and 7)	157,879,248	26	182,784,483	27	24000	16,037,802	3	
Available-for-sale financial assets—net (notes 6(4), (8) and 7)	14,411,707	2	10,502,108	2	25500	1,033,273	-	
Other financial assets—net (notes 6(9), (10) and 8)	4,687,179	1	4,925,588	1	25600	1,482,568	-	
Property, plant and equipment—net (note 6(11))	3,156,048	1	3,156,048	1	29300	645,744	-	
Intangible assets—net (note 6(12))	1,767,016	-	2,238,372	-	29500	1,754,631	-	
Deferred tax assets (note 6(22))	1,307,968	-	9,942,704	2		573,794,875	93	
Other assets—net (notes 6(13), 7 and 8)								
Total assets	\$ 615,524,035	100	667,225,162	100		\$ 615,524,035	100	
Liabilities and equity								
Liabilities:								
Deposits from the Central Bank and banks (notes 6(14) and 7)								
Financial liabilities at fair value through profit or loss (notes 6(3) and 7)								
Derivative financial liabilities for hedging—net (notes 6(4) and 7)								
Payables (note 6(15))								
Related parties payable (note 7)								
Current tax liabilities (note 6(22))								
Deposits and remittances (notes 6(4), (16) and 7)								
Financial debentures—net (notes 6(4), (17) and 7)								
Other financial liabilities (note 6(18))								
Provisions (notes 6(10), (19) and (21))								
Deferred tax liabilities (note 6(22))								
Other liabilities (note 6(20))								
Total liabilities								
Equity:								
Common stock (note 6(24))	31101					29,105,720	5	
Capital surplus (note 6(24))	31500					5,794,771	1	
Retained earnings:								
Legal reserve (note 6(24))	32001					6,381,790	1	
Special reserve (note 6(24))	32003					342,222	-	
Unappropriated earnings (note 6(24))	32005					266,400	-	
Other equity interest (note 6(24))	32500					(161,743)	-	
Total equity						41,729,160	7	
Total liabilities and equity						\$ 615,524,035	100	

Appendix

Standard Chartered Bank (Taiwan) Limited
Statements of Comprehensive Income
For the years ended December 31, 2016 and 2015
(expressed in thousands of New Taiwan Dollars)

	2016		2015		Change	
	Amount	%	Amount	%	%	
41000	Interest income (notes 6(27) and 7)	\$ 9,725,689	80	12,236,352	89	(21)
51000	Less : Interest expense (notes 6(27) and 7)	<u>3,567,771</u>	<u>29</u>	<u>5,104,577</u>	<u>37</u>	(30)
	Net interest income	6,157,918	51	7,131,775	52	(14)
	Net non-interest income					
49100	Net service fee income (notes 6(28) and 7)	4,011,253	33	4,018,880	29	-
49200	Gain on financial assets or liabilities at fair value through profit or loss (notes 6(29) and 7)	2,304,690	19	1,231,888	9	87
49300	Realized gain on available-for-sale financial assets (note 6(30))	59,642	-	83,891	1	(29)
49600	Foreign exchange (loss) gain	(318,235)	(3)	1,073,377	8	(130)
49800	Net other non-interest income (notes 6(4), (9), (31) and 7)	14,412	-	197,027	1	(93)
49700	Impairment losses on assets (notes 6(11) and (32))	<u>(486)</u>	<u>-</u>	<u>(15,498)</u>	<u>-</u>	97
	Net revenue	<u>12,229,194</u>	<u>100</u>	<u>13,721,340</u>	<u>100</u>	(11)
58200	Bad debt expense and guarantee liability provision (notes 6(10) and (33))	<u>1,469,813</u>	<u>12</u>	<u>1,085,551</u>	<u>8</u>	35
	Operating expenses:					
58500	Employee benefits expenses (notes 6(21), (25), (34) and 7)	5,049,033	41	5,338,732	39	(5)
59000	Depreciation and amortization expenses (notes 6(11), (12) and (35))	200,986	2	290,356	2	(31)
59500	Other general and administrative expenses (notes 6(36) and 7)	<u>4,731,976</u>	<u>39</u>	<u>5,249,781</u>	<u>38</u>	(10)
	Total operating expenses	<u>9,981,995</u>	<u>82</u>	<u>10,878,869</u>	<u>79</u>	(8)
	Income before tax	777,386	6	1,756,920	13	(56)
61003	Less: income tax expense (note 6(22))	<u>610,368</u>	<u>5</u>	<u>317,938</u>	<u>3</u>	92
	Net income	<u>167,018</u>	<u>1</u>	<u>1,438,982</u>	<u>10</u>	(88)
65000	Other comprehensive income:					
65200	Items that may not be reclassified subsequently to profit or loss:					
65201	Remeasurements of defined benefit plan (note 6(21))	113,130	1	32,402	-	249
65220	Income tax expense related to items that may not to be reclassified subsequently to profit or loss (note 6(22))	<u>(19,232)</u>	<u>-</u>	<u>(5,508)</u>	<u>-</u>	(249)
	Total items that may not to be reclassified subsequently to profit or loss	<u>93,898</u>	<u>1</u>	<u>26,894</u>	<u>-</u>	249
65300	Items that may be reclassified subsequently to profit or loss:					
65302	Change in fair value of available-for-sale financial assets recognized	(812,360)	(7)	(145,272)	(1)	(459)
65303	Change in fair value of cash flow hedges recognized	(38,425)	-	(173,158)	(1)	78
65320	Income tax benefit related to items that may be reclassified subsequently to profit or loss (note 6(22))	<u>73,451</u>	<u>1</u>	<u>70,150</u>	<u>1</u>	5
	Total items that may be reclassified subsequently to profit or loss	<u>(777,334)</u>	<u>(6)</u>	<u>(248,280)</u>	<u>(1)</u>	(213)
65000	Other comprehensive income, net of tax	<u>(683,436)</u>	<u>(5)</u>	<u>(221,386)</u>	<u>(1)</u>	(209)
	Total comprehensive income	<u>\$ (516,418)</u>	<u>(4)</u>	<u>1,217,596</u>	<u>9</u>	(142)
67500	Basic earnings per share (NTD) (note 6(26))	<u>\$ 0.06</u>		<u>0.49</u>		

See accompanying notes to financial statements

Standard Chartered Bank (Taiwan) Limited
Statements of Changes in Equity
For the years ended December 31, 2016 and 2015
(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, 2015	\$ 29,105,720	5,786,031	4,970,169	347,706	3,708,006	728,684	135,187	44,781,503		
Unpresented cash dividends transferred to capital surplus (note 6(24))	-	8,740	-	-	-	-	-	8,740		
Appropriation and distribution of retained earnings:										
Legal reserve (note 6(24))	-	-	979,926	-	(979,926)	-	-	-		
Cash dividends on ordinary share (note 6(24))	-	-	-	-	(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	-	-	-	-	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		
Appropriation and distribution of retained earnings:										
Legal reserve (note 6(24))	-	-	431,695	-	(431,695)	-	-	-		
Special reserve (note 6(24))	-	-	-	(5,484)	5,484	-	-	-		
Cash dividends of ordinary share (note 6(24))	-	-	-	-	(1,034,181)	-	-	(1,034,181)		
Net income	-	-	-	-	167,018	-	-	167,018		
Other comprehensive income	-	-	-	-	93,898	(745,441)	(31,893)	(683,436)		
Total comprehensive income	-	-	-	-	260,916	(745,441)	(31,893)	(516,418)		
Balance as of December 31, 2016	29,105,720	5,794,771	6,381,790	342,222	266,400	(121,316)	(40,427)	41,729,160		

Note: For the years ended December 31, 2016 and 2015, the amounts of employee remuneration were \$78 thousand and \$160 thousand, respectively, deducted from the statements of comprehensive income from each of the periods.

See accompanying notes to financial statements

Standard Chartered Bank (Taiwan) Limited
Statements of Cash Flows
For the years ended December 31, 2016 and 2015
(expressed in thousands of New Taiwan Dollars)

	<u>2016</u>	<u>2015 (Reclassified)</u>
Cash flow from (used in) operating activities:		
Profit before tax	\$ 777,386	1,756,920
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	200,986	290,329
Amortization expense	-	27
Bad debt expense and guarantee liability provision	1,469,813	1,085,551
Interest expense	3,567,771	5,104,577
Interest income	(9,725,689)	(12,236,352)
Net change in other provisions	(196,173)	(6,808)
Loss (gain) on disposal of property and equipment	33,747	(91,903)
Impairment loss on assets	486	15,498
Gain on disposal of financial assets carried at cost	-	(41,549)
Total adjustments to reconcile profit (loss)	<u>(4,649,059)</u>	<u>(5,880,630)</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Due from the Central Bank and call loans to banks	20,408,145	(812,228)
Financial assets at fair value through profit or loss	2,483,435	7,397,580
Receivables	2,830,505	8,170,919
Discounts and loans	35,021,992	33,140,532
Available-for-sale financial assets	24,092,790	18,238,650
Other financial assets	<u>(4,235,780)</u>	<u>5,330,566</u>
Total changes in operating assets	<u>80,601,107</u>	<u>71,466,019</u>
Changes in operating liabilities:		
Deposits from the Central Bank and banks	3,432,319	2,102,802
Financial liabilities at fair value through profit or loss	(2,176,129)	3,596,869
Payables	(6,928,700)	(2,728,216)
Deposits and remittances	(4,982,068)	(99,930,482)
Other financial liabilities	(125,219)	(2,146,037)
Other liabilities	<u>(1,650,914)</u>	<u>(1,761,633)</u>
Total changes in operating liabilities	<u>(12,430,711)</u>	<u>(100,866,697)</u>
Total changes in operating assets and liabilities	<u>68,170,396</u>	<u>(29,400,678)</u>
Total adjustments	<u>63,521,337</u>	<u>(35,281,308)</u>
Cash inflow (outflow) generated from operations	64,298,723	(33,524,388)
Interest received	9,975,149	12,030,325
Interest paid	(3,574,787)	(5,284,246)
Income taxes (paid)	<u>(237,716)</u>	<u>(319,196)</u>
Net cash flows from (used in) operating activities	<u>70,461,369</u>	<u>(27,097,505)</u>
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at cost	-	57,499
Proceeds from disposal of property, plant and equipment	102,846	377,126
Acquisition of property, plant and equipment	(99,656)	(109,446)
Decrease (increase) in derivatives collateral	8,852,213	(1,760,092)
(Increase) decrease in other assets	<u>(217,477)</u>	<u>290,466</u>
Net cash flows from (used in) investing activities	<u>8,637,926</u>	<u>(1,144,447)</u>
Cash flows used in financing activities:		
Decrease in derivative financial instruments for hedging	(59,883)	(190,709)
Decrease in financial debentures	(37,201,127)	(1,227,176)
Cash dividends paid	<u>(1,034,181)</u>	<u>(2,728,080)</u>
Net cash flows used in financing activities	<u>(38,295,191)</u>	<u>(4,145,965)</u>
Change in foreign exchange rate	(132,122)	1,377,463
Net increase (decrease) in cash and cash equivalents	40,671,982	(31,010,454)
Cash and cash equivalents at beginning of period	55,656,556	86,667,010
Cash and cash equivalents at end of period	<u>\$ 96,328,538</u>	<u>55,656,556</u>
Components of cash and cash equivalents:		
Cash and cash equivalents reported in the balance sheets	\$ 14,168,772	9,690,695
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	78,963,766	43,466,037
Securities purchased under resell agreements and debt instruments qualifying for cash and cash equivalents under the definition of IAS 7	3,196,000	2,499,824
Cash and cash equivalents at end of period	<u>\$ 96,328,538</u>	<u>55,656,556</u>

Standard Chartered Bank (Taiwan) Limited
Notes to the Financial Statements
December 31, 2016 and 2015
(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 issued beginning March, 1982 and publicly traded beginning March 22, 1983. Additionally, pursuant to approval granted by the Ministry of Finance ("MOF"), the Bank established a Trust Department in January 1989, pursuant to approval granted by the SFC, the Bank established the securities trading business in October 1989 and established the securities broker business in July 1992. In March 1993, pursuant to approval granted by the MOF, the Bank established the International Business Department to operate the foreign exchange business, which was formally operated 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, 2016, the Bank comprises 73 branches, a business department, a trust department, and an offshore banking unit.

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

On October 9, 2014, the Bank terminated trading of securities in the stock exchange market, trading of securities at the business establishment, margin purchase and short sale of securities, trading of futures and dissolved the securities branch.

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Approved by the board of directors in June 2016 and by the Insurance Bureau in July 2016, Standard Chartered Life Insurance Agency Co. Ltd. ("SCLIA") and Taiwan Standard Chartered Insurance Agency Co. Ltd. ("TSCIA"), which are 100 percent owned subsidiaries, will be merged into the Bank through absorption on October 1, 2016. The Bank's stockholders' equity are not affected by the merger. After the merger, the assets, liabilities, rights and obligations of these two subsidiaries, as of the date of merger, were generally assumed by the Bank. Since the Bank no longer has other subsidiaries, therefore, the Bank will only issue individual financial statements. When preparing the comparative financial statements in accordance with IFRS Q&A and interpretations published by Accounting Research And Development Foundation, the Bank are required to retroactively restate the prior period financial statements in consolidated basis. However, since the nature of the merger is a reorganization, the structure of the Bank's individual financial statement after the merger is the same as the structure of the consolidated financial statement prior to the merger. Therefore, the prior period financial statements retroactively restated is identical to the consolidated financial statements of prior period.

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

(2) Approval date and Procedures of the Financial Statements

The financial statements were authorized for issuance by the Board of Directors on March 24, 2017.

(3) New Issuance, Amendments and Revises of Standards and Interpretations Applicable

- 1) Impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commissions R.O.C. ("FSC") but not yet in effect

According to the Ruling No. 1050026834 issued on July 18, 2016, by the FSC, public entities are required to conform to the IFRSs which were issued by the International Accounting Standards Board (IASB) before January 1, 2016, and were endorsed by the FSC on January 1, 2017 in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment 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

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual improvements cycles 2010-2012 and 2011-2013	July 1, 2014
Annual improvements cycle 2012-2014	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

The Bank assessed that the initial application of the above IFRSs would not have any material impact on the financial statements.

2) Newly released or amended standards and interpretations not yet endorsed by the FSC

A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC. The FSC announced that the Bank should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the Bank's financial statements were issued, the FSC has yet to announce the effective dates of the other IFRSs. As of the end of reporting date is as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IFRS 2 "Clarifications of classification and measurement of share based payment transactions"	January 1, 2018
Amendment to IFRS 15 "Clarifications of IFRS 15"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IFRS 4 " Insurance Contracts"(“Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”)	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2017
IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
Amendments to IAS 40 "Investment Property"	January 1, 2018

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

The Bank is still currently determining the potential impact of the standards listed below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
May 28, 2014 April 12, 2016	IFRS 15 "Revenue from Contracts with Customers"	<p>IFRS 15 "Revenue from Contracts with Customers" establishes a five step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 "Revenue", IAS 11 "Construction Contracts," and a number of revenue related interpretations.</p> <p>Final amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.</p>
November 19, 2013 July 24, 2014	IFRS 9 "Financial Instruments"	<p>The standard will replace IAS 39 "Financial Instruments: Recognition and Measurement", and the main amendments are as follows:</p> <ul style="list-style-type: none"> • Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that "own credit risk" adjustments be measured at fair value through other comprehensive income. • Impairment: The expected credit loss model is used to evaluate impairment. • Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 "Leases"	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> ● For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of use asset during the lease term. ● A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17 "Leases".
September 11, 2014	Amendment to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	The amendments clarify that a full gain or loss is recognized when a transfer to an associate or a joint venture involves a business; and a partial gain or loss is recognized if the asset transferred does not contain a business. The gain or loss that is not recognized is eliminated against the cost of the investment.
January 19, 2016	Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	The amendments clarify the requirements on recognition of deferred tax assets for unrealized losses if certain conditions are met, including the question of how to determine future taxable profit for the recognition test.
January 29, 2016	Amendment to IAS 7 "Disclosure Initiative"	The amendments will require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes (for example, foreign exchange gain or loss).

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Issuance / Release Dates	Standards or Interpretations	Content of amendment
June 20, 2016	Amendment to IFRS 2 "Clarifications of classification and measurement of share based payment transactions"	The amendments, which were developed through the IFRS Interpretations Committee, provide requirements on the accounting for: <ol style="list-style-type: none"> a. The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; b. The classification of share-based payment transactions with a net settlement feature for withholding tax obligations; and c. A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.
September 12, 2016	Amendments to IFRS 4 "Insurance Contracts" ("Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts")	The amendments provide the following optional approaches to reduce the impact of the differing effective dates of IFRS 9 "Financial Instruments" and the forthcoming IFRS 4 "Insurance Contracts": <ol style="list-style-type: none"> a. Give all companies that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 "Financial Instruments" is applied before the new insurance contracts Standard is issued; and b. Give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 "Financial Instruments" until 2021. The entities that defer the application of IFRS 9 "Financial Instruments" will continue to apply the existing financial instruments Standard—IAS 39 "Financial Instruments: Recognition and Measurement".

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Issuance / Release Dates	Standards or Interpretations	Content of amendment
December 8, 2016	Annual Improvements to IFRS Standards 2014–2016 Cycle: <ul style="list-style-type: none"> ● IFRS 12 "Disclosure of Interests in Other Entities" ● IFRS 1 "First-time Adoption of International Financial Reporting Standards" ● IAS 28 "Investments in Associates and Joint Ventures" 	<ul style="list-style-type: none"> ● Outdated exemptions for first-time adopters of IFRS are removed. ● The disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution. ● A venture capital organization, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis. ● A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture.
December 8, 2016	IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	IFRIC 22 "Foreign Currency Transactions and Advance Consideration" clarifies the transaction date used to determine the exchange rate. The transaction date is the date on which the company initially recognizes the prepayment or deferred income arising from the advance consideration.
December 8, 2016	Amendments to IAS 40 "Investment Property"	The amendments specify that a transfer into, or out of, investment property would be made only when there has been a change in use of a property, supported by evidence that a change in use has occurred. The amendments also clarify that the list of circumstances that provide evidence of a change in use set out in paragraph 57 (a)-(d) of IAS 40 "Investment Property" contains examples and is not an exhaustive list.

The Bank is evaluating the impact on its financial position and financial performance of the initial adoption of the aforementioned standards or interpretations. The results thereof will be disclosed when the Bank completes its evaluation.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(4) Summary of Significant Accounting Policies

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

1) Statement of compliance

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

2) Basis of preparation

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

- (a) Financial instruments at fair value through profit or loss (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 financial statements amounts in all foreign currencies are translated into New Taiwan Dollars at ruling exchange rates assigned on that date. The Bank's financial statements are presented in New Taiwan Dollars, the functional currency of the Bank. All financial information presented in New Taiwan Dollars is expressed in thousands of New Taiwan Dollars, unless otherwise specified. Foreign exchange differences arising on the translation of a foreign currency transaction are recognized in current period profit or loss.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

4) Cash and cash equivalents

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

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.

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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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 and other legally guaranteed objects to secure credit are secured loans.

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

- 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.

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

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

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

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

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

v. Financial assets carried at cost

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

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

STANDARD CHARTERED BANK (TAIWAN) LIMITED

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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 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.
- ii) Financial assets initially classified as measured at fair value through profit or loss which do not meet the preceding criterion may be reclassified out of the fair value through profit or loss category only in rare circumstances and shall be reclassified at their fair value on the date of reclassification, which will become their new cost or amortized cost, as applicable. Any previous gain or loss already recognized in profit or loss shall not be reversed.
- iii) When financial assets initially classified as available-for-sale have met the definition of loans and receivables and the entity has the intention and ability to hold the financial assets for the foreseeable future or until maturity, they shall be reclassified at their fair 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.

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

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.

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.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

iii. Financial debentures

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

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

iv. Derecognition of a financial liability

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

(c) Derivatives and hedging accounting

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

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

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

- 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.

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6) 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.

7) 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".

8) 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 (land revaluation based on the announcement of the adjustment in current land value). Interest expense incurred directly attributable to bringing an asset to the condition necessary for it to be capable of operating should be capitalized. Major additions, improvements, and renewals are treated as capital expenditure and capitalized, while maintenance and repair costs are expensed when incurred.

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

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

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

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

9) Intangible assets

(a) Computer software

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

(b) Goodwill

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

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

10) 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.

11) Provisions

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

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

The Bank shall not recognize provisions for future operating losses.

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

12) Revenue and expense recognition

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

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

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

13) 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.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

14) Share-based compensation

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

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

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

15) Income tax

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

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

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

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.

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

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

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

1) Impairment of loans and advances

When the Bank decides whether to recognize impairment loss, they mainly decide if there are any observable evidence indicating possible impairment. The evidence may include observable information indicating unfavorable changes in debtor payment status, or sovereign or local economic situation related to debt payment in arrears. When analyzing expected cash flow, the estimates by the management are based on past losses experience on assets of similar credit risk characteristics. The Bank periodically reviews methods and assumptions behind the amounts and schedule of expected cash flow, to reduce the difference between expected and actual loss. Please refer to note 6(7) and (10) for impairment loss on loans.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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, the fair value of financial instruments can be evaluated based on appropriate assumptions. When valuation technique is used to determine fair value, all models shall be calibrated to ensure that all outputs reflect the actual data and the market price. Valuation techniques that rely to a greater extent on unobservable inputs require a higher level of management judgment to calculate a fair value than those based wholly on observable inputs. The valuation techniques are adopted, as much as possible, from observable data. However, for credit risk (risk between itself and counterparty), the management shall estimate volatility and correlation.

3) Recognition of deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires management's subjective judgment and estimate, including the future revenue growth and profitability, and feasible tax planning strategies. Changes in the economic environment, industry trends, and relevant laws and regulations may result in adjustments to the deferred tax assets. Please refer to note 6(22) for further description of the recognition of deferred tax assets.

4) Goodwill impairment

The assessment of goodwill impairment requires the Bank to make subjective judgments to identify cash-generating units and estimate the recoverable amount of relevant cash-generating units. Please refer to note 6(12) for further description of goodwill recognition.

(6) Disclosures of Significant Accounts

1) Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash on hand	\$ 3,973,432	3,668,992
Checks for clearing	101,654	10,622
Deposits with other banks	2,364,017	2,584,034
Deposits with other banks – affiliates	7,729,669	3,427,047
Total	<u><u>\$ 14,168,772</u></u>	<u><u>9,690,695</u></u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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, 2016	December 31, 2015
Cash and cash equivalents reported in the statement of balance sheets	\$ 14,168,772	9,690,695
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	78,963,766	43,466,037
Securities purchased under resell agreements and debt instruments qualifying for cash and cash equivalents under the definition of IAS 7	<u>3,196,000</u>	<u>2,499,824</u>
Cash and cash equivalents reported in the statement of cash flows	<u>\$ 96,328,538</u>	<u>55,656,556</u>
2) Due from the Central Bank and call loans to banks		
	December 31, 2016	December 31, 2015
Required reserve – checking account	\$ 5,250,444	8,335,304
Required reserve – demand account	11,537,649	13,222,290
Required reserve – foreign currency	225,985	230,608
Required reserve – settlement account	1,518,165	1,200,718
Call loans to banks	17,599,251	6,045,173
Call loans to banks – affiliates	61,924,729	54,979,105
Trade finance receivables	<u>4,052,976</u>	<u>3,006,417</u>
Total	<u>\$ 102,109,199</u>	<u>87,019,615</u>

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

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

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

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Interest-rate instruments		
Government bonds	\$ 4,244,688	5,180,278
Corporate bonds	3,826,404	5,584,330
Subtotal	<u>8,071,092</u>	<u>10,764,608</u>
Derivative financial assets		
Interest rate swap	2,609,676	2,741,951
Interest rate option	51,038	138,599
Spot/forward/swap	11,254,118	6,400,444
Cross currency swap	1,102,504	255,610
Foreign exchange option	3,381,213	8,650,723
Commodity swap	61,038	34,007
Commodity option	-	28,192
Subtotal	<u>18,459,587</u>	<u>18,249,526</u>
Total	<u>\$ 26,530,679</u>	<u>29,014,134</u>

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

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Derivative financial liabilities		
Interest rate swap	\$ 2,458,160	2,547,161
Interest rate option	3,135	90,850
Spot/forward/swap	7,222,933	4,828,429
Cross currency swap	1,496,854	448,498
Foreign exchange option	3,640,665	9,081,513
Commodity swap	61,092	34,090
Commodity option	-	28,427
Total	<u>\$ 14,882,839</u>	<u>17,058,968</u>

4) Derivative financial instruments for hedging

Derivative financial assets for hedging were as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Fair value hedge:		
Interest rate swap	\$ 30,347	56,738
Cash flow hedge:		
Interest rate swap	-	1,628
Cross currency swap	110,320	23,065
Total	<u>\$ 140,667</u>	<u>81,431</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Derivative financial liabilities for hedging were as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Cash flow hedge:		
Interest rate swap	\$ 14,960	32,480
Cross currency swap	<u>25,225</u>	<u>-</u>
Total	<u>\$ 40,185</u>	<u>32,480</u>

(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, 2016 and 2015, marked-to-market adjustments of hedged items and the corresponding hedging instruments accounted as fair value hedge were as follows:

<u>Hedged items</u>		<u>Hedging instruments</u>	
<u>Underlying instruments</u>	<u>December 31, 2016</u>	<u>Contract type</u>	<u>December 31, 2016</u>
Available-for-sale financial assets:			
Government bonds	\$ (85)	Interest rate swap	\$ 70
Financial debentures	<u>(27,916)</u>	Interest rate swap	<u>30,277</u>
	<u>\$ (28,001)</u>		<u>\$ 30,347</u>
<u>Hedged items</u>		<u>Hedging instruments</u>	
<u>Underlying instruments</u>	<u>December 31, 2015</u>	<u>Contract type</u>	<u>December 31, 2015</u>
Financial debentures	<u>\$ (57,904)</u>	Interest rate swap	<u>\$ 56,738</u>

For the years ended December 31, 2016 and 2015, net losses and gains on the hedging derivative financial instruments listed above amounted to \$38,893 thousand and \$9,410 thousand, respectively, and net gains from the hedged risk of the hedged items amounted to \$38,490 thousand and \$10,736 thousand, respectively.

(b) Cash flow hedge

The Bank currently holds 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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

		Fair value	
		December 31, 2016	December 31, 2015
Hedged items	Financial instruments designated as hedging instruments		
Discounts and loans – floating interest rate	Interest rate swap	\$ (14,960)	(30,852)
Deposits and remittances – floating interest rate	Cross currency swap	-	23,065
Deposits and remittances – fixed interest rate	Cross currency swap	85,095	-
Total		<u>\$ 70,135</u>	<u>(7,787)</u>
5) Securities purchased under resell agreements and debt instruments			
		December 31, 2016	December 31, 2015
Securities purchased under resell agreements		<u>\$ 3,196,000</u>	<u>2,499,824</u>
Face value of debt instruments		<u>\$ 3,200,000</u>	<u>2,500,000</u>
Interest rate		<u>0.33%~0.40%</u>	<u>0.38%</u>
Last settlement date		<u>2017.1.12</u>	<u>2016.1.8</u>
Resell price		<u>\$ 3,196,442</u>	<u>2,500,026</u>
6) Receivables – net			
		December 31, 2016	December 31, 2015
Accounts receivable factoring		\$ 9,965,494	13,241,437
Credit cards accounts receivable		4,330,897	4,866,432
Accounts receivable		587,871	646,178
Interest receivable		1,458,049	1,707,509
Acceptances receivable		363,558	219,471
Accounts receivable – related parties		1,716,910	1,218,422
Other		<u>616,515</u>	<u>293,088</u>
Subtotal		19,039,294	22,192,537
Less: allowance for bad debts – receivables		<u>435,408</u>	<u>302,009</u>
Total		<u>\$ 18,603,886</u>	<u>21,890,528</u>

Please refer to note 6(10) for changes in allowance for bad debts of receivables listed above.

Receivables included in the total amounts of impairment assessment to determine the allowance for bad debts were as follows:

Item		December 31, 2016	
		Receivables	Allowance for bad debts
With objective evidence of impairment	Individual assessment of impairment	\$ 539,404	411,885
	Portfolio assessment of impairment	467,482	6,009
Without objective evidence of impairment	Portfolio assessment of impairment	<u>18,032,408</u>	<u>17,514</u>
Total		<u>\$ 19,039,294</u>	<u>435,408</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Item		December 31, 2015	
		Receivables	Allowance for bad debts
With objective evidence of impairment	Individual assessment of impairment	\$ 265,349	272,668
	Portfolio assessment of impairment	532,070	7,046
Without objective evidence of impairment	Portfolio assessment of impairment	21,395,118	22,295
Total		<u>\$ 22,192,537</u>	<u>302,009</u>

7) Discounts and loans – net

	December 31, 2016	December 31, 2015
Bills negotiations and bills and notes discounted	\$ 682,626	482,760
Short-term loans and overdrafts	47,384,080	61,009,087
Short-term secured loans	12,324,192	5,091,227
Medium-term loans	31,478,466	36,443,142
Medium-term secured loans	5,928,623	10,681,659
Long-term loans	7,047,005	8,724,055
Long-term secured loans	166,433,552	185,017,613
Overdue loans	1,158,416	594,738
Subtotal	272,436,960	308,044,281
Add: premium adjustments on discounts and loans	44,738	108,687
Less: allowance for bad debts	5,200,241	4,913,028
Total	<u>\$ 267,281,457</u>	<u>303,239,940</u>

As of December 31, 2016 and 2015, the Bank's 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.

Please refer to note 6(10) for changes in allowance for bad debts of discounts and loans.

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

Item		December 31, 2016	
		Discounts and loans	Allowance for bad debts
With objective evidence of impairment	Individual assessment of impairment	\$ 3,170,046	2,112,172
	Portfolio assessment of impairment	3,394,216	53,398
Without objective evidence of impairment	Portfolio assessment of impairment	265,872,698	3,034,671
Total		<u>\$ 272,436,960</u>	<u>5,200,241</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Item		December 31, 2015	
		Discounts and loans	Allowance for bad debts
With objective evidence of impairment	Individual assessment of impairment	\$ 3,680,376	1,718,336
	Portfolio assessment of impairment	3,719,279	55,152
Without objective evidence of impairment	Portfolio assessment of impairment	300,644,626	3,139,540
Total		<u>\$ 308,044,281</u>	<u>4,913,028</u>

As of December 31, 2016 and 2015, the amounts of outstanding loans with interest charges suspended amounted to \$1,158,416 thousand and \$594,738 thousand, respectively. The amounts of interest not accrued derived from the aforementioned loans were \$54,097 thousand and \$40,704 thousand, respectively.

8) Available-for-sale financial assets – net

	December 31, 2016	December 31, 2015
Negotiable certificates of deposit	\$ 86,864,209	113,783,454
Government bonds	64,613,270	62,615,688
Financial debentures	6,401,769	6,385,341
Total	<u>\$ 157,879,248</u>	<u>182,784,483</u>
Marked-to-market adjustments for hedged assets included in the above balance	<u>\$ (85)</u>	<u>-</u>

9) Other financial assets – net

	December 31, 2016			December 31, 2015		
	Percentage of ownership %	Investment cost	Book value	Percentage of ownership %	Investment cost	Book value
Financial assets carried at cost:						
Taiwan Small and Medium Enterprises Development Corp. Financial Information Service Co., Ltd.	4.84	\$ 29,000	29,000	4.84	29,000	29,000
TSC Bio Venture Management, Inc.	1.14	45,500	45,500	1.14	45,500	45,500
Liyu Venture Investment, Inc.	5.00	8,505	8,505	5.00	10,632	10,632
Windance Co., Ltd.	4.76	7,949	7,949	4.76	8,549	8,549
Taiwan Asset Service Corporation	2.73	188,500	188,500	2.73	188,500	188,500
Yang Guang Asset management Company	2.94	50,000	50,000	2.94	50,000	50,000
Subtotal	1.42	849	849	1.42	849	849
Less: accumulated impairment		330,303	330,303		333,030	333,030
		-	202,941		-	202,941
		<u>330,303</u>	127,362		<u>333,030</u>	130,089
Restricted assets-debt instruments			14,284,345			10,372,019
Overdue receivable			326,181			-
Less: allowance for bad debts-overdue receivable			326,181			-
			<u>\$ 14,411,707</u>			<u>10,502,108</u>

Please refer to 6(10) for changes in allowance for bad debts of receivables of other non-loan financial assets.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

For the years ended December 31, 2016 and 2015, the cash dividends from financial assets carried at cost recorded under net other non-interest income were \$17,552 thousand and \$17,408 thousand, respectively.

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.

10) Allowance for bad debts and provision for guarantee liability

Movements of allowance for bad debts of receivables, discounts and loans and other financial assets; and movements of provisions for guarantee liability were disclosed below:

	2016				
	Allowance for bad debt				
	Receivables	Discounts and loans	Other financial assets	Provision for guarantee	Total
Beginning balance	\$ 302,009	4,913,028	-	30,794	5,245,831
Add: bad debt expense and guarantee liability provision	206,677	936,491	326,181	464	1,469,813
Bad debt recovery	101,802	436,687	-	-	538,489
Less: write-of	131,507	890,979	-	-	1,022,486
Exchange rate and others	43,573	194,986	-	-	238,559
Ending balance	<u>\$ 435,408</u>	<u>5,200,241</u>	<u>326,181</u>	<u>31,258</u>	<u>5,993,088</u>
	2015				
	Allowance for bad debt				
	Receivables	Discounts and loans	Other financial assets	Provision for guarantee	Total
Beginning balance	\$ 322,995	4,450,587	-	109,035	4,882,617
Add: bad debt expense and guarantee liability provision	58,921	1,104,871	-	(78,241)	1,085,551
Bad debt recovery	106,070	508,534	-	-	614,604
Less: write-of	138,361	950,609	-	-	1,088,970
Exchange rate and others	47,616	200,355	-	-	247,971
Ending balance	<u>\$ 302,009</u>	<u>4,913,028</u>	<u>-</u>	<u>30,794</u>	<u>5,245,831</u>

11) Property, plant and equipment – net

December 31, 2016	Cost	Accumulated depreciation	Accumulated impairment	Net
Land	\$ 2,820,096	-	42,351	2,777,745
Buildings	2,986,290	1,245,184	-	1,741,106
Office equipment	466,944	461,359	-	5,585
Leasehold improvements	598,713	551,264	-	47,449
Other equipment	455,208	339,914	-	115,294
Total	<u>\$ 7,327,251</u>	<u>2,597,721</u>	<u>42,351</u>	<u>4,687,179</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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	558,270	532,385	-	25,885
Leasehold improvements	689,138	609,110	-	80,028
Other equipment	600,812	523,538	-	77,274
Total	\$ 7,826,135	2,858,682	41,865	4,925,588

Change in cost movement:

	January 1, 2016	Increase	Decrease	Reclassify	December 31, 2016
Land	\$ 2,915,217	-	95,121	-	2,820,096
Buildings	3,062,698	-	76,408	-	2,986,290
Office equipment	558,270	1,499	92,825	-	466,944
Leasehold improvements	689,138	13,397	103,822	-	598,713
Other equipment	600,812	84,760	230,364	-	455,208
Total	\$ 7,826,135	99,656	598,540	-	7,327,251

	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	611,538	2,816	56,084	-	558,270
Leasehold improvements	629,179	99,668	39,709	-	689,138
Other equipment	643,845	6,962	49,995	-	600,812
Total	\$ 8,171,818	109,446	455,129	-	7,826,135

Change in accumulated depreciation:

	January 1, 2016	Increase	Decrease	Reclassify	December 31, 2016
Buildings	\$ 1,193,649	91,717	40,182	-	1,245,184
Office equipment	532,385	21,007	92,033	-	461,359
Leasehold improvements	609,110	41,617	99,463	-	551,264
Other equipment	523,538	46,645	230,269	-	339,914
Total	\$ 2,858,682	200,986	461,947	-	2,597,721

	January 1, 2015	Increase	Decrease	Reclassify	December 31, 2015
Buildings	\$ 1,129,583	91,996	27,930	-	1,193,649
Office equipment	554,346	29,909	51,870	-	532,385
Leasehold improvements	534,490	114,329	39,709	-	609,110
Other equipment	519,438	54,095	49,995	-	523,538
Total	\$ 2,737,857	290,329	169,504	-	2,858,682

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Change in accumulated impairment:

	January 1, 2016	Increase	Decrease	December 31, 2016
Land	\$ <u>41,865</u>	<u>486</u>	<u>-</u>	<u>42,351</u>
	January 1, 2015	Increase	Decrease	December 31, 2015
Land	\$ 25,600	16,265	-	41,865
Buildings	1,169	-	1,169	-
Total	\$ <u>26,769</u>	<u>16,265</u>	<u>1,169</u>	<u>41,865</u>

12) Intangible assets – net

	December 31, 2016	December 31, 2015
Goodwill	\$ <u>3,156,048</u>	<u>3,156,048</u>

Change in intangible assets:

	January 1, 2016	Increase	Decrease	December 31, 2016
Goodwill	\$ <u>3,156,048</u>	<u>-</u>	<u>-</u>	<u>3,156,048</u>
	January 1, 2015	Increase	Decrease	December 31, 2015
Goodwill	\$ 3,156,048	-	-	3,156,048
Computer software	27	-	27	-
Total	\$ <u>3,156,075</u>	<u>-</u>	<u>27</u>	<u>3,156,048</u>

13) Other assets – net

	December 31, 2016	December 31, 2015
Refundable deposits	\$ 296,295	449,376
Derivatives collateral	533,330	9,385,543
Prepaid fee	146,344	106,348
Other	331,999	1,437
Total	\$ <u>1,307,968</u>	<u>9,942,704</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

14) Deposits from the Central Bank and banks

	December 31, 2016	December 31, 2015
Deposits from banks	\$ 1,074,427	1,082,806
Deposits from banks – affiliates	993,555	1,623,277
Overdrafts on banks	345,109	59,795
Overdrafts on banks – affiliates	-	111,625
Call loans from banks	3,389,760	12,956,995
Call loans from banks – affiliates	25,609,204	12,145,238
Total	\$ 31,412,055	27,979,736

15) Payables

	December 31, 2016	December 31, 2015
Accounts payable	\$ 4,330	19,228
Accrued interest	344,627	351,643
Accrued expenses	1,856,178	1,738,056
Collection payable	43,987	111,370
Acceptances payable	363,558	219,471
Inter-branch check clearing payable	43,712	172,760
Temporary receipts in advance	64,710	42,002
Unsettled trade payable	255,211	5,100,000
Other	697,148	726,164
Total	\$ 3,673,461	8,480,694

16) Deposits and remittances

	December 31, 2016	December 31, 2015
Checking accounts deposits	\$ 2,626,583	4,317,267
Demand deposits:		
Demand deposits	189,010,368	189,396,025
Saving account deposits	133,406,929	129,183,137
Subtotal of demand deposits	322,417,297	318,579,162
Time deposits:		
Time deposits	126,412,106	130,150,713
Time savings deposits	41,046,415	44,460,114
Subtotal of time deposits	167,458,521	174,610,827
Remittances	104,532	81,745
Total	\$ 492,606,933	497,589,001

As of December 31, 2016 and 2015, the Bank's foreign currency time deposits with floating and fixed rate mentioned above has adopted cross currency swap of cash flow hedge in order to reduce the impact of cash flow that was affected by interest rate and foreign exchange rate fluctuation.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

17) Financial debentures — net

As of December 31, 2016 and 2015, details of financial debentures issued by the Bank were as follows:

Bond	Conditions for issuance	December 31, 2016	December 31, 2015
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%	100	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; Redeemed on March 11, 2016	-	4,941,605
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; Redeemed on March 11, 2016	-	4,941,605
100-1D	5 year term, interest accrued and paid quarterly, annual interest rate is 1.45%; maturity date: May 19, 2016	-	6,150,000
100-1E	6 year term, interest accrued and paid quarterly, annual interest rate is 1.51%; maturity date: May 19, 2017	1,000,000	1,000,000
100-1F	7 year term, interest accrued and paid quarterly, annual interest rate is 1.60%; maturity date: May 19, 2018	2,550,000	2,550,000
100-1H	5 year term, interest accrued and paid quarterly, TWD 90 day CP interest rate and TWD 90 day TIBOR interest rate from February 19, 2015 ; maturity date: May 19, 2016	-	400,000
100-1I	7 year term, interest accrued and paid quarterly, TWD 90 day CP interest rate and TWD 90 day TIBOR interest rate from February 19, 2015 ; maturity date: May 19, 2018	4,000,000	4,000,000
100-2	5 year term, interest accrued and paid quarterly, annual interest rate is 1.451%; maturity date: June 8, 2016	-	500,000
100-3C	5 year term, interest accrued and paid quarterly, annual interest rate is 1.40%; maturity date: September 23, 2016	-	1,100,000
100-4D	10 year term, interest accrued and paid quarterly, TWD 90 day CP interest rate plus 0.15% and TWD 90 day TIBOR interest rate plus 0.15% from March 29, 2015 ; maturity date: June 29, 2021	2,000,000	2,000,000
103-1	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
103-2	10 year term, USD based, interest accrued and paid semi annually, annual rate is 4.50%; maturity date: December 18, 2024	6,456,686	6,588,808
		16,009,886	53,283,159
Marked-to-market adjustment on hedged items		27,916	57,904
Total		\$ 16,037,802	53,341,063

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

18) Other financial liabilities

	December 31, 2016	December 31, 2015
Structured deposits	<u>\$ 1,033,273</u>	<u>1,158,492</u>

19) Provisions

	December 31, 2016	December 31, 2015
Provision for guarantee liability	\$ 31,258	30,794
Provision for employee benefits	1,321,978	1,602,155
Provision for decommissioning, restoration and rehabilitation cost	111,436	149,418
Other miscellaneous provisions	17,896	9,040
Total	<u>\$ 1,482,568</u>	<u>1,791,407</u>

20) Other liabilities

	December 31, 2016	December 31, 2015
Advance received from customers	\$ 26,656	55,260
Deferred income	71,487	55,575
Guarantee deposits received	28,533	43,869
Tax payable	670,686	707,648
Derivatives collateral	870,489	2,446,420
Other	86,780	96,773
	<u>\$ 1,754,631</u>	<u>3,405,545</u>

21) 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, 2016 and 2015, the pension expense under defined contribution plan of the Bank amounted to \$151,729 thousand and \$164,528 thousand, respectively, recorded under operating expenses — employee benefits expense.

(b) Provision for employee benefits

i) Change in defined benefit obligation

	December 31, 2016	December 31, 2015
Defined benefit plan	<u>\$ 1,321,978</u>	<u>1,602,155</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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, 2016	December 31, 2015
Present value of defined benefits obligation	\$ 2,532,742	2,900,317
Less: fair value of defined benefits plan assets	<u>1,210,764</u>	<u>1,298,162</u>
Liability recognized in balance sheets	<u>\$ 1,321,978</u>	<u>1,602,155</u>

The Bank adopted the defined benefit plan, which contributes 4% of eligible employees' monthly salary to the retirement reserve trust account at the Bank of Taiwan. Employees' pension is calculated based on the employees' years of service under the Labor Standard Act and the employees' final average monthly salary at the time of retirement. Final average monthly salary refers to the average 6-month monthly salary preceding retirement including basic monthly salary, meal allowance, car allowance, shift allowance, transportation allowance, sales incentives, and overtime payment.

- ii) The percentage of plan assets were as follows:

	December 31, 2016	December 31, 2015
Cash	20.80	17.70
Stocks	47.20	54.60
Short-term notes	3.60	1.30
Bonds	<u>28.40</u>	<u>26.40</u>
Total	<u>100.00</u>	<u>100.00</u>

- iii) Change in defined benefit obligation

The change in defined benefit obligation for the years 2016 and 2015 were as follows:

	2016	2015
DBO at beginning of period	\$ 2,900,317	3,213,605
Current service cost and interest cost	108,104	171,632
Remeasurements of the net defined benefit liability		
Actuarial gain–experience	(44,979)	(42,456)
Actuarial (gain) loss–financial assumption changes	(71,514)	28,127
Benefits paid from plan assets	(113,962)	(77,170)
Benefits paid directly by the Bank	(76,299)	(99,383)
Settlements	(170,740)	(294,038)
Termination benefits	1,815	-
DBO at end of period	<u>\$ 2,532,742</u>	<u>2,900,317</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

iv) Change in plan assets

The change in defined benefit plan assets for the years 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Fair value of plan assets beginning of period	\$ 1,298,162	1,508,098
Interest income	12,162	21,183
Remeasurements of the net defined benefit assets		
Actuarial (loss) gain–return on plan assets (exclude interest)	(3,363)	18,073
Employers contributions	85,436	32,614
Benefit paid from plan assets	(113,962)	(77,170)
Settlements	(67,671)	(204,636)
Fair value of plan assets at end of period	<u>\$ 1,210,764</u>	<u>1,298,162</u>

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 ended 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Current service cost	\$ 80,808	124,630
Net interest on the net defined benefit liability	15,134	25,819
Settlement gain	(40,072)	(20,743)
Termination benefits	1,815	-
	<u>\$ 57,685</u>	<u>129,706</u>

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 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Cumulated surplus at beginning of period	\$ 82,417	114,819
Recognized in current period	(113,130)	(32,402)
Cumulated surplus at end of period	<u>\$ (30,713)</u>	<u>82,417</u>

viii) Primary actuarial assumptions

	<u>2016</u>	<u>2015</u>
Defined benefit plan discount rate	1.30 %	1.00 %
Incremental rate of future compensation levels	3.00 %	3.00 %

The estimated payment of the Bank's employer contribution to its defined benefit plan is amount to \$97,061 thousand, which is expected to be paid within a year of its balance sheet date in 2016.

Weighted average duration of the defined benefit obligation is 9.1 years.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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, 2016 and 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, 2016		
Discount rate	(110,418)	118,564
Salary increase rate	117,485	(110,482)
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.

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

22) 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, 2016 and 2015, the income tax expense and related accounts were as follows:

	2016	2015
Current income tax expense	\$ 108,074	166,695
Deferred income tax expense	502,294	110,409
Basic income tax	-	40,834
Income tax expense	<u>\$ 610,368</u>	<u>317,938</u>

As of December 31, 2016, and 2015, the current tax assets of the Bank amounted to \$284,209 thousand and \$239,692 thousand, respectively, the current tax liabilities of the Bank amounted to \$17,998 thousand and \$99,875 thousand, respectively.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

	<u>2016</u>	<u>2015</u>
Income tax from profit before tax at statutory rate	\$ 132,156	298,676
Permanent difference	6,565	(155,561)
Prior-year income tax adjustments	402,012	35,695
Basic income tax	-	40,834
Other adjustments per tax regulation	69,635	98,294
Income tax expense	<u>\$ 610,368</u>	<u>317,938</u>

For the years ended December 31, 2016 and 2015, the components of tax expense (benefit) recognized as other comprehensive income were as follows:

	<u>2016</u>	<u>2015</u>
Item that may not to be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit plan	<u>\$ 19,232</u>	<u>5,508</u>
Items that may be reclassified subsequently to profit or loss:		
Change in fair value of available-for-sale financial assets recognized	\$ (66,919)	(40,713)
Change in fair value of cash flow hedges recognized	(6,532)	(29,437)
Total	<u>\$ (73,451)</u>	<u>(70,150)</u>

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

	<u>2016</u>	<u>2015</u>
Bad debt expense and guarantee liability provision	\$ (28,912)	(45,419)
Depreciation expense	1,298	(10,191)
Impairment loss on assets	-	2,659
Expenses from share-based payments	(4,912)	(3,690)
Employee benefits	28,399	12,061
Provisions	(13,312)	8,072
Deferred income	74,732	64,007
Loss carryforwards	401,363	49,046
Unrealized interest income on financial assets	(10,015)	(5,886)
Amortization of goodwill	53,653	53,653
Exclusivity fee income	-	(13,903)
	<u>\$ 502,294</u>	<u>110,409</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

The Bank's temporary difference of deferred tax components, based on the 17% tax rate for December 31, 2016 and 2015 were as follows:

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Deferred tax assets:		
Bad debt expense and guarantee liability provision	\$ 378,719	349,807
Depreciation expense	28,861	30,159
Impairment loss on assets	34,500	34,500
Expenses from share-based payments	36,775	31,863
Employee benefits	224,734	272,365
Provisions	26,821	13,509
Deferred income	27,114	101,846
Loss carryforwards	1,001,212	1,402,575
Unrealized loss on cash flow hedge	8,280	1,748
Total	<u>\$ 1,767,016</u>	<u>2,238,372</u>
Deferred tax liabilities:		
Unrealized interest income on financial assets	\$ 76,223	86,238
Amortization of goodwill	429,223	375,570
Land value increment tax	120,468	123,716
Unrealized gain on available-for-sale financial assets	19,830	86,749
Total	<u>\$ 645,744</u>	<u>672,273</u>

The movements of deferred tax items were as follows:

	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 1,566,099	1,598,403
Recognized in current period profit and loss	(502,294)	(110,409)
Land value increment tax	3,248	13,463
Recognized in other comprehensive income	54,219	64,642
Ending balance	<u>\$ 1,121,272</u>	<u>1,566,099</u>

The income tax returns of the prior years have been assessed up to the year 2014.

23) Information of imputation credit account

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Imputation credit account	<u>\$ 290,340</u>	<u>156,765</u>

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.

	<u>2016 (estimated)</u>	<u>2015 (actual)</u>
Tax creditable ratios of distribution of retained earnings to R.O.C. residents	<u>10.69 %</u>	<u>6.90 %</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

24) Stockholders' equity

(a) Capital

As of December 31, 2016, 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 unrepresented shareholders dividends for the 2005 and 2006 fiscal year, prior to its acquisition of Hsinchu International Bank Co., Ltd, the unrepresented 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 unrepresented dividend obligations should be classified as capital surpluses.

(c) Legal reserve

Whenever the Bank generates a profit in accordance with "The Banking Act of The Republic of China". A bank, at the time of distributing its earnings for each fiscal year, shall set aside thirty percent (30%) of its after tax earnings as a legal reserve, until the legal reserve equals to the capital. However, unless and until the accumulated legal reserve equals the Bank's paid in capital, the maximum cash profits which may be distributed shall not exceed fifteen percent (15%) of the Bank's paid in capital. In addition to the legal reserve, a special reserve can be appropriated and approved by the stockholders' meeting. The board of directors approved the distribution of the 2015 and 2014 earnings on June 28, 2016, and June 29, 2015, and appropriated legal reserve of \$431,695 thousand and \$979,926 thousand, respectively.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(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 the special reserve set aside previously may be reversed to distributable earnings. In accordance with that regulation, under the situation of not having sufficient increment of retained earnings resulted from first time adoption of IFRS, the Bank can shift that incremental amount \$239,413 thousand to special reserves.

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

(e) Other equity interest

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

	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	Total
January 1, 2016	\$ 624,125	(8,534)	615,591
Available-for-sale financial assets – net			
– Valuation adjustment	(745,441)	-	(745,441)
Cash flow hedge			
– Unrealized loss	-	(31,893)	(31,893)
December 31, 2016	<u>\$ (121,316)</u>	<u>(40,427)</u>	<u>(161,743)</u>
	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	Total
January 1, 2015	\$ 728,684	135,187	863,871
Available-for-sale financial assets – net			
– Valuation adjustment	(104,559)	-	(104,559)
Cash flow hedge			
– Unrealized gain	-	(143,721)	(143,721)
December 31, 2015	<u>\$ 624,125</u>	<u>(8,534)</u>	<u>615,591</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(f) Dividend policy and appropriation of earnings

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

On June 28, 2016, the board of directors, representing shareholders, approved the distribution of retained earnings and distributed cash dividends for 2015 were as follows:

	2015
Legal reserve appropriated	\$ 431,695
Cash dividends of ordinary share	<u>1,034,181</u>
Total	<u>\$ 1,465,876</u>

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.

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.

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

	2014
Legal reserve appropriated	\$ 979,926
Cash dividends of ordinary share	<u>2,728,080</u>
Total	<u>\$ 3,708,006</u>

Furthermore, the board of directors approved the distribution of bonus to employees for \$229 thousand; no differences between the actual and the estimated distributed in recorded.

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

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

25) Share-based payments

The SC PLC Group operates a number of share-based arrangements for its executive directors and employees. For the years ended December 31, 2016 and 2015, the share-based payment schemes adopted by the Bank were as follows:

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

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

The option movements of the AESP were as follows:

	<u>2016 Units</u>	<u>2015 Units</u>
Beginning balance	471,278	466,480
Add: granted	60,928	280,610
Less: exercised	-	8,448
lapsed	<u>150,637</u>	<u>267,364</u>
Ending balance	<u><u>381,569</u></u>	<u><u>471,278</u></u>

For the years ended December 31, 2016 and 2015, the costs of the AESP charged to profits or losses were \$10,422 thousand and \$15,605 thousand, respectively, recorded under operating expenses – employee benefits expense.

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

	<u>2016</u>	
	<u>October 4</u>	
Grant date	£	6.50
Share price at grant date	£	5.30
Exercise price		3
Vesting period (years)		34.2
Expected volatility (%)		3.33
Expected option life (years)		0.13
Risk-free rate (%)		3.04
Expected dividend yield (%)		1.71
Fair value	£	

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

	2015	
	October 7	
Grant date		
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 (%)		0.9
Expected dividend yield (%)		6.30
Fair value	£	1.40

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 "RSS")

Restricted Share Awards ("RSA") which are made outside of the annual performance process as replacement buy-out awards to new joiners who forfeit awards on leaving their previous employers, vest in instalments on the anniversaries of the award date specified at the time of grant. This enables the Bank to meet regulatory requirements relating to buy-outs, and is in line with market practice. In line with similar plans operated by the competitors of the Bank, RSA are not subject to an annual limit and do not have any performance measures.

The option movements of the RSA were as follows:

	2016 Units	2015 Units
Beginning balance	141,434	121,384
Add: granted	22,561	49,957
dividend	672	2,834
Less: exercised	22,139	19,095
lapsed	9,174	13,646
Ending balance	133,354	141,434

For the years ended December 31, 2016 and 2015, the costs of the RSA charged to profits or losses were \$16,063 thousand and \$22,989 thousand, respectively, recorded under operating expenses — employee benefits expense.

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The fair value for all employees is based on 100 per cent of the face value of the shares at the date of grant as the share price will reflect expectations of all future dividends. The expected dividend yield assumption is based on a historical average over a period commensurate with this "average" period until vesting, or over one year if the average period until vesting is less than one year.

Grant date	2016					
	November 30		October 4		June 15	
Share price at grant date	£	6.41	£	6.50	£	5.05
	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)
Vesting period (years)						
1	-	6.41	-	6.50	-	-
2	2.40	6.11	2.40	6.20	-	-
2/3	2.50	6.03	2.50	6.11	3.60	4.62
3	3.00	5.87	3.00	5.95	-	-
2/3/4	-	-	-	-	-	-
1/2/3/4	-	-	-	-	-	-
4	-	-	3.10	5.76	-	-

Grant date	2016			
	May 4		March 11	
Share price at grant date	£	5.08	£	4.68
	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)
Vesting period (years)				
2/3		3.60	4.65	3.50
3		3.40	4.60	-
2/3/4		3.80	4.65	-
1/2/3/4		-	-	3.50
4		3.40	4.44	-

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

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Notes to the Financial Statements

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

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

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

	<u>2016 Units</u>	<u>2015 Units</u>
Beginning balance	65,524	100,182
Add: granted	-	3,146
Less: exercised	1,883	6,371
lapsed	<u>22,661</u>	<u>31,433</u>
Ending balance	<u><u>40,980</u></u>	<u><u>65,524</u></u>

For the years ended December 31, 2016 and 2015, the costs of the PSA (PSP) reversed to profit or loss were \$3,400 thousand and \$3,721 thousand, respectively, recorded under operating expenses – employee benefits expense.

	<u>2015</u>
	<u>March 19</u>
Grant date	
Share price at grant date	£ 10.51
Vesting period (years)	5
Fair value (TSR)	£ 1.08
Fair value (EPS)	£ 2.65
Fair value (RoRWA)	£ 2.65

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

The Supplementary Restricted Share Award ("SRSS") is now closed to new grants and is replaced by Restricted Share Awards ("RSA"); however, there remain outstanding vested awards. Awards were generally in the form of nil cost options and did not have any performance measures. Generally deferred restricted share awards vested equally over three years and for non-deferred awards half vested two years after the date of grant and the balance after three years.

The option movements of the SRSS were as follows:

	<u>2016 Units</u>	<u>2015 Units</u>
Beginning balance	12,027	16,797
Add: granted	-	577
Less: exercised	<u>122</u>	<u>5,347</u>
Ending balance	<u><u>11,905</u></u>	<u><u>12,027</u></u>

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Notes to the Financial Statements

For the years ended December 31, 2016, the cost of the SRSS charged to profits or losses was \$340 thousand, recorded under operating expenses — employee benefits expense.

(e) Long-term Incentive Plan Awards

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

The option movements of the LTIP were as follows:

	<u>2016 Units</u>	<u>2015 Units</u>
Beginning balance	-	-
Add: granted	<u>51,263</u>	-
Ending balance	<u><u>51,263</u></u>	<u>-</u>

For the year ended December 31, 2016 and 2015, no related cost of stock warrants was recorded.

	<u>2016</u>			
	<u>June 15</u>	<u>May 4</u>	<u>May 4</u>	<u>March 11</u>
Grant date				
Share price at grant date	£ 5.05	£ 5.08	£ 5.08	£ 4.68
Vesting period (years)	3	3	3/4/5/6/7	3
Fair value (RoE)	£ 1.68	£ 1.69	£ 1.69	£ 1.56
Fair value (TSR)	£ 1.24	£ 1.25	£ 1.12	£ 1.15
Fair value (Strategic)	£ 1.68	£ 1.69	£ 1.69	£ 1.56

The vesting of awards granted in 2016 is subject to the satisfaction of RoE (subject to a capital underpin) and relative TSR performance measures and achievement of a strategic scorecard. The fair value of the TSR component is calculated using the probability of meeting the measures over a three year performance period, using a Monte Carlo simulation model. The number of shares expected to vest is evaluated at each reporting date, based on the expected performance against the RoE and strategic measures in the scorecard, to determine the accounting charge.

26) Earnings per share

	<u>2016</u>	<u>2015</u>
Net income attributable to common stockholders (after tax)	<u>\$ 167,018</u>	<u>1,438,982</u>
Common stock (in thousands)	<u>\$ 2,910,572</u>	<u>2,910,572</u>
Basic EPS (in dollars)	<u>\$ 0.06</u>	<u>0.49</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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.

27) Net interest income

	<u>2016</u>	<u>2015</u>
Interest income		
Interest income, discounts and loans	\$ 7,061,118	8,345,077
Interest income, accounts receivable factoring	134,301	214,899
Interest income, due from banks	707,582	1,367,038
Interest income, available-for-sale financial assets	1,272,484	1,757,281
Interest income, credit card recurrence	264,080	323,295
Interest income, other	<u>286,124</u>	<u>228,762</u>
Subtotal	9,725,689	12,236,352
Interest expense		
Interest expense, deposits	2,746,649	3,715,073
Interest expense, due to banks	222,812	263,531
Interest expense, financial debentures	584,419	1,088,574
Interest expense, other	<u>13,891</u>	<u>37,399</u>
Subtotal	<u>3,567,771</u>	<u>5,104,577</u>
Total	<u>\$ 6,157,918</u>	<u>7,131,775</u>

28) Net service fee income

	<u>2016</u>	<u>2015</u>
Service fee		
Service fee, loan	\$ 87,959	136,644
Service fee, agency	5,650	6,696
Service fee, insurance commission	1,758,772	1,771,426
Service fee, remittance and interbank	111,606	122,252
Service fee, guarantee, import, export and acceptance payable	57,066	75,850
Service fee, credit card	300,346	340,028
Service fee, trust	1,747,117	1,955,254
Service fee, factoring	21,283	82,533
Service fee, underwriting	287,917	3,333
Service fee, other	<u>155,689</u>	<u>55,023</u>
Subtotal	4,533,405	4,549,039
Service charge		
Service charge, interbank	163,138	206,140
Service charge, agency	124,559	126,898
Service charge, custodian	112,434	111,320
Service charge, other	<u>122,021</u>	<u>85,801</u>
Subtotal	<u>522,152</u>	<u>530,159</u>
Total	<u>\$ 4,011,253</u>	<u>4,018,880</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

	<u>2016</u>	<u>2015</u>
Gain (loss) on disposal		
Interest-rate instruments	\$ 70,791	165,098
Derivative financial instruments	<u>(49,985)</u>	<u>1,660,831</u>
Subtotal	20,806	1,825,929
Gain (loss) on valuation		
Interest-rate instruments	(52,065)	22,498
Derivative financial instruments	<u>2,293,654</u>	<u>(711,016)</u>
Subtotal	2,241,589	(688,518)
Interest income	<u>42,295</u>	<u>94,477</u>
Total	<u>\$ 2,304,690</u>	<u>1,231,888</u>

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

	<u>2016</u>	<u>2015</u>
Profit on sale – debt instruments	\$ 59,642	77,426
Profit on sale – equity instruments	-	6,465
Total	<u>\$ 59,642</u>	<u>83,891</u>

31) Net other non-interest income

	<u>2016</u>	<u>2015</u>
Administrative support service income	\$ 626	2,838
Net (loss) gain on disposal of assets	(29,387)	91,903
Gain on financial assets carried at cost	17,552	58,957
Rental income	11,542	12,703
Net (loss) gain on fair value hedge	(403)	20,146
Other	<u>14,482</u>	<u>10,480</u>
Total	<u>\$ 14,412</u>	<u>197,027</u>

32) Impairment losses on assets

	<u>2016</u>	<u>2015</u>
Impairment loss – land	\$ 486	16,265
Gain on reversal of impairment loss – buildings	-	(767)
Total	<u>\$ 486</u>	<u>15,498</u>

33) Bad debt expense and guarantee liability provision

	<u>2016</u>	<u>2015</u>
Bad debt expense	\$ 1,469,349	1,163,792
Guarantee liability provision (reversal)	464	(78,241)
Total	<u>\$ 1,469,813</u>	<u>1,085,551</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

34) Employee benefits expense

	<u>2016</u>	<u>2015</u>
Salary expense	\$ 4,167,467	4,373,428
Employee insurance	298,096	330,386
Pension		
Defined contribution plan	151,729	164,528
Defined benefit plan	57,685	129,706
Other	<u>374,056</u>	<u>340,684</u>
Total	<u>\$ 5,049,033</u>	<u>5,338,732</u>

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

The accrued employee's remuneration of the Bank for the years ended December 31, 2016 was \$78 thousand, recorded under operating expenses—employee benefits expense. Any difference between the actual and estimated distributed bonus in 2017 shall be treated as changes in accounting estimates and recognized as profit or loss in 2017.

The accrued employee's remuneration of the Bank for the year ended December 31, 2015 was \$160 thousand, recorded under operating expenses—employee benefits expense, with no difference between the actual and estimated distributed bonus. Relevant information can be accessed through Market Observation Post System.

For the years ended December 31, 2016 and 2015, the average numbers of the Bank's employees were 3,371 and 3,732, respectively.

35) Depreciation and amortization expenses

	<u>2016</u>	<u>2015</u>
Depreciation expense		
Buildings	\$ 91,717	91,996
Office equipment	21,007	29,909
Leasehold improvements	41,617	114,329
Other equipment	<u>46,645</u>	<u>54,095</u>
Subtotal of depreciation	200,986	290,329
Computer software amortization	-	27
Total	<u>\$ 200,986</u>	<u>290,356</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

36) Other general and administrative expenses

	<u>2016</u>	<u>2015</u>
Rental expense	\$ 535,905	514,255
Office supplies	85,686	109,982
Postage	177,308	205,446
Repairs and maintenance	246,149	177,043
Advertising expense	188,124	167,376
Utilities fee	87,735	103,758
Taxes	563,130	759,358
Professional service fee	86,613	100,457
Operational and advisory service fee	1,012,446	1,005,849
Consulting and technical support service fee	287,723	530,161
Wholesale banking business service fee	195,000	325,669
Building management fee	124,110	135,035
Computer management fee	313,816	327,108
Other	<u>828,231</u>	<u>788,284</u>
Total	<u>\$ 4,731,976</u>	<u>5,249,781</u>

37) 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.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

- 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.

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Notes to the Financial Statements

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

Financial instruments at fair value	December 31, 2016			
	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments:				
Assets:				
Financial assets at fair value through profit or loss				
Debt instruments	\$ 8,071,092	-	8,071,092	-
Available-for-sale financial assets – net				
Debt instruments	157,879,248	-	157,879,248	-
Other financial assets – net				
Restricted assets – debt instruments	14,284,345	-	14,284,345	-
Derivative financial instruments:				
Assets:				
Financial assets at fair value through profit or loss	18,459,587	15,836	18,443,751	-
Derivative financial assets for hedging – net	140,667	-	140,667	-
Liabilities:				
Financial liabilities at fair value through profit or loss	14,882,839	10,221	14,872,618	-
Derivative financial liabilities for hedging – net	40,185	-	40,185	-
December 31, 2015				
Financial instruments at fair value	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	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	-

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

- (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.

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Notes to the Financial Statements

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

	December 31, 2016	
	Book value	Fair value
Financial assets		
Cash and cash equivalents	\$ 14,168,772	14,168,772
Due from the Central Bank and call loans to banks	102,109,199	102,110,353
Securities purchased under resell agreements and debt instruments	3,196,000	3,236,428
Receivables—net	18,603,886	18,603,886
Discounts and loans—net	267,281,457	267,163,546
Other financial assets—net		
Financial assets carried at cost	127,362	127,362
Financial assets		
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	21,890,528	21,890,528
Discounts and loans—net	303,239,940	303,227,995
Other financial assets—net		
Financial assets carried at cost	130,089	130,089
Financial liabilities		
Deposits from the Central Bank and banks	\$ 31,412,055	31,415,765
Payables	3,673,461	3,673,461
Related parties payable	10,207,386	10,207,386
Deposits and remittances	492,606,933	492,851,047
Financial debentures—net	16,037,802	16,037,802
Other financial liabilities	1,033,273	1,033,273
Financial liabilities		
Deposits from the Central Bank and banks	\$ 27,979,736	27,981,270
Payables	8,480,694	8,480,694
Related parties payable	12,335,869	12,335,869
Deposits and remittances	497,589,001	497,727,955
Financial debentures—net	53,341,063	53,396,410
Other financial liabilities	1,158,492	1,158,492

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Notes to the Financial Statements

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

Financial instruments measured at amortised cost	December 31, 2016				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Non-derivative financial instruments:					
Assets:					
Cash and cash equivalents	\$ 14,168,772	-	14,168,772	-	14,168,772
Due from the Central Bank and call loans to banks	102,109,199	-	102,110,353	-	102,110,353
Securities purchased under resell agreements and debt instruments	3,196,000	-	3,236,428	-	3,236,428
Receivables—net	18,603,886	-	18,603,886	-	18,603,886
Discounts and loans—net	267,281,457	-	1,000,000	266,163,546	267,163,546
Other financial assets—net					
Financial assets carried at cost	127,362	-	-	127,362	127,362
Liabilities:					
Deposits from the Central Bank and banks	31,412,055	-	31,415,765	-	31,415,765
Payables	3,673,461	-	3,673,461	-	3,673,461
Related parties payable	10,207,386	-	10,207,386	-	10,207,386
Deposits and remittances	492,606,933	-	492,851,047	-	492,851,047
Financial debentures—net	16,037,802	-	16,037,802	-	16,037,802
Other financial liabilities	1,033,273	-	1,033,273	-	1,033,273
December 31, 2015					
Financial instruments measured at amortised cost	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
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	21,890,528	-	21,890,528	-	21,890,528
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	8,480,694	-	8,480,694	-	8,480,694
Related parties payable	12,335,869	-	12,335,869	-	12,335,869
Deposits and remittances	497,589,001	-	497,727,955	-	497,727,955
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.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

i. Market risk

i) Strategy and procedure of market risk management

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

ii) Market risk management organization and structure

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

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

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

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

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

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

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

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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.

	2016			2015		
	<u>Average</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Average</u>	<u>Maximum</u>	<u>Minimum</u>
Foreign exchange VaR \$	4,860	11,533	1,145	3,538	8,192	1,095
Interest rate VaR	50,710	66,716	26,394	36,570	53,778	26,591
Risk rate VaR	51,038	67,165	26,959	36,773	53,978	26,914

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

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

	December 31, 2016			December 31, 2015		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Long position						
USD	\$18,623,487	32.283	601,230,016	16,096,051	32.944	530,268,897
CNY	25,142,477	4.637	116,596,332	20,292,976	5.075	102,985,830
EUR	1,459,586	33.870	49,436,211	841,544	35.970	30,269,568
JPY	90,136,985	0.275	24,818,870	91,124,869	0.274	24,932,900
HKD	4,816,118	4.163	20,049,416	433,513	4.251	1,842,733
Short position						
USD	18,575,830	32.283	599,691,496	16,135,635	32.944	531,572,928
CNY	25,133,334	4.637	116,553,935	20,305,972	5.075	103,051,785
EUR	1,463,353	33.870	49,563,810	841,498	35.970	30,267,916
JPY	90,146,108	0.275	24,821,382	91,201,776	0.274	24,953,943
HKD	4,819,926	4.163	20,065,268	428,843	4.251	1,822,885

i) Interest rate sensitivity information

A. Interest rate sensitivity analysis (NTD)

December 31, 2016

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	\$ 312,571,391	19,518,441	28,002,153	62,325,097	422,417,082
Interest rate sensitive liabilities	259,609,575	22,597,629	27,838,894	5,546,417	315,592,515
Interest rate sensitive gap	52,961,816	(3,079,188)	163,259	56,778,680	106,824,567
Net worth					41,597,037
Ratio of interest rate sensitive assets to liabilities (%)					133.85
Ratio of interest rate sensitive gap to net worth (%)					256.81

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

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

B. Interest rate sensitivity analysis (USD)

December 31, 2016 Units: in thousands of US Dollars

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	\$ 3,885,067	312,698	250,013	-	4,447,778
Interest rate sensitive liabilities	4,822,472	565,155	966,956	205,758	6,560,341
Interest rate sensitive gap	(937,405)	(252,457)	(716,943)	(205,758)	(2,112,563)
Net worth					4,093
Ratio of interest rate sensitive assets to liabilities (%)					67.80
Ratio of interest rate sensitive gap to net worth (%)					(51,614.05)

December 31, 2015 Units: in thousands of US Dollars

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	\$ 3,445,197	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)

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.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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.

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.

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Notes to the Financial Statements

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 in a regulatory breach, and may not be able to enforce a contract against another party due to 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.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

B. Policies and Procedures

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

ii) Credit risk management organization and structure

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

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

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

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

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

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

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

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

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

- 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	
	December 31, 2016	December 31, 2015
Off-balance-sheet items		
Other guarantees	\$ 2,712,222	2,808,832
Unused amount of irrevocable loan commitments	697,346	462,103
Unused amount of irrevocable letters of credit	886,991	1,154,935
Total	\$ 4,296,559	4,425,870

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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:

A. By industry

	December 31, 2016	December 31, 2015
Individual	\$ 177,217,124	202,309,525
Manufacturing	42,401,520	44,300,341
Transportation and warehousing	23,727,467	20,192,020
Commercial	12,164,211	10,284,335
Government	1,000,000	19,000,000
Financial industry	9,679,380	3,831,930
Other	6,247,258	8,126,130
Total	<u>\$ 272,436,960</u>	<u>308,044,281</u>

B. By area

	December 31, 2016	December 31, 2015
Domestic	\$ 230,261,980	268,897,803
Overseas	42,174,980	39,146,478
Total	<u>\$ 272,436,960</u>	<u>308,044,281</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

C. By collateral

	December 31, 2016	December 31, 2015
Unsecured	\$ 79,934,290	99,150,444
Secured		
– Real estate	155,144,402	177,623,327
– Movable asset	20,784,795	20,429,692
– Debt instrument	13,664,512	8,600,624
– Other	2,908,961	2,240,194
Total	<u>\$ 272,436,960</u>	<u>308,044,281</u>

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, 2016					
	Neither past due nor impaired	Past due but not impaired	Impaired	Allowance for bad debts		Total
				Individually impaired	Collectively impaired	
Receivables						
Credit cards accounts receivable	\$ 3,555,627	86,875	688,395	220,913	23,523	4,086,461
Accounts receivable factoring	9,965,494	-	-	-	-	9,965,494
Financial derivatives credit default receivables	-	-	317,736	190,972	-	126,764
Discounts and loans						
Consumer banking	170,747,573	2,820,459	4,352,781	998,101	2,565,327	174,357,385
Wholesale banking	92,236,678	67,988	2,211,481	1,114,071	522,742	92,879,334
Available-for-sale financial assets	157,879,248	-	-	-	-	157,879,248
Other financial assets						
Overdue receivable	-	-	326,181	326,181	-	-
	<u>\$ 434,384,620</u>	<u>2,975,322</u>	<u>7,896,574</u>	<u>2,850,238</u>	<u>3,111,592</u>	<u>439,294,686</u>

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Notes to the Financial Statements

	December 31, 2015					Total
	Neither past due nor impaired	Past due but not impaired	Impaired	Allowance for bad debts		
				Individually impaired	Collectively impaired	
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
	<u>\$ 497,119,592</u>	<u>3,633,553</u>	<u>8,183,488</u>	<u>1,970,100</u>	<u>3,224,033</u>	<u>503,742,500</u>

- 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, 2016			
	Investment grade	Sub-investment grade	High risk grade	Total
Receivables				
Credit cards accounts receivable	\$ 1,287,771	2,224,565	43,291	3,555,627
Accounts receivable factoring	4,299,439	227,822	5,438,233	9,965,494
Discounts and loans				
Consumer banking	145,926,708	23,989,607	831,258	170,747,573
Wholesale banking	21,391,148	39,420,986	31,424,544	92,236,678
Total	<u>\$ 172,905,066</u>	<u>65,862,980</u>	<u>37,737,326</u>	<u>276,505,372</u>

	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	<u>\$ 230,501,450</u>	<u>83,802,795</u>	<u>30,864</u>	<u>314,335,109</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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, 2016				
	Investment grade	Sub-investment grade	High risk grade	Total
Receivables				
Credit cards accounts receivable	\$ 17	69,804	17,054	86,875
Discounts and loans				
Consumer banking	1,941	1,352,297	1,466,221	2,820,459
Wholesale banking	-	65,001	2,987	67,988
Total	\$ 1,958	1,487,102	1,486,262	2,975,322

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

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, 2016				
	Investment grade	Sub-investment grade	High risk grade	Total
Available-for-sale financial assets				
Debt instruments	\$ 157,879,248	-	-	157,879,248
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

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Notes to the Financial Statements

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, 2016				
	Up to 1 month	1-2 months	2-3 months	Over 3 months	Total
Receivables					
Credit cards					
accounts receivable \$	42,660	18,113	10,246	15,856	86,875
Discounts and loans					
Consumer banking	1,755,629	694,843	222,066	147,921	2,820,459
Wholesale banking	26,033	7,538	34,417	-	67,988
Total	<u>\$ 1,824,322</u>	<u>720,494</u>	<u>266,729</u>	<u>163,777</u>	<u>2,975,322</u>

	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	<u>\$ 2,394,090</u>	<u>760,732</u>	<u>215,454</u>	<u>263,277</u>	<u>3,633,553</u>

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, 2016				
		Non-performing loan	Loan balances	NPL ratio	Allowance for bad debts	Coverage ratio
Wholesale Banking	Secured	4,454	36,892,150	0.01 %	70,277	1,577.84 %
	Unsecured	1,104,624	57,623,997	1.92 %	1,566,536	141.82 %
Consumer Banking	Mortgage	302,999	128,591,031	0.24 %	2,273,686	750.39 %
	Personal loan	194,795	27,640,856	0.70 %	1,230,052	631.46 %
	Others					
	Secured	65,691	19,723,026	0.33 %	52,089	79.29 %
	Unsecured	37,011	1,965,900	1.88 %	7,601	20.54 %
Total		1,709,574	272,436,960	0.63 %	5,200,241	304.18 %
	Overdue		Accounts receivable	Overdue ratio	Allowance for bad debts	Coverage ratio
Credit card		17,116	4,330,897	0.40 %	244,436	1,428.11 %
Factoring loan receivable without recourse		-	9,965,494	- %	-	- %

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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	- %	-	- %	

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

Units: in thousands of New Taiwan Dollars

	December 31, 2016		December 31, 2015	
	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	\$ 5,919	21,358	8,380	29,889
The amount under debt discharge program and rehabilitation program without default by debtors	337,599	49,012	419,195	60,224
	<u>\$ 343,518</u>	<u>70,370</u>	<u>427,575</u>	<u>90,113</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

B. Concentration of corporate credit risk for the bank

Units: in thousands of New Taiwan Dollars, %

December 31, 2016			
Rank	Industry classification of group enterprise	Outstanding credit	% of net assets
1	A Company Other financial intermediation service not elsewhere classified	5,811,017	13.93 %
2	B Group Aviation transportation	5,618,753	13.46 %
3	C Group Other weaving industry	5,601,351	13.42 %
4	D Company Copper metallurgy industry	3,874,011	9.28 %
5	E Group Other computer peripheral manufacturing industry	3,797,787	9.10 %
6	F Group Other transportation vehicles leasing	3,785,282	9.07 %
7	G Group Ocean freight industry	3,496,553	8.38 %
8	H Group Semiconductors packing and testing	3,013,235	7.22 %
9	I Group Petrochemicals manufacturing	2,593,763	6.22 %
10	J Group Aviation transportation	2,131,777	5.11 %

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

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.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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 \$164.8 billion, which is equivalent to 27% 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.

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 non-derivatives liabilities based on time remaining until the contractual maturity date.

	December 31, 2016				
	Within 3 months	3 months~1 year	1~5 years	Over 5 years	Total
Deposits from the Central Bank and banks	\$ 30,575,849	836,206	-	-	31,412,055
Payables	3,673,461	-	-	-	3,673,461
Related parties payable	10,207,386	-	-	-	10,207,386
Deposits and remittances	405,262,689	81,589,925	5,754,319	-	492,606,933
Financial debentures	31,116	1,000,000	8,550,000	6,456,686	16,037,802
Other financial liabilities	763,801	95,531	173,941	-	1,033,273
Total	<u>\$ 450,514,302</u>	<u>83,521,662</u>	<u>14,478,260</u>	<u>6,456,686</u>	<u>554,970,910</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

	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	8,480,694	-	-	-	8,480,694
Related parties payable	12,335,869	-	-	-	12,335,869
Deposits and remittances	400,804,287	93,040,948	3,743,766	-	497,589,001
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	\$ 478,525,514	102,105,962	11,664,572	8,588,807	600,884,855

v) Maturity analysis of derivative financial liabilities

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

A. Maturity analysis of net settled derivatives

	December 31, 2016					
	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Derivative financial instruments at fair value through profit or loss						
– Foreign exchange derivative instruments	\$ 327,986	115,370	1,334,460	1,513,606	3,960	3,295,382
– Interest rate derivative instruments	4,981	13,680	49,282	44,221	2,349,131	2,461,295
Derivative financial instruments for hedging						
– Interest rate derivative instruments	-	-	-	3,375	11,585	14,960
Total	\$ 332,967	129,050	1,383,742	1,561,202	2,364,676	5,771,637
	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 or 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
Total	\$ 236,172	766,850	409,369	1,424,324	7,928,697	10,765,412

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

B. Maturity analysis of gross settled derivatives

	December 31, 2016					
	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Derivative financial instruments at fair value through profit or loss						
– Foreign exchange derivative instruments						
– Cash outflow	\$ 214,020,053	157,501,738	79,349,474	34,918,379	-	485,789,644
– Cash inflow	210,658,070	154,822,892	78,009,574	34,063,130	-	477,553,666
Derivative financial instruments for hedging						
– Foreign exchange derivative instruments						
– Cash outflow	-	-	1,306,000	-	-	1,306,000
Net cash flow	<u>\$ (3,361,983)</u>	<u>(2,678,846)</u>	<u>(2,645,900)</u>	<u>(855,249)</u>	<u>-</u>	<u>(9,541,978)</u>
	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 or 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	<u>\$ (3,489,901)</u>	<u>(3,676,047)</u>	<u>(3,096,817)</u>	<u>(4,503,218)</u>	<u>(586,952)</u>	<u>(15,352,935)</u>

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 balance sheets.

	December 31, 2016				
	0-30 days	31-90 Days	91 days-1 year	Over 1 year	Total
Other guarantees	\$ 189,839	712,968	1,060,898	748,517	2,712,222
Unused amount of irrevocable loan commitments	27,075	54,150	9,906	606,215	697,346
Unused amount of irrevocable letters of credit	307,283	531,188	48,520	-	886,991
	<u>\$ 524,197</u>	<u>1,298,306</u>	<u>1,119,324</u>	<u>1,354,732</u>	<u>4,296,559</u>
	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	107,463	214,926	39,318	100,396	462,103
Unused amount of irrevocable letters of credit	207,284	625,799	321,852	-	1,154,935
	<u>\$ 699,358</u>	<u>1,518,760</u>	<u>1,263,142</u>	<u>944,610</u>	<u>4,425,870</u>

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

vii) Structure Analysis of Maturity Date New Taiwan Dollars

December 31, 2016

	Total	Remaining period to expiration					
		0~10 days	11~30 days	31~90 days	91~180 days	181 days~ Over 1 year	Over 1 year
Capital provided	\$ 742,860,006	116,202,607	90,334,513	143,107,819	95,938,190	76,072,849	221,204,028
Capital used	849,647,304	94,857,966	104,252,646	197,553,560	119,183,109	56,871,404	276,928,619
Gap	(106,787,298)	21,344,641	(13,918,133)	(54,445,741)	(23,244,919)	19,201,445	(55,724,591)

December 31, 2015

	Total	Remaining period to expiration					
		0~10 days	11~30 days	31~90 days	91~180 days	181 days~ Over 1 year	Over 1 year
Capital provided	\$ 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)

viii) Structure Analysis of Maturity Date US Dollars

December 31, 2016

Units: in thousands of US Dollars

	Total	Remaining period to expiration				
		0~30 days	31~90 days	91~180 days	181 days~ Over 1 year	Over 1 year
Capital provided	\$ 22,276,591	9,882,811	6,808,901	3,513,848	1,146,438	924,593
Capital used	23,020,460	9,494,595	6,588,754	3,204,384	2,138,314	1,594,413
Gap	(743,869)	388,216	220,147	309,464	(991,876)	(669,820)

December 31, 2015

Units: in thousands of US Dollars

	Total	Remaining period to expiration				
		0~30 days	31~90 days	91~180 days	181 days~ Over 1 year	Over 1 year
Capital provided	\$ 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)

(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.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

December 31, 2016						
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)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial assets	\$ 18,600,254	-	18,600,254	8,860,642	870,489	8,869,123
Securities purchased under resell agreements	3,196,000	-	3,196,000	-	3,196,000	-
Total	\$ 21,796,254	-	21,796,254	8,860,642	4,066,489	8,869,123
December 31, 2016						
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)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial liabilities	\$ 14,923,024	-	14,923,024	8,860,642	533,330	5,529,052
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)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial assets	\$ 18,330,957	-	18,330,957	5,203,720	2,446,420	10,680,817
Securities purchased under resell agreements	2,499,824	-	2,499,824	-	2,499,824	-
Total	\$ 20,830,781	-	20,830,781	5,203,720	4,946,244	10,680,817
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)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial liabilities	\$ 17,091,448	-	17,091,448	5,203,720	9,385,543	2,502,185

(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.

(Continued)

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

- 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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

iii. Capital adequacy

Item		Period-end	December 31, 2016	December 31, 2015
Self-owned capital		Common stock capital	37,530,261	38,369,729
		Other Tier 1 capital	-	-
		Tier 2 capital	10,119,637	10,861,100
		Total self-owned capital	47,649,898	49,230,829
Risk- weighted assets	Credit risk	Standard approach (SA)	273,014,017	300,942,295
		Internal ratings-based approach (IRB)	-	-
		Securitization	-	-
	Operat- ional risk	Basic indicator approach (BIA)	25,574,978	28,135,608
		Standardized approach(SA)/alternative approach	-	-
		Advanced measurement approach (AMA)	-	-
	Market risk	Standardized approach (SA)	16,826,701	13,447,757
		Internal model-based approach (IMA)	-	-
	Total risk-weighted assets	315,415,696	342,525,660	
Total risk-based capital			15.11 %	14.37 %
Ratio of common stock to total risk-based assets			11.90 %	11.20 %
Ratio of Tier 1 capital to risk-based assets			11.90 %	11.20 %
Leverage ratio			5.41 %	4.77 %

Note: Capital Adequacy was prepared in compliance with Regulations Governing the Capital Adequacy and Capital Category of Banks.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(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 Hong Kong")	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 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 Dubai ("SCB Dubai")	Affiliate
Standard Chartered Bank Mauritius ("SCB Mauritius")	Affiliate
Standard Chartered Bank France ("SCB France")	Affiliate
Standard Chartered Bank Australia ("SCB Australia")	Affiliate
Standard Chartered Bank India ("SCB India")	Affiliate
Ying Ji Li Asset Management Company Limited ("YJL")	Affiliate
Directors, Supervisors, President and Vice Presidents	The senior management of the Bank

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Name	Relationship
Others	<p>According to IAS No.24, "Related Party Disclosure", related party should include:</p> <p>1) Members of key management personnel or directors.</p> <p>2) Spouse, and first-or second-degree blood relatives of senior management, members of key management personnel or directors.</p> <p>3) Senior management, members of key management personnel or directors and entities with people listed above as their directors, supervisors or presidents.</p>

2) Significant transactions with related parties

(a) Deposits

December 31, 2016			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties not over 1% of total deposits	\$ <u>669,166</u>	<u>0.14</u>	0.00~6.70
December 31, 2015			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties not over 1% of total deposits	\$ <u>538,341</u>	<u>0.11</u>	0.00~6.10

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, 2016 and 2015, interest expenses on the above deposits were \$3,515 thousand and \$5,554 thousand, respectively. As of December 31, 2016 and 2015, the interest payables on the above transaction were \$161 thousand and \$227 thousand, respectively.

(b) Loans

Type of loan	Maximum balance during the period	Number of accounts or name of related party	Ending balance	2016 Repayment		Collateral	Difference between terms and conditions offered to the accounts and to the general public
				On-schedule	Overdue		
Employee consumer loans	9,165	14	5,557	5,557	-	Unsecured lending	None
Mortgage	167,911	23	144,371	144,371	-	House	None
Other	4,947	Other individuals	4,363	4,363	-	Overdraft on the comprehensive deposits	None

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Type of loan	Maximum balance during the period	Number of accounts or name of related party	Ending balance	Repayment		Collateral	Difference between terms and conditions offered to the accounts and to the general public
				On-schedule	Overdue		
Employee consumer loans	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

For the years ended December 31, 2016 and 2015, interest income on the above loans were \$2,189 thousand and \$2,886 thousand, respectively. As of December 31, 2016 and 2015, the interest receivables on the above transaction were \$126 thousand and \$121 thousand, respectively.

(c) Foreign exchange and derivative transactions

December 31, 2016						
Name	Contracts	Contracts duration period	Notional	Gain (loss) on valuation	Balance sheet	
					Account	Balance
SCB	Interest rate swap	2017.1.25~2026.10.26	\$ 199,978,124	(106,100)	Financial assets at fair value through profit or loss	530,883
					Financial liabilities at fair value through profit or loss	(635,140)
	Spot/forward/swap	2017.1.3~2017.12.15	108,778,910	196,025	Financial assets at fair value through profit or loss	1,090,473
					Financial liabilities at fair value through profit or loss	(1,964,036)
	Foreign exchange option	2017.1.2~2018.5.15	245,788,922	5,673,721	Financial assets at fair value through profit or loss	488,431
Financial liabilities at fair value through profit or loss					(2,892,781)	
Commodity swap	2017.1.4~2017.8.2	1,424,006	9,946	Financial assets at fair value through profit or loss	37,559	
				Financial liabilities at fair value through profit or loss	(23,480)	
Cross currency swap	2017.1.5~2017.1.20	17,755,870	1,094,145	Financial assets at fair value through profit or loss	1,063,662	
				Interest rate swap (Hedge)	2017.8.7~2018.11.29	5,220,226
SCB Singapore	Spot/forward/swap	2017.1.3~2017.11.6	81,624,339	1,445,291	Financial assets at fair value through profit or loss	2,119,345
					Financial liabilities at fair value through profit or loss	(672,321)
SCB Hong Kong	Spot/forward/swap	2017.1.3~2017.12.29	30,813,228	(103,256)	Financial assets at fair value through profit or loss	15,227
					Financial liabilities at fair value through profit or loss	(119,861)
SCB New York	Spot/forward/swap	2017.4.6~2017.8.25	2,259,838	(77,404)	Financial assets at fair value through profit or loss	33,753
					Financial liabilities at fair value through profit or loss	(111,157)

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

December 31, 2015						
Name	Contracts	Contracts duration period	Notional	Gain (loss) on valuation	Balance sheet	
					Account	Balance
SCB	Interest rate swap	2016.1.12~ 2022.7.1	\$ 8,318,790	35,901	Financial assets at fair value through profit or loss	25,065
					Financial liabilities at fair value through profit or loss	(23,222)
	Spot/forward/swap	2016.1.4~ 2017.4.28	144,818,597	(307,978)	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	2016.1.1~ 2016.7.27	132,673,720	(2,920,897)	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	(15,116)	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	55,353	Financial liabilities at fair value through profit or loss	(30,483)	
Commodity option	2016.1.15~ 2016.8.5	4,216,037	115,752	Financial liabilities at fair value through profit or loss	(28,192)	
Interest rate swap (Hedge)	2016.6.15~ 2018.11.29	11,573,240	(28,096)	Derivative financial assets for hedging	28	
				Derivative financial liabilities for hedging	(32,480)	
SCB Singapore	Spot/forward/swap	2016.1.4~ 2016.12.14	39,488,973	(211,231)	Financial assets at fair value through profit or loss	177,859
					Financial liabilities at fair value through profit or loss	(176,126)
SCB Hong Kong	Spot/forward/swap	2016.1.4~ 2016.1.5	844,900	(1,378)	Financial liabilities at fair value through profit or loss	(1,378)

(d) Deposits with banks — affiliates

	2016		
	Balance	Interest rate %	Interest income
SCB Japan	\$ 3,019,529	-	-
SCB New York	2,775,921	0.33	3,452
SCB	845,908	-	-
SCB Germany	722,757	-1.50	-
SCB Hong Kong	203,578	-	-
SCB Singapore	125,781	-	-
SCB China	34,873	0.48	1,415
SCB Thailand	1,138	-	-
SCB Philippines	184	-	-
	<u>\$ 7,729,669</u>		<u>4,867</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

	2015		
	Balance	Interest rate %	Interest income
SCB Germany	\$ 1,555,985	1.50	212
SCB	985,735	1.50	3
SCB Hong Kong	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

As of December 31, 2016 and 2015, no the interest receivables resulting from the above deposits with banks to affiliates was recorded. For the years ended December 31, 2016 and 2015, the service charge from the above deposits were \$27,294 thousand and \$22,401 thousand, respectively, recorded under under net service fee income.

(e) Call loans to banks – affiliates

	2016		
	Balance	Interest rate %	Interest income
SCB Taipei	\$ 35,211,021	-0.28~4.80	334,343
SCB	16,948,800	0.35~0.85	42,805
SCB Germany	6,774,006	-0.50~-0.45	(5,488)
SCB Korea	1,614,171	0.55~1.53	3,989
SCB Singapore	1,376,731	-0.26~-0.10	(11,430)
SCB Dubai	-	0.35~0.85	344
SCB China	-	0.55~1.80	1,236
SCB Vietnam	-	0.50	13
SCB Japan	-	-0.10~0.78	1,649
SCB New York	-	1.40~1.45	17,648
SCB Hong Kong	-	0.01~1.20	3,363
	\$ 61,924,729		388,472

	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 Hong Kong	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

As of December 31, 2016 and 2015, the interest receivables resulting from the above call loans to banks to affiliates were \$8,389 thousand and \$181,120 thousand, respectively, recorded under receivables – net.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(f) Deposits from banks – affiliates

	2016		
	<u>Balance</u>	<u>Interest rate %</u>	<u>Interest expense</u>
SCB Taipei	\$ <u>993,555</u>	0.01	<u>115</u>
	2015		
	<u>Balance</u>	<u>Interest rate %</u>	<u>Interest expense</u>
SCB Taipei	\$ <u>1,623,277</u>	0.01	<u>183</u>

As of December 31, 2016 and 2015, the interest payables resulting from the above deposits from banks to affiliates were \$2 thousand and \$5 thousand, respectively, recorded under related parties payable.

(g) Overdrafts on banks – affiliates

	2016		
	<u>Balance</u>	<u>Interest rate %</u>	<u>Interest expense</u>
SCB Germany	\$ -	1.50	3,612
SCB China	-	4.87	642
SCB Japan	-	1.55	156
SCB New York	-	0.50	125
SCB Hong Kong	-	13.25	85
SCB Singapore	-	5.75	79
SCB	-	1.25	31
	<u>\$ -</u>		<u>4,730</u>
	2015		
	<u>Balance</u>	<u>Interest rate %</u>	<u>Interest expense</u>
SCB Hong Kong	\$ 111,625	13.25	111
SCB New York	-	0.50	275
SCB China	-	-	1,426
Other	-	1.50~5.75	51
	<u>\$ 111,625</u>		<u>1,863</u>

As of December 31, 2016 and 2015, no interest payables resulting from the above overdrafts on banks to affiliates was recorded.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(h) Call loans from banks – affiliates

	2016		
	Balance	Interest rate %	Interest expense
SCB Hong Kong	\$ 12,926,061	0.08~6.80	59,813
SCB New York	9,685,029	0.85~1.75	16,621
SCB Korea	1,291,337	0.42~1.10	3,924
SCB Macau	1,093,392	0.05~0.99	6,500
SCB Taipei	613,385	0.39~0.70	2,327
SCB China	-	0.36~0.67	13,514
SCB Japan	-	0.11~1.30	1,408
SCB Thailand	-	0.50	110
SCB Singapore	-	0.50	760
SCB	-	1.00	2,184
	\$ 25,609,204		107,161

	2015		
	Balance	Interest rate %	Interest expense
SCB Hong Kong	\$ 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

As of December 31, 2016 and 2015, the interest payables resulting from the above call loans from banks to affiliates were \$15,835 thousand and \$2,254 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, 2016	December 31, 2015
SCB Hong Kong	\$ 6,401,768	6,385,341

For the years ended December 31, 2016 and 2015, the interest income resulting from the above transaction were \$439,602 thousand and \$376,512 thousand, respectively.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

<u>Name</u>	<u>Bond (note)</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
SCB	98-2	\$ -	4,941,605
SCB	98-3	-	4,941,605
SCB	103-1	-	13,177,614
SCB Hong Kong	103-1	-	5,929,927
SCB	103-2	6,456,686	6,588,808

Note: The issuance conditions and details of financial debentures are stated in note 6(17).

For the years ended December 31, 2016 and 2015, the interest expenses on the above transactions were \$403,805 thousand and \$880,352 thousand, respectively. As of December 31, 2016 and 2015, the interest payables on the above transactions were \$12,323 thousand and \$216,660 thousand, respectively, recorded under related parties payable.

- (k) Guarantee

	<u>2016</u>			
	<u>Maximum balance during the period</u>	<u>Ending balance</u>	<u>Expense</u>	<u>Collateral</u>
SCB Indonesia	\$ 25,827	25,827	USD100 (per case)	None
SCB Hong Kong	12,913	12,913	0.25% (per quarter)	None
	<u>2015</u>			
	<u>Maximum balance during the period</u>	<u>Ending balance</u>	<u>Expense</u>	<u>Collateral</u>
SCB Indonesia	\$ 26,335	26,335	USD100 (per case)	None
SCB Hong Kong	19,766	19,766	0.25% (per quarter)	None

- (l) For the years ended December 31, 2016, operational and advisory service fees, consulting and technical support service fees and wholesale banking business service fees were \$1,012,446 thousand, \$287,723 thousand, and \$195,000 thousand, respectively. 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. As of December 31, 2016 and 2015, fees payables to SCB were \$10,076,197 thousand and \$11,932,162 thousand, respectively, recorded under related parties payable. Moreover, for the years ended December 31, 2016 and 2015, the royalty expenses for obtaining the right to use intellectual property of the SC PLC Group the reversed and charged were \$570 thousand and \$42,421 thousand, respectively. As of December 31, 2015, the royalty expenses payable to SCB was \$40,833 thousand, respectively, recorded under related parties payable. For the years ended December 31, 2016, and 2015, the group insurance expenses for entering the group insurance amounted to \$33,431 thousand and \$34,935 thousand, respectively. As of December 31, 2015, the group insurance expenses payable to SCB was \$35,072 thousand, respectively, recorded under related parties payable.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

- (m) For the years ended December 31, 2016 and 2015, the related cost of the Executive Share Option Scheme amounted to \$23,425 thousand and \$34,873 thousand, respectively. As of December 31, 2016 and 2015, accounts payable to SCB for the share-based payment scheme costs amounted \$20,980 thousand and \$23,990 thousand, respectively, recorded under related parties payable, the prepaid fee to SCB for the share-based payment scheme costs amounted to \$900 thousand and \$918 thousand, respectively, recorded under other assets – net.
- (n) For the years ended December 31, 2016 and 2015, expenses resulting from operating and other business related activities with affiliates were as follows:

Name	2016	2015
Technical support service fees:		
SCB	\$ 10,292	8,455
SCB Hong Kong	6,761	1,112
SCB Singapore	2,935	1,861
other	1,985	93
Total	<u>\$ 21,973</u>	<u>11,521</u>
Information technology service fees:		
Scope International Private Ltd.	\$ 97,438	90,953
Scope International (M) Sdn Bhd	101,502	97,077
Total	<u>\$ 198,940</u>	<u>188,030</u>
Consultant service income, origination income, and trading income:		
SCB	\$ 333,232	889,740
SCB New York	24,392	-
SCB China	8,943	-
SCB Hong Kong	4,266	8,518
SCB Germany	2,421	-
SCB Mauritius	704	-
Total	<u>\$ 373,958</u>	<u>898,258</u>
Consultant service fees and origination fees:		
SCB China	\$ 7,795	-
SCB Philippine	4,266	1,168
SCB France	1,834	-
SCB Vietnam	1,735	4,464
SCB Australia	1,684	-
SCB South Africa	124	2,394
SCB Hong Kong	80	3,827
Other	886	30
Total	<u>\$ 18,404</u>	<u>11,883</u>

As of December 31, 2016 and 2015, technical support service fees payables and information technology service fees payables were \$28,405 thousand and \$16,345 thousand, respectively, recorded under related parties payable. As of December 31, 2016 and 2015, consultant service income, origination income, and trading income receivables were \$102,673 thousand and \$39,464 thousand, respectively, recorded under receivables – net. As of December 31, 2016 and 2015, consultant service fees and origination fees payables were \$36,896 thousand and \$23,040 thousand, respectively, recorded under related parties payable.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

- (o) 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, 2016 and 2015, the rentals were \$3,189 thousand and \$3,686 thousand, respectively. As of December 31, 2016 and 2015, the utility and information system usage income receivables were \$99 thousand and \$126 thousand, respectively, recorded under receivables – net. For the years ended December 31, 2016 and 2015, the related recharge from expense allocation were \$1,158 thousand and \$1,309 thousand, respectively.
- (p) For the years ended December 31, 2016 and 2015, the administrative support service income from SCB Taipei to the Bank were \$3,194 thousand and \$2,838 thousand, respectively.
- (q) SCLIA entered into the Exclusivity Fee Sharing Agreement with Standard Chartered Bank Singapore. For the years ended December 31, 2016 and 2015, the amount of \$613,516 thousand and \$657,765 thousand, respectively, recorded under under net service fee income. As of December 31, 2016 and 2015, the service income receivables were \$1,592,926 thousand and \$979,438 thousand, respectively, recorded under receivables – net. (Please refer to note 9 Significant Contingent Liabilities and Unrecognized Contract Commitments – (3) significant service agreements section for related information.)

3) The salary and remuneration of directors and supervisors

	<u>2016</u>	<u>2015</u>
Salary and other short term benefits	\$ 273,539	272,991
Post-employment benefit	1,512	1,260
Total	<u>\$ 275,051</u>	<u>274,251</u>

(8) Pledged Assets

Units: in thousands of New Taiwan Dollars

<u>Pledged assets</u>	<u>Pledged for</u>	<u>Amount</u>	
		<u>December 31, 2016</u>	<u>December 31, 2015</u>
Negotiable certificates of deposit, government bonds (recorded under other financial assets)	Provision seizures	\$ 6,600	18,000
	USD overdraft clearing deposits	13,835,000	10,000,000
Total		<u>\$ 13,841,600</u>	<u>10,018,000</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

Pledged assets	Pledged for	Amount	
		December 31, 2016	December 31, 2015
Negotiable certificates of deposit, government bonds (recorded under other financial assets)	Trust indemnity reserve	\$ 150,000	150,000
	Security deposits for agency on foreign bond trading	50,000	50,000
	Security deposits for security underwriting	50,000	50,000
	Security deposits for bill trading business	100,000	100,000
	Security deposits for bond proprietary trading	100,000	-
		<u>450,000</u>	<u>350,000</u>
Guarantee deposits paid (recorded under other assets)	Operating deposits and security deposits for bond proprietary trading	50,300	150,300
Total		<u>\$ 500,300</u>	<u>500,300</u>

- 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.
- 4) Security deposits for agency on foreign bond trading are operating deposits placed for operating business of foreign bond agency approved by the competent authority. The provision is prepared in accordance with the Regulations Governing Securities Firms.
- 5) 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 Regulations Governing Securities Firms of the escrow deposit. (Security deposits in accordance with relevant regulations for security underwriting was \$40,000 thousand)
- 6) 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.
- 7) 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, which were prepared in accordance with the related regulation.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(9) Significant Contingent Liabilities and Unrecognized Contract Commitments

1) Commitments and contingent liabilities

	December 31, 2016	December 31, 2015
Consignment collection for others	\$ 7,333,235	7,095,837
Securities, consignments and goods in custody	1,847,217,531	1,501,915,468
Trust assets	<u>89,151,397</u>	<u>89,734,022</u>
	<u>\$ 1,943,702,163</u>	<u>1,598,745,327</u>
Other guarantees	<u>\$ 2,712,222</u>	<u>2,808,832</u>
Unused amount of irrevocable loan commitments	<u>\$ 697,346</u>	<u>462,103</u>
Unused amount of irrevocable letters of credit	<u>\$ 886,991</u>	<u>1,154,935</u>

2) Operating leases

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

	December 31, 2016	December 31, 2015
Not later than one year	\$ 444,289	342,391
Later than one year and less than five years	<u>1,223,322</u>	<u>610,709</u>
Total	<u>\$ 1,667,611</u>	<u>953,100</u>

3) Significant service agreements

The Bank entered into a bancassurance agreement with PCA Life Assurance Co., Ltd. ("PCA") and SCLIA on July 4, 2014 to continue the tripartite partnership and to promote and sell approved insurance products. SCLIA entered into the Exclusivity Fee Sharing Agreement with SCB Singapore on December 30, 2014. Since SCLIA has merged into the Bank through absorption in October 1, 2016. As of the date of merger, rights and obligations related to the service agreements of SCLIA were generally assumed by the Bank.

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, 2016			
Trust assets		Trust liabilities	
Bank deposits	\$ 6,478	Accounts payable	\$ 6
Short-term investments	85,102,954	Tax payable	1
Structured notes	3,351,690	Payables for securities under custody	690,274
Securities under custody	690,274	Trust capital and accumulated	88,461,116
Other assets	<u>1</u>	earnings	
Total trust assets	<u>\$ 89,151,397</u>	Total trust liabilities	<u>\$ 89,151,397</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Trust balance sheet
December 31, 2015

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

Trust income statements

	2016	2015
Trust revenue:		
Interest revenue	\$ 3,527,834	3,600,644
Common stock cash dividends	375	398
Realized gain on investments	1,184,335	1,934,812
Unrealized gain on investments	10,380,239	1,713,851
Net gain on trading of assets	-	21
	<u>15,092,783</u>	<u>7,249,726</u>
Trust expenses:		
Management expense	83	105
Service charges	1	1
Realized loss on investments	3,769,501	3,567,390
Unrealized loss on investments	17,120,913	7,781,728
Loss on trading of assets	11	-
	<u>20,890,509</u>	<u>11,349,224</u>
Net loss before income tax	(5,797,726)	(4,099,498)
Income tax expense	-	4
Net loss after income tax	<u>\$ (5,797,726)</u>	<u>(4,099,502)</u>

Schedules of investment for trust business

Investment items	December 31, 2016	December 31, 2015
Bank deposits	\$ 6,478	13,758
Short-term investments:		
Bonds	19,550,567	14,104,486
Common stock	3,113,795	2,930,746
Funds	62,438,592	68,507,202
Structured notes	3,351,690	3,314,809
Securities under custody	690,274	863,017
Other assets	1	4
	<u>\$ 89,151,397</u>	<u>89,734,022</u>

Foreign currency trust business engaged by the Offshore Banking Unit (OBU) as of December 31, 2016 and 2015, were included in the trust balance sheets and schedules of investment for trust business.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(10) Significant Disaster Loss: None.

(11) Significant Subsequent Events: None.

(12) Others

1) Profitability

Unit: %

Items		December 31, 2016	December 31, 2015
Return on assets	Before income tax	0.12	0.24
	After income tax	0.03	0.20
Return on equity	Before income tax	1.83	3.99
	After income tax	0.39	3.27
Net profit ratio		1.37	10.49

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

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

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

(13) Other Disclosures Items

For the years ended December 31, 2016, relevant information of any major transactions that the Bank was required to disclose are as follow:

1) Related information on significant transaction

- (a) 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.
- (b) 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.
- (c) Information on the disposal of real estate for which the sale amount exceeded NT\$300 million or 10% of the Bank's paid in capital: None.
- (d) Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT\$5 million: None.
- (e) Information regarding from related parties for which the amount exceeded NT\$300 million or 10% of the Bank's paid in capital: Nones 6(6) and 7.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

- (f) 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.
- (g) Information on applications for handling securitized commodities according to the Regulation on Financial Asset Securitization or the Regulation on Real Estate Investment Trusts: None.
- (h) Business relationship, and material transaction and amount between the parent party and subsidiaries and among subsidiaries themselves: Not applicable.
- (i) Other material transaction items which were significant to people who use the information in the financial statements to make financial decisions: None.
- 2) Information on long-term equity investments and combined shareholding ratios:

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 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., Neihsu District, Taipei City 11485, Taiwan	Information technology services	1.14 %	45,500	-	5,938	-	5,938	1.14 %	Note 1
TSC Bio Venture Management, Inc.	5F., No.50, Sec. 1, Sinsheng S. Rd., Zhongjheng Dist., Taipei City 100, Taiwan (R.O.C.)	Venture capital services	5.00 %	8,505	-	851	-	851	5.00 %	Note 1 and 2
Liyu Venture Investment, Inc.	8F., No.70, Sec. 3, Nanjing E. Rd., Zhongshan District, Taipei City 10489, Taiwan	Venture capital services	4.76 %	7,949	-	607	-	607	4.76 %	Note 1 and 3
Windance Co., Ltd.	No.243-1, Jhongyang Rd., North District, Hsinchu City 30041, Taiwan	Residential and commercial lease/sale services	2.73 %	188,500	-	18,850	-	18,850	2.73 %	Note 1
Taiwan Asset Service Corporation	10F., No.300, Sec. 4, Jhongsiao E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	Asset auction notarization	2.94 %	50,000	-	5,000	-	5,000	2.94 %	Note 1
Yang Guang Asset Management Company	11F., No.85 and No.87, Sec. 2, Nanjing E. Rd., Jhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	NPL acquisition services	1.42 %	849	-	85	-	85	1.42 %	Note 1

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Note 1: Liyu Venture Investment, Inc. and TSC Bio Venture Management, Inc. completed the process of capital reduction and cash refund in 2016.

Note 2: TSC Bio Venture Management, Inc. completed the process of capital reduction on October 28, 2016.

Note 3: Liyu Venture Investment, Inc. completed the process of capital reduction on August 15, 2016.

- 3) Setting up branches and investing 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

The Bank presents the following segment information for the decision makers of the bank to allocate resources and evaluate each segment's performance. The information focuses on the results from the operations of the relevant segments and their respective profits before tax. Reported segments in accordance with IFRS No. 8 are as follows:

- 1) Retail Banking: In charge of developing a long-term sustainable customer-focused strategy and building a high performance culture through robust execution. Responsible for retail clients segment development in customer value propositions, product development.
- 2) International Corporates and Financial Institutions Banking: International Corporates & Financial Institutions Banking provides International Corporates and Financial Institutions clients with trade finance, cash management, securities services, foreign exchange and risk management, capital raising and corporate finance solutions.
- 3) Commercial Banking: The Commercial Banking segment mainly targets at serving corporate clients, particularly those clients with trade finance or international cash management needs. The professional financial services we provide include short-term loans for working capital, mid-term or long-term financing, import and export trade financing, supply chain financing, cash management, foreign exchange services and corporate internet banking, etc.
- 4) Other Banking services: Including asset and liability management and other assets, liabilities, income, and expense that cannot be classified under a specific department.

Management monitors each segment's performance in order to allocate the required resources and to evaluate its performance. Segments' performance is evaluated according to its operating gain or loss. The disclosures of assets, liabilities, and profit or loss are in accordance with the accounting policies of the Bank specified under note 4. Segmental gains and losses includes inter department transfer pricing expenses as well as head office allocated expenses. Income tax expense (income) is not allocated to the reportable segments for disclosure purposes.

Majority of the Bank's business is located domestically and there is no income from one single client that represents more than 10% of the consolidated income of the Bank.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

The disclosures of assets, liabilities, and profit or loss are in accordance with the accounting policies of the SC PLC Group. The Bank's information and recognition of operating segment were as follows:

	2016				
	Retail Banking	International Corporates and Financial Institutions Banking	Commercial Banking	Other Banking	Total
Interest income	\$ 5,761,544	1,369,853	478,234	2,116,058	9,725,689
Interest expense	(175,654)	(717,523)	1,935	(2,676,529)	(3,567,771)
Net interest income	5,585,890	652,330	480,169	(560,471)	6,157,918
Net service fee income	3,100,893	836,623	101,557	(27,820)	4,011,253
Other miscellaneous income	808,893	590,272	252,066	408,792	2,060,023
Net income	9,495,676	2,079,225	833,792	(179,499)	12,229,194
Bad debt expense and (provision for) reversal guarantee liabilities	(419,027)	(52,245)	(999,609)	1,068	(1,469,813)
Operating expense	(7,698,921)	(1,245,405)	(947,131)	(90,538)	(9,981,995)
Segment profit or loss	\$ 1,377,728	781,575	(1,112,948)	(268,969)	777,386
Segment assets	\$ 194,863,574	90,087,045	29,019,500	301,553,916	615,524,035
Segment liabilities	\$ 297,544,070	159,959,193	59,831,322	56,460,290	573,794,875
	2015				
	Retail Clients	Corporate and Institutional Clients	Commercial Clients	Other Banking	Total
Interest income	\$ 7,083,907	4,500,308	274,251	377,886	12,236,352
Interest expense	(521,872)	(4,080,255)	95,003	(597,453)	(5,104,577)
Net interest income	6,562,035	420,053	369,254	(219,567)	7,131,775
Net service fee income	3,312,849	598,206	108,626	(801)	4,018,880
Other miscellaneous income	389,193	1,869,881	272,656	38,955	2,570,685
Net income	10,264,077	2,888,140	750,536	(181,413)	13,721,340
Bad debt expense and (provision for) reversal guarantee liabilities	(709,249)	51,215	(428,132)	615	(1,085,551)
Operating expense	(8,208,626)	(1,636,826)	(928,723)	(104,694)	(10,878,869)
Segment profit or loss	\$ 1,346,202	1,302,529	(606,319)	(285,492)	1,756,920
Segment assets	\$ 220,533,711	423,370,824	13,208,028	10,112,599	667,225,162
Segment liabilities	\$ 302,545,004	204,791,455	84,760,383	31,848,561	623,945,403

Note: Departmental information for 2016 is based on the disclosure of the organization after the rearrangements in 2016.

Appendix 2 : Directory of Branches and Offices

Branch Name	Address	Telephone No.	Fax No.
Head Office	1F, 2F, 4F, 7F, 8F, 9F, 10F, 12F, No.168, Dunhua N. Rd., Songshan Dist., Taipei City B1F, 1F, 2F, 4F, 7F, 9F, 10F, No.170, Dunhua N. Rd., Songshan Dist., Taipei City	4058-0088 4066-8688 4051-0088	
Main Branch	No.168, Dunhua N. Rd., Songshan Dist., Taipei City	02-66037168	02-66035058
Neihu Branch	No.69, Donghu Rd., Neihu Dist., Taipei City	02-26318888	02-26326910
Xinyi Branch	2F, No.97, Songren Rd., Xinyi Dist., Taipei City	02-27206118	02-66397033
Jinshan Branch	No.151, Sec.2, Xinyi Rd., Zhongzheng Dist., Taipei City	02-66010700	02-23218766
Nanjing Branch	No.161, Sec. 4, Nanjing E. Rd., Songshan Dist., Taipei City	02-66023000	02-87127885
Fuxing Branch	No.420, Fuxing N. Rd., Zhongshan Dist., Taipei City	02-66027676	02-66083068
Dazhi Branch	No.676, Mingshui Rd., Zhongshan Dist., Taipei City	02-66107500	02-85021610
Tianmu Branch	No.48, Sec. 2, Zhongcheng Rd., Shilin Dist., Taipei City	02-66107600	02-66107699
East Taipei Branch	No.128, Sec. 3, Nanjing E. Rd., Zhongshan Dist., Taipei City	02-66192900	02-66192999
Zhongshan Branch	No.136, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City	02-66197200	02-66197299
Banqiao Branch	2F, No.1-1, Xinfu Rd., Banqiao Dist., New Taipei City	02-66215700	02-66215799
Ren'ai Branch	No.1, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City	02-66363700	02-66363799
Dunhua Branch	No.39, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City	02-66396000	02-23257588
No.88 Branch	No.128, Sec. 4, Zhongxiao E. Rd., Da'an Dist., Taipei City	02-66408888	02-27505088
Jianguo Branch	No.38, Sec. 1, Jianguo N. Rd., Zhongshan Dist., Taipei City	02-87723232	02-87723838
Zhuangjing Branch	No.35, Sec. 2, Daxing W. Rd., Taoyuan Dist., Taoyuan City	03-3026699	03-3028833
Guishan Branch	No.1077, Sec. 2, Wanshou Rd., Guishan Dist., Taoyuan City	03-3290728	03-3290273
Taoyuan Branch	No.66, Zhongzheng Rd., Taoyuan Dist., Taoyuan City	03-3340176	03-3379312
Sanmin Branch	No.301, Sec. 3, Sanmin Rd., Taoyuan Dist., Taoyuan City	03-3351593	03-3328102
Nankan Branch	No.90, Zhongzheng Rd., Luzhu Dist., Taoyuan City	03-3524148	03-3226443
Bade Branch	No.43, Sec. 2, Jieshou Rd., Bade Dist., Taoyuan City	03-3634341	03-3660967
Dashulin Branch	No.233, Taoying Rd., Taoyuan Dist., Taoyuan City	03-3664291	03-3664296
Dayuan Branch	No.44, Zhongshan N. Rd., Dayuan Dist., Taoyuan City	03-3861130	03-3861924
Daxi Branch	No.253, Kangzhuang Rd., Daxi Dist., Taoyuan City	03-3873915	03-3889901
Gongxi Branch	No.237, Fuxing 1 st Rd., Guishan Dist., Taoyuan City	03-3972288	03-3972266
Zhongli Branch	No.194, Zhongshan Rd., Zhongli Dist., Taoyuan City	03-4252186	03-4256977
East Neili Branch	No.47, Rongmin Rd., Zhongli Dist., Taoyuan City	03-4351988	03-4351093
Huanbei Branch	No.405, Huanbei Rd., Zhongli Dist., Taoyuan City	03-4511333	03-4513135
Neili Branch	No.83, Xinyi Rd., Zhongli Dist., Taoyuan City	03-4553122	03-4524244
Longgang Branch	No.302, Longdong Rd., Zhongli Dist., Taoyuan City	03-4657779	03-4567704
Shanziding Branch	No.150-3, Shanding Sec., Zhongfeng Rd., Pingzhen Dist., Taoyuan City	03-4696257	03-4692907
Xinwu Branch	No.251, Zhongshan Rd., Xinwu Dist., Taoyuan City	03-4773226	03-4772052
Yangmei Branch	No.105, Dacheng Rd., Yangmei Dist., Taoyuan City	03-4783491	03-4752718
Longtan Branch	No.202, Beilong Rd., Longtan Dist., Taoyuan City	03-4793185	03-4708175
Puxin Branch	No.383, Yongmei Rd., Yangmei Dist., Taoyuan City	03-2641600	03-4826073
Pingzhen Branch	No.225, Huannan Rd., Pingzhen Dist., Taoyuan City	03-4910311	03-4910317
Xinming Branch	No.56, Minzu Rd., Zhongli Dist., Taoyuan City	03-4918701	03-4918710

Branch Name	Address	Telephone No.	Fax No.
Guanyin Branch	No.837, Sec. 2, Zhongshan Rd., Guanyin Dist., Taoyuan City	03-4986401	03-4986404
Xinxing Branch	No.130, Siwei Rd., North Dist., Hsinchu City	03-5233171	03-5233177
North Hsinchu Branch	No.6, Beida Rd., East Dist., Hsinchu City	03-5348155	03-5421589
Zhongzheng Branch	No.326, Zhongzheng Rd., North Dist., Hsinchu City	03-5348939	03-5349865
Xinshe Branch	No.141, Zhongzheng W. Rd., Zhubei City, Hsinchu County	03-5519456	03-5551783
Xinfeng Branch	No.155-7, Sec. 1, Jianxing Rd., Xinfeng Township, Hsinchu County	03-5591113	03-5594636
Guangfu Branch	No.270, Sec. 1, Guangfu Rd., East Dist., Hsinchu City	03-5775663	03-5781742
Science Park Branch	No.11, Yuanqu 2 nd Rd., East Dist., Hsinchu City	03-5785355	03-5787055
Guanxi Branch	No.21, Mingde Rd., Guanxi Township, Hsinchu County	03-5875151	03-5877927
Xinpu Branch	No.386, Zhongzheng Rd., Xinpu Township, Hsinchu County	03-5883611	03-5883344
Zhudong Branch	No.300, Sec. 1, Changchun Rd., Zhudong Township, Hsinchu County	03-5965711	03-5954025
Hukou Branch	No.82, Sec.1, Zhongzheng Rd., Hukou Township, Hsinchu County	03-5992614	03-5901627
Zhubei Branch	No.8, Ziqiang S. Rd., Zhubei City, Hsinchu County	03-6125100	03-6576187
Gongguan Branch	No.211, Zhongxiao Rd., Gongguan Township, Miaoli County	037-228525	037-221245
Miaoli Branch	No.562, Zhongzheng Rd., Miaoli City, Miaoli County	037-324671	037-358940
Zhunan Branch	No.217, Zhongzheng Rd., Zhunan Township, Miaoli County	037-476161	037-474881
Toufen Branch	No.106, Heping Rd., Toufen City, Miaoli County	037-668281	037-676791
Houlong Branch	No.20, Chenggong Rd., Houlong Township, Miaoli County	037-724591	037-724980
Yuanli Branch	No.19, Weigong Rd., Yuanli Township, Miaoli County	037-862851	037-852609
Sanyi Branch	No.83, Zhongzheng Rd., Sanyi Township, Miaoli County	037-875281	037-875242
Nantun Branch	No. 302, Sec. 2, Liming Rd., Nantun Dist., Taichung City	04-22536208	04-22536205
Beitun Branch	No.236, Sec. 4, Wenxin Rd., North Dist., Taichung City	04-22990755	04-22990803
Wenxin Branch	No.380, Sec. 1, Wenxin Rd., Nantun Dist., Taichung City	04-23192480	04-23192473
Donghai Branch	No.306, Fuke Rd., Xitun Dist., Taichung City	04-24653500	04-24653501
Fengyuan Branch	No.797, Yuanhuan E. Rd., Fengyuan Dist., Taichung City	04-25234116	04-25240078
Taichung Branch	No. 401, Sec. 2, Taiwan Blvd., West Dist., Taichung City	04-36013800	04-23101118
Zhongqing Branch	No.89, Sec. 1, Zhongqing Rd., North Dist., Taichung City	04-36023300	04-36023399
Xitun Branch	No.327, Sec. 2, Henan Rd., Xitun Dist., Taichung City	04-36062088	04-27081118
Changhua Branch	No.53, Sec. 2, Zhongzheng Rd., Changhua City, Changhua County	04-7282999	04-7229958
Chiayi Branch	No.345, Minzu Rd., East Dist., Chiayi City	05-2288855	05-2240800
East Tainan Branch	No.107, Sec. 2, Minzu Rd., West Central Dist., Tainan City	06-2289777	06-2283722
Tainan Branch	No.429, Sec. 2, Jinhua Rd., South Dist., Tainan City	06-2648101	06-2648140
Dongning Branch	No.88, Dongxing Rd., East Dist., Tainan City	06-2761561	06-2761565
Jiuru Branch	No.383, Jiuru 1 st Rd., Sanmin Dist., Kaohsiung City	07-3872296	07-3860532
North Kaohsiung Branch	No.189, Wenxin Rd., Gushan Dist., Kaohsiung City	07-5501705	07-5502010
Sanduo Branch	No.262, Zhongshan 2 nd Rd., Qianzhen Dist., Kaohsiung City	07-9660766	07-5368033
Kaohsiung Branch	22F, No.175, Zhongzheng 2 nd Rd., Lingya Dist., Kaohsiung City	07-9685100	07-2221205

Standard Chartered Bank (Taiwan) Limited



Chairman
Benjamin Pi-Cheng Hung



