Stock code:2807

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Interim Financial Statements

June 30, 2016 and 2015
(With Independent Auditors' Report Thereon)

KPMG
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Independent Auditors' Report

The Board of Directors

Standard Chartered Bank (Taiwan) Limited:

We have audited the accompanying balance sheets of Standard Chartered Bank (Taiwan) Limited as of June 30, 2016, December 31 and June 30, 2015, and the related statements of profit or loss and other comprehensive income, statements of changes in stockholders' equity, and statements of cash flows for the six months period ended June 30, 2016 and 2015. These individual interim financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these individual interim financial statements based on our audits.

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

In our opinion, the individual interim financial statements referred to the first paragraph present fairly, in all material respects, the financial position of Standard Chartered Bank (Taiwan) Limited as of June 30, 2016, December 31 and June 30, 2015, and the results of its operations and its cash flows for the six months period ended June 30, 2016 and 2015, in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks, and the Regulations Governing the Preparation of Financial Reports by Securities Firms.

KPMG

August 29, 2016

Note to Readers

The accompanying financial statements are intended only to present the financial position, results of operations, and cash flows in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, and the Regulations Governing the Preparation of Financial Reports by Securities Firms, and not those of any other jurisdictions. The standards, procedures, and practices to audit such financial statements are those generally accepted and applied in the Republic of China. The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

Standard Chartered Bank (Taiwan) Limited

Balance Sheets

June 30, 2016, December 31 and June 30, 2015

(expressed in thousands of New Taiwan Dollars)

	Assets	June 30, 2016 Amount	%	December 31, 2015 Amount	%	June 30, 2015 Amount	%
11000	Cash and cash equivalents (notes 6(1) and 7)	$ 22,053,317	4	9,690,695	1	19,749,676	3
11500	Due from the Central Bank and call loans to banks (notes 6(2) and 7)	103,922,151	17	87,019,615	13	92,475,060	13
12000	Financial assets at fair value through profit or loss (notes 6(3) and 7)	18,249,010	3	29,014,134	4	14,633,130	2
12300	Derivative financial assets for hedging—net (notes 6(4) and 7)	68,595	-	81,431	-	47,974	-
12500	Securities purchased under resell agreements and debt instruments (note 6(5))	11,148,289	2	2,499,824	-	5,218,819	1
13000	Receivables—net (notes 6(6), (10), 7 and 13(1))	15,958,562	3	21,380,627	3	28,159,938	4
13200	Current tax assets (note 6(22))	209,460	-	239,692	-	42,718	-
13500	Discounts and loans—net (notes 6(4), (7), (10) and 7)	270,147,491	43	303,239,940	46	310,000,459	43
14000	Available-for-sale financial assets—net (notes 6(4), (8) and 7)	158,117,254	25	182,784,483	27	216,832,240	30
15000	Investments measured by equity method—net (note 6(9))	368,237	-	848,452	-	429,266	-
15500	Other financial assets—net (notes 6(9), (10) and 8)	7,994,036	1	10,502,108	2	10,540,766	2
18500	Property, plant and equipment—net (note 6(11))	4,818,975	1	4,925,372	1	5,139,718	1
19000	Intangible assets—net (note 6(12))	3,156,048	-	3,156,048	1	3,156,048	-
19300	Deferred tax assets (note 6(22))	2,239,431	-	2,238,372	-	2,163,442	-
19500	Other assets—net (notes 6(13),7 and 8)	5,953,043	1	9,939,043	2	4,966,665	1
	Total assets	$ 624,403,899	100	667,559,836	100	713,555,919	100

	Liabilities and stockholders' equity	June 30, 2016 Amount	%	December 31, 2015 Amount	%	June 30, 2015 Amount	%
	Liabilities:						
21000	Deposits from the Central Bank and banks (notes 6(14) and 7)	$ 40,472,160	7	27,979,736	4	32,991,556	5
22000	Financial liabilities at fair value through profit or loss (notes 6(3) and 7)	14,299,561	2	17,058,968	3	9,630,204	1
22300	Derivative financial liabilities for hedging—net (notes 6(4) and 7)	81,752	-	32,480	-	1,225	-
23000	Payables (note 6(15))	6,278,098	1	8,442,779	1	5,357,970	1
23100	Related parties payable (note 7)	12,595,354	2	12,335,872	2	10,712,647	2
23500	Deposits and remittances (notes 6(4), (16) and 7)	484,907,974	78	498,120,863	75	550,970,192	77
24000	Financial debentures—net (notes 6(4), (17) and 7)	17,158,641	3	53,341,063	8	51,187,498	7
25500	Other financial liabilities (note 6(18))	1,384,777	-	1,158,492	-	1,329,768	-
25600	Provisions (notes 6(10), (19) and (21))	1,745,395	-	1,791,407	-	1,880,541	-
29300	Deferred tax liabilities (note 6(22))	661,044	-	672,273	-	680,182	-
29500	Other liabilities (note 6(20))	2,570,190	-	3,346,144	1	4,974,050	1
	Total liabilities	582,154,946	93	624,280,077	94	669,715,833	94
	Stockholders' equity:						
31101	Common stock (note 6(24))	29,105,720	5	29,105,720	4	29,105,720	4
31500	Capital surplus (note 6(24))	5,794,771	1	5,794,771	1	5,794,771	1
	Retained earnings:						
32001	Legal reserve (note 6(24))	6,381,790	1	5,950,095	1	5,950,095	1
32003	Special reserve (note 6(24))	347,706	-	347,706	-	347,706	-
32005	Unappropriated earnings (note 6(24))	187,331	-	1,465,876	-	2,003,824	-
		6,916,827	1	7,763,677	1	8,301,625	1
32500	Other equity interest (note 6(24))	431,635	-	615,591	-	637,970	-
	Total stockholders' equity	42,248,953	7	43,279,759	6	43,840,086	6
	Total liabilities and stockholders' equity	$ 624,403,899	100	667,559,836	100	713,555,919	100

See accompanying notes to individual interim financial statements

Standard Chartered Bank (Taiwan) Limited

Statements of Profit or Loss and Other Comprehensive Income

For the six months period ended June 30, 2016 and 2015

(expressed in thousands of New Taiwan Dollars)

		January to June 2016		January to June 2015	
		Amount	%	Amount	%
41000	Interest income (notes 6(27) and 7)	$ 5,041,078	85	6,401,703	86
51000	Less：Interest expense (notes 6(27) and 7)	1,844,521	31	2,684,120	36
	Net interest income	3,196,557	54	3,717,583	50
	Net non-interest income				
49100	Net service fee income (note 6(28))	1,009,006	17	1,270,225	17
49200	Gain on financial assets or liabilities at fair value through profit or loss (note 6(29))	542,944	9	764,021	10
49300	Realized gain on available-for-sale financial assets (note 6(30))	55,927	1	59,715	1
49600	Foreign exchange gain	422,577	7	798,145	11
49750	Share of profit of associates and joint ventures accounted for using equity method (note 6(9))	297,945	5	358,974	5
49800	Net other non-interest income (notes 6(4), (9), (31) and 7)	415,812	7	437,773	6
	Net revenue	5,940,768	100	7,406,436	100
58200	Bad debt expense and guarantee liability provision (reversal) (notes 6(10) and (32))	1,116,990	19	(105,486)	(1)
	Operating expenses:				
58500	Employee benefits expense (notes 6(21), (25), (33) and 7)	2,368,462	40	2,615,211	35
59000	Depreciation and amortization expenses (notes 6(11), (12) and (34))	119,377	2	149,697	2
59500	Other general and administrative expenses (notes 6(35) and 7)	2,066,047	34	2,416,830	33
	Total operating expenses	4,553,886	76	5,181,738	70
	Income before tax	269,892	5	2,330,184	31
61003	Less: income tax expense (note 6(22))	31,497	1	313,252	4
	Net income	238,395	4	2,016,932	27
65000	Other comprehensive income:				
65200	Items not to be reclassified into profit or loss				
65201	Remeasurements of defined benefit plan (note 6(21))	(61,522)	(1)	(15,793)	-
65220	Income tax benefit related to items not to be reclassified into profit or loss (note 6(22))	10,458	-	2,685	-
	Total items not to be reclassified into profit or loss	(51,064)	(1)	(13,108)	-
65300	Items that may be subsequently reclassified into profit or loss				
65302	Change in fair value of available-for-sale financial assets recognized	(231,777)	(4)	(126,807)	(2)
65303	Change in fair value of cash flow hedges recognized	20,165	-	(141,424)	(2)
65320	Income tax benefit related to items that may be subsequently reclassified into profit or loss (note 6(22))	27,656	1	42,330	1
	Total items that may be subsequently reclassified into profit or loss	(183,956)	(3)	(225,901)	(3)
65000	Other comprehensive income, net of tax	(235,020)	(4)	(239,009)	(3)
	Total comprehensive income for the period	$ 3,375	-	1,777,923	24
67500	Basic earnings per share (NTD) (note 6(26))	$ 0.08		0.69	

See accompanying notes to individual interim financial statements

Standard Chartered Bank (Taiwan) Limited

Statements of Changes in Stockholders' Equity

For the six months period ended June 30, 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 appropriated (note 6(24))	-	-	979,926	-	(979,926)	-	-	-
Cash dividends of ordinary share (note 6(24))	-	-	-	-	(2,728,080)	-	-	(2,728,080)
Net income	-	-	-	-	2,016,932	-	-	2,016,932
Other comprehensive income	-	-	-	-	(13,108)	(108,519)	(117,382)	(239,009)
Total comprehensive income for the period	-	-	-	-	2,003,824	(108,519)	(117,382)	1,777,923
Balance as of June 30, 2015	$ 29,105,720	5,794,771	5,950,095	347,706	2,003,824	620,165	17,805	43,840,086
Balance as of January 1, 2016	$ 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 appropriated (note 6(24))	-	-	431,695	-	(431,695)	-	-	-
Cash dividends of ordinary share (note 6(24))	-	-	-	-	(1,034,181)	-	-	(1,034,181)
Net income	-	-	-	-	238,395	-	-	238,395
Other comprehensive income	-	-	-	-	(51,064)	(200,693)	16,737	(235,020)
Total comprehensive income for the period	-	-	-	-	187,331	(200,693)	16,737	3,375
Balance as of June 30, 2016	$ 29,105,720	5,794,771	6,381,790	347,706	187,331	423,432	8,203	42,248,953

See accompanying notes to individual interim financial statements

Standard Chartered Bank (Taiwan) Limited

Statements of Cash Flows

For the six months period ended June 30, 2016 and 2015

(expressed in thousands of New Taiwan Dollars)

		January to June 2016	January to June 2015 (Reclassified)
Cash flow used in operating activities:			
Profit before tax	$	269,892	2,330,184
Adjustments:			
Adjustments to reconcile profit (loss)			
Depreciation expense		119,377	149,670
Amortization expense		-	27
Bad debt expense and guarantee liability provision (reversal)		1,116,990	(105,486)
Interest expense		1,844,521	2,684,120
Interest income		(5,041,078)	(6,401,703)
Net change in other provisions		(110,835)	(5,025)
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method		(297,945)	(358,974)
Loss (gain) on disposal of property and equipment		792	(80,358)
Total adjustments to reconcile profit (loss)		(2,368,178)	(4,117,729)
Change in operating assets and liabilities:			
Change in operating assets:			
Due from the Central Bank and call loans to banks		10,278,647	798,828
Financial assets at fair value through profit or loss		10,765,124	21,778,584
Receivables		5,012,313	2,144,139
Discounts and loans		32,426,891	27,621,313
Available-for-sale financial assets		24,435,606	(15,790,645)
Other financial assets		2,265,016	5,307,858
Total changes in operating assets		85,183,597	41,860,077
Changes in operating liabilities:			
Deposits from the Central Bank and banks		12,492,424	7,114,622
Financial liabilities at fair value through profit or loss		(2,759,407)	(3,831,895)
Payables		(1,876,819)	(7,586,868)
Deposits and remittances		(13,212,889)	(47,525,204)
Other financial liabilities		226,285	(1,974,761)
Other liabilities		(775,954)	(160,997)
Total changes in operating liabilities		(5,906,360)	(53,965,103)
Total changes in operating assets and liabilities		79,277,237	(12,105,026)
Total adjustments		76,909,059	(16,222,755)
Cash inflow (outflow) generated from operations		77,178,951	(13,892,571)
Interest received		5,245,755	6,039,140
Dividend received		778,160	648,089
Interest paid		(1,872,901)	(2,718,298)
Income taxes refund (paid)		24,561	(54,766)
Net cash flows from (used in) operating activities		81,354,526	(9,978,406)
Cash flows from investing activities:			
Proceeds from disposal of property, plant and equipment		-	299,107
Acquisition of property, plant and equipment		(13,772)	(101,246)
Decrease in derivatives collateral		4,206,028	3,242,110
(Increase) decrease in other assets		(220,028)	260,586
Net cash flows from investing activities		3,972,228	3,700,557
Cash flows used in financing activities:			
Increase (decrease) in derivative financial instruments for hedging		91,725	(146,296)
Decrease in financial debentures		(36,060,363)	(1,250,000)
Cash dividends paid		(1,034,181)	(2,728,080)
Net cash flows used in financing activities		(37,002,819)	(4,124,376)
Change in foreign exchange rate		(131,665)	(763,752)
Net increase (decrease) in cash and cash equivalents		48,192,270	(11,165,977)
Cash and cash equivalents at beginning of period		55,656,556	86,667,010
Cash and cash equivalents at end of period	$	103,848,826	75,501,033
Components of cash and cash equivalents:			
Cash and cash equivalents reported in the balance sheets	$	22,053,317	19,749,676
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7		70,647,220	50,532,538
Securities purchased under resell agreements and debt instruments qualifying for cash and cash equivalents under the definition of IAS 7		11,148,289	5,218,819
Cash and cash equivalents at end of period	$	103,848,826	75,501,033

See accompanying notes to individual interim financial statements

Standard Chartered Bank (Taiwan) Limited
Notes to the Financial Statements
June 30, 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 June 30, 2016, the Bank comprises 73 branches, a business department, an international banking department, a trust department, and an offshore banking unit.

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

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

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

Approved by the board of directors in June 2016 and by Insurance Bureau in July 2016, Standard Chartered Life Insurance Agency Co. Ltd. and Taiwan Standard Chartered Insurance Agency Co. Ltd. will be merged into the Bank through absorption in October 2016.

(Continued)

(2) Approval date and Procedures of the Financial Statements

The individual interim financial statements were authorized for issue by the Board of Directors on August 29, 2016.

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

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 (excluding IFRS 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers", and others which have yet to be approved by the FSC in order for them to take effect) 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
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 individual interim 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 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

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"	IFRS 15 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. 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.

(Continued)

Issuance / Release Dates	Standards or Interpretations	Content of amendment
November 19, 2013 July 24, 2014	IFRS 9 "Financial Instruments"	The standard will replace IAS 39 "Financial Instruments: Recognition and Measurement", and the main amendments are as follows: • 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.
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: • 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.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Issuance / Release Dates	Standards or Interpretations	Content of amendment
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 recognised when a transfer to an associate or a joint venture involves a business; and a partial gain or loss is recognised if the asset transferred does not contain a business. The gain or loss that is not recognised 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).
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: 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.

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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(4) Summary of Significant Accounting Policies

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

1) Statement of compliance

The individual interim financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms. The individual interim financial statements are not required to include all the necessary information disclosed in annual individual financial statements, prepared in accordance with 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 individual interim financial statements have been prepared on a historical cost basis except for the following material items in the balance sheets:

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

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

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

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

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

3) Foreign currency transactions

Except for accounts in the OBU of the Bank that are denominated in US Dollars, accounts in all entities are denominated in New Taiwan Dollars. For those transactions denominated in foreign currencies, assets and liabilities are recorded in their original foreign currencies, while all income and expense accounts are denominated in original foreign currencies and translated into New Taiwan Dollars at the daily closing exchange rates. At the balance sheet date, the individual interim financial statements amounts in all foreign currencies are translated into New Taiwan Dollars at ruling exchange rates assigned on that date. The Bank's individual interim financial statements are presented in New Taiwan Dollars, the functional currency of the Bank. All financial information presented in New Taiwan Dollars is expressed in thousands of New Taiwan Dollars, unless otherwise specified. Foreign exchange differences arising on the translation of a foreign currency transaction are recognized in current period profit or loss.

4) Cash and cash equivalents

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

5) Financial instruments

(a) Financial assets

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

i. Financial assets at fair value through profit or loss

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

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.

(Continued)

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.

(Continued)

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.

(Continued)

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.

(Continued)

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.

(Continued)

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.

(Continued)

6) Investment in affiliated companies

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

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

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

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

7) Non-financial asset impairment

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

8) Lease classification

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

The Bank classifies all its leases as operating leases.

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

(Continued)

9) Property, plant and equipment

Property, plant and equipment are measured at cost on acquisition. Subsequently, property, plant and equipment are measured at cost plus any revaluation increments (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

10) Intangible assets

(a) Computer software

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

(b) Goodwill

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

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

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

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

12) Provisions

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

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

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

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

The Bank shall not recognize provisions for future operating losses.

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

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

13) Revenue and expense recognition

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

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

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

14) Employee benefit

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

(Continued)

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

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

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

15) Share-based compensation

IFRS 2 "Share-based payment" requires that all share-based payments are accounted for using a fair value method and is recognised as an expense.

For equity-settled awards, the total amount to be expensed over the vesting period must be determined by reference to the fair value of the options granted (determined using an option pricing model), excluding the impact of any non-market vesting conditions (for example, profitability and growth targets). Non-market vesting conditions must be included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Bank revises its estimates of the number of options that are expected to become exercisable. It recognises 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. 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.

(Continued)

Cash-settled awards must be revalued at each balance sheet date on an intrinsic value basis (being the difference between the market price of the share at the measurement date and the exercise price) with any changes in fair value charged or credited to staff costs in the income statement.

Deferred tax is recognised based on the intrinsic value of the award and is recorded in the income statement if the tax deduction is less than or equal to the cumulative share-based compensation expense or equity if the tax deduction exceeds the cumulative expense.

16) Income tax

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

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

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

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

(Continued)

17) Earnings per share of common stock

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

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

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

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

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

1) Impairment loss on loans

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

2) Valuation of financial instruments

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

(Continued)

(6) Disclosures of Significant Accounts

1) Cash and cash equivalents

	June 30, 2016	December 31, 2015	June 30, 2015
Cash on hand	$ 3,637,587	3,668,992	3,956,424
Checks for clearing	1,888,146	10,622	1,788,719
Deposits with other banks	15,066,698	2,584,034	10,730,809
Deposits with other banks－affiliates	1,460,886	3,427,047	3,273,724
Total	$ 22,053,317	9,690,695	19,749,676

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

	June 30, 2016	December 31, 2015	June 30, 2015
Cash and cash equivalents reported in the statement of balance sheets	$ 22,053,317	9,690,695	19,749,676
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	70,647,220	43,466,037	50,532,538
Securities purchased under resell agreements and debt instruments qualifying for cash and cash equivalents under the definition of IAS 7	11,148,289	2,499,824	5,218,819
Cash and cash equivalents reported in the statement of cash flows	$ 103,848,826	55,656,556	75,501,033

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

	June 30, 2016	December 31, 2015	June 30, 2015
Required reserve－checking account	$ 7,837,367	8,335,304	9,906,440
Required reserve－demand account	12,817,662	13,222,290	14,457,901
Required reserve－foreign currency	226,000	230,608	216,730
Required reserve－settlement account	824,023	1,200,718	822,074
Call loans to banks	13,607,952	6,045,173	4,284,312
Call loans to banks－affiliates	68,122,953	54,979,105	54,881,858
Trade finance receivables	486,194	3,006,417	7,905,745
Total	$ 103,922,151	87,019,615	92,475,060

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.

(Continued)

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

3) Financial instruments at fair value through profit or loss

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

	June 30, 2016	December 31, 2015	June 30, 2015
Interest-rate instruments			
Government bonds	$ 450,140	5,180,278	1,259,688
Corporate bonds	4,746,017	5,584,330	4,020,137
Subtotal	5,196,157	10,764,608	5,279,825
Derivative financial assets			
Interest rate swap	2,723,877	2,741,951	1,261,882
Interest rate option	142,695	138,599	115,155
Spot/forward/swap	5,262,185	6,400,444	3,062,755
Cross currency swap	207,518	255,610	569,508
Foreign exchange option	4,648,003	8,650,723	4,237,305
Commodity swap	68,134	34,007	50,645
Commodity option	441	28,192	56,055
Subtotal	13,052,853	18,249,526	9,353,305
Total	$ 18,249,010	29,014,134	14,633,130

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

	June 30, 2016	December 31, 2015	June 30, 2015
Derivative financial liabilities			
Interest rate swap	$ 2,629,717	2,547,161	1,109,763
Interest rate option	12,123	90,850	69,538
Spot/forward/swap	6,412,240	4,828,429	3,589,195
Cross currency swap	149,238	448,498	518,219
Foreign exchange otpion	5,027,584	9,081,513	4,236,789
Commodity swap	68,194	34,090	50,645
Commodity option	465	28,427	56,055
Total	$ 14,299,561	17,058,968	9,630,204

4) Derivative financial instruments for hedging

Derivative financial assets for hedging were as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Fair value hedge:			
Interest rate swap	$ 47,656	56,738	45,087
Cash flow hedge:			
Interest rate swap	14,918	1,628	2,887
Cross currency swap	6,021	23,065	-
Total	$ 68,595	81,431	47,974

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Derivative financial liabilities for hedging were as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Fair value hedge:			
Interest rate swap	$ 152	-	-
Cash flow hedge:			
Interest rate swap	745	32,480	1,225
Cross currency swap	80,855	-	-
Total	$ 81,752	32,480	1,225

(a) Fair value hedge

A fair value hedge is the hedging of the hedged items exposure to change in fair value of recognized assets or liabilities that are attributable to particular hedged risks that could affect profit or loss. As of June 30, 2016, December 31 and June 30, 2015, marked-to-market adjustments of hedged items and the corresponding hedging instruments accounted as fair value hedge were as follows:

Hedged items		Hedging instruments	
Underlying instruments	June 30, 2016	Contract type	June 30, 2016
Available-for-sale financial assets:			
Government bonds	$ 154	Interest rate swap	$ (152)
Financial debentures	(48,298)	Interest rate swap	47,656
	$ (48,144)		$ 47,504

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

Hedged item		Hedging instruments	
Underlying instruments	June 30, 2015	Contract type	June 30, 2015
Available-for-sale financial assets:			
Government bonds	$ (3)	Interest rate swap	$ 15
Financial debentures	(45,554)	Interest rate swap	45,072
	$ (45,557)		$ 45,087

For the six months period ended June 30, 2016 and 2015, net losses on the hedging derivative financial instruments listed above amounted to $18,644 thousand and $2,246 thousand, respectively, and net gains from the hedged risk of the hedged items amounted to $18,330 thousand and $11,801 thousand, respectively.

(Continued)

(b) Cash flow hedge

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

		Fair value		
Hedged items	Financial instruments designated as hedging instruments	June 30, 2016	December 31, 2015	June 30, 2015
Discounts and loans—floating interest rate	Interest rate swap	$ 14,173	(30,852)	1,662
Deposits and remittances—floating interest rate	Cross currency swap	(65,072)	23,065	-
Deposits and remittances—fixed interest rate	Cross currency swap	(9,762)	-	-
Total		$ (60,661)	(7,787)	1,662

5) Securities purchased under resell agreements and debt instruments

	June 30, 2016	December 31, 2015	June 30, 2015
Securities purchased under resell agreements	$ 11,148,289	2,499,824	5,218,819
Face value of debt instruments	$ 11,154,000	2,500,000	5,220,000
Interest rate	0.31%~0.36%	0.38%	0.53%~0.54%
Last settlement date	2016.7.15	2016.1.8	2015.7.10
Resell price	$ 11,149,318	2,500,026	5,219,772

6) Receivables—net

	June 30, 2016	December 31, 2015	June 30, 2015
Accounts receivable factoring	$ 6,939,166	13,241,437	13,438,993
Credit cards accounts receivable	4,657,345	4,866,432	5,271,094
Accounts receivable	535,002	449,980	529,369
Interest receivable	1,502,727	1,707,509	1,864,017
Acceptances receivable	397,369	219,471	380,860
Accounts receivable—related parties	1,433,795	904,730	713,785
Unsettled trade receivable	605,250	-	5,981,492
Other	357,643	293,077	276,522
Subtotal	16,428,297	21,682,636	28,456,132
Less: allowance for bad debts—receivables	469,735	302,009	296,194
Total	$ 15,958,562	21,380,627	28,159,938

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

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Notes to the Financial Statements

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

		June 30, 2016	
Item		**Receivables**	**Allowance for bad debts**
With objective evidence of impairment	Individual assessment of impairment	$ 461,814	441,557
	Portfolio assessment of impairment	493,669	6,639
Without objective evidence of impairment	Portfolio assessment of impairment	15,472,814	21,539
Total		$ 16,428,297	469,735

		December 31, 2015	
Item		**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	20,885,217	22,295
Total		$ 21,682,636	302,009

		June 30, 2015	
Item		**Receivables**	**Allowance for bad debts**
With objective evidence of impairment	Individual assessment of impairment	$ 264,954	264,954
	Portfolio assessment of impairment	568,283	6,959
Without objective evidence of impairment	Portfolio assessment of impairment	27,622,895	24,281
Total		$ 28,456,132	296,194

(Continued)

7) Discounts and loans—net

	June 30, 2016	December 31, 2015	June 30, 2015
Bills negotiations and bills and notes discounted	$ 594,100	482,760	723,654
Short-term loans and overdrafts	37,388,308	61,009,087	56,361,050
Short-term secured loans	10,447,283	5,091,227	8,866,670
Medium-term loans	34,169,372	36,443,142	40,829,109
Medium-term secured loans	8,620,742	10,681,659	7,588,664
Long-term loans	7,092,476	8,724,055	7,766,998
Long-term secured loans	176,078,545	185,017,613	191,178,373
Overdue loans	914,663	594,738	558,454
Subtotal	275,305,489	308,044,281	313,872,972
Add: premium adjustments on discounts and loans	51,051	108,687	163,964
Less: allowance for bad debts	5,209,049	4,913,028	4,036,477
Total	$ 270,147,491	303,239,940	310,000,459

As of June 30, 2016, December 31 and June 30, 2015, the Bank's long term loan with floating rate mentioned above has adopted cash flow hedge in order to reduce the impact of cash flow that was affected by interest rate fluctuation.

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

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:

		June 30, 2016	
Item		Discounts and loans	Allowance for bad debts
With objective evidence of impairment	Individual assessment of impairment	$ 3,481,858	2,089,282
	Portfolio assessment of impairment	3,484,593	50,753
Without objective evidence of impairment	Portfolio assessment of impairment	268,339,038	3,069,014
Total		$ 275,305,489	5,209,049

		December 31, 2015	
Item		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		$ 308,044,281	4,913,028

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Item			June 30, 2015 Discounts and loans	June 30, 2015 Allowance for bad debts
With objective evidence of impairment	Individual assessment of impairment	$	2,943,293	1,359,966
	Portfolio assessment of impairment		3,842,800	60,813
Without objective evidence of impairment	Portfolio assessment of impairment		307,086,879	2,615,698
Total		$	313,872,972	4,036,477

As of June 30, 2016, December 31 and June 30, 2015, the amounts of outstanding loans with interest charges suspended amounted to $914,663 thousand, $594,738 thousand and $558,454 thousand, respectively. The amounts of interest not accrued derived from the aforementioned loans were $2,930 thousand, $17,031 thousand and $7,876 thousand, respectively.

8) Available-for-sale financial assets — net

	June 30, 2016	December 31, 2015	June 30, 2015
Negotiable certificates of deposit	$ 87,341,568	113,783,454	165,830,753
Treasury bills	2,999,981	-	1,999,624
Government bonds	61,444,361	62,615,688	42,984,055
Financial debentures	6,331,344	6,385,341	6,017,808
Total	$ 158,117,254	182,784,483	216,832,240
Marked-to-market adjustments for hedged assets included in the above balance	$ 154	-	(3)

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

	June 30, 2016			December 31, 2015		
	Percentage of ownership %	Investment cost	Book value	Percentage of ownership %	Investment cost	Book value
Investments measured by equity method:						
Standard Chartered Life Insurance Agency Co., Ltd. (SCLIA)	100.00	$ 21	355,084	100.00	21	826,742
Taiwan Standard Chartered Insurance Agency Co., Ltd. (SCIAC)	100.00	368	13,153	100.00	368	21,710
		$ 389	368,237		389	848,452
Other financial assets:						
Financial assets carried at cost:						
Taiwan Small and Medium Enterprises Development Corp.	4.84	$ 29,000	29,000	4.84	29,000	29,000
Financial Information Service Co., Ltd.	1.14	45,500	45,500	1.14	45,500	45,500
TSC Bio Venture Management, Inc.	5.00	10,632	10,632	5.00	10,632	10,632
Liyu Venture Investment, Inc.	4.76	8,549	8,549	4.76	8,549	8,549
Windance Co., Ltd.	2.73	188,500	188,500	2.73	188,500	188,500
Taiwan Asset Service Corporation	2.94	50,000	50,000	2.94	50,000	50,000
Yang Guang Asset management Company	1.42	849	849	1.42	849	849
Subtotal		333,030	333,030		333,030	333,030
Less: accumulated impairment		-	202,941		-	202,941
		$ 333,030	130,089		333,030	130,089
Restricted assets — debt instruments			7,863,947			10,372,019
Overdue receivable			243,056			-
Less: allowance for bad debts — overdue receivable			243,056			-
			$ 7,994,036			10,502,108

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

	June 30, 2015		
	Percentage of ownership %	Investment cost	Book value
Investments measured by equity method:			
Standard Chartered Life Insurance Agency Co., Ltd. (SCLIA)	100.00	$ 21	414,258
Taiwan Standard Chartered Insurance Agency Co., Ltd. (SCIAC)	100.00	368	15,008
		$ 389	429,266
Other financial assets:			
Financial assets carried at cost:			
Taiwan Small and Medium Enterprises Development Corp.	4.84	$ 29,000	29,000
Financial Information Service Co., Ltd.	1.14	45,500	45,500
Taipei Forex Inc.	3.18	6,673	6,673
TSC Bio Venture Management, Inc.	5.00	10,632	10,632
Liyu Venture Investment, Inc.	4.76	8,549	8,549
Windance Co., Ltd.	2.73	188,500	188,500
Taiwan Asset Service Corporation	2.94	50,000	50,000
Yang Guang Asset management Company	1.42	849	849
Taiwan Depository and Clearing Corporation	0.17	9,277	9,277
Subtotal		348,980	348,980
Less: accumulated impairment		-	202,941
		$ 348,980	146,039
Restricted assets—debt instruments			10,394,727
			$ 10,540,766

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

For the six months period ended June 30, 2016 and 2015, the Bank recognized share of profit of associates and joint ventures accounted for using equity method as $297,945 thousand and $358,974 thousand, respectively. For the six months period ended June 30, 2016 and 2015, the cash dividends from associates under the equity method were $778,160 thousand and $648,089 thousand, and decreased the book value of equities.

For the six months period ended June 30, 2016 and 2015, the cash dividends from financial assets carried at cost recorded under net other non-interest income were $101 thousand and $3,264 thousand, respectively.

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 guaranctee liability were disclosed below:

	January to June 2016				
	Allowance for bad debt				
	Receibables	Discounts and loans	Other financial assets	Provision for guarantee	Total
Beginning balance at January 1, 2016	$ 302,009	4,913,028	-	30,794	5,245,831
Add: bad debt expense and guarantee liability provision	205,075	665,558	243,056	3,301	1,116,990
Bad debt recovery	53,110	212,512	-	-	265,622
Less: write-of	69,322	473,797	-	-	543,119
Exchange rate and others	21,137	108,252	-	-	129,389
Ending balance at June 30, 2016	$ 469,735	5,209,049	243,056	34,095	5,955,935

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

	January to June 2015				
	Allowance for bad debt				
	Receibables	Discounts and loans	Other financial assets	Provision for guarantee	Total
Beginning balance at January 1, 2015	$ 322,995	4,450,587	-	109,035	4,882,617
Add: bad debt expense and guarantee liability provision	11,107	(77,508)	-	(39,085)	(105,486)
Bad debt recovery	59,867	264,143	-	-	324,010
Less: write-of	74,176	497,820	-	-	571,996
Exchange rate and others	23,599	102,925	-	-	126,524
Ending balance at June 30, 2015	$ 296,194	4,036,477	-	69,950	4,402,621

11) Property, plant and equipment—net

June 30, 2016	Cost	Accumulated depreciation	Accumulated impairment	Net
Land	$ 2,915,217	-	41,865	2,873,352
Buildings	3,060,488	1,238,144	-	1,822,344
Office equipment	477,251	464,741	-	12,510
Leasehold improvements	651,145	604,760	-	46,385
Other equipment	408,800	344,416	-	64,384
Total	$ 7,512,901	2,652,061	41,865	4,818,975

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

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

(Continued)

Change in cost movement:

	January 1, 2016	Increase	Decrease	Reclassify	June 30, 2016
Land	$ 2,915,217	-	-	-	2,915,217
Buildings	3,062,698	-	2,210	-	3,060,488
Office equipment	556,759	-	79,508	-	477,251
Leasehold improvements	689,138	1,589	39,582	-	651,145
Other equipment	600,442	12,183	203,825	-	408,800
Total	$ 7,824,254	13,772	325,125	-	7,512,901

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

Change in accumulated depreciation:

	January 1, 2016	Increase	Decrease	Reclassify	June 30, 2016
Buildings	$ 1,193,649	46,705	2,210	-	1,238,144
Office equipment	530,874	12,582	78,715	-	464,741
Leasehold improvements	609,110	35,233	39,583	-	604,760
Other equipment	523,384	24,857	203,825	-	344,416
Total	$ 2,857,017	119,377	324,333	-	2,652,061

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

Change in accumulated impairment:

	January 1, 2016	Increase	Decrease	June 30, 2016
Land	$ 41,865	-	-	41,865

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

(Continued)

12) Intangible assets—net

	June 30, 2016	December 31, 2015	June 30, 2015
Goodwill	$ 3,156,048	3,156,048	3,156,048

Change in intangible assets:

	January 1, 2016	Increase	Decrease	June 30, 2016
Goodwill	$ 3,156,048	-	-	3,156,048

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

13) Other assets—net

	June 30, 2016	December 31, 2015	June 30, 2015
Refundable deposits	$ 434,452	445,730	449,368
Derivatives collateral	5,179,515	9,385,543	4,383,341
Prepaid fee	149,110	106,333	133,168
Other	189,966	1,437	788
	$ 5,953,043	9,939,043	4,966,665

14) Deposits from the Central Bank and banks

	June 30, 2016	December 31, 2015	June 30, 2015
Deposits from banks	$ 1,084,787	1,082,806	1,084,997
Deposits from banks—affiliates	1,216,440	1,623,277	1,832,088
Overdrafts on banks	191,072	59,795	21,414
Overdrafts on banks—affiliates	5,810,389	111,625	-
Call loans from banks	9,250,525	12,956,995	15,190,196
Call loans from banks—affiliates	22,918,947	12,145,238	14,862,861
Total	$ 40,472,160	27,979,736	32,991,556

15) Payables

	June 30, 2016	December 31, 2015	June 30, 2015
Accounts payable	$ 1,931,538	19,228	18,561
Accrued interest	304,504	351,643	497,145
Accrued expenses	1,062,845	1,700,146	1,153,923
Collection payable	142,665	111,370	306,911
Acceptances payable	397,369	219,471	380,860
Inter-branch check clearing payable	152,576	172,760	200,638
Temporary receipts in advance	153,088	41,997	132,749
Unsettled trade payable	1,529,881	5,100,000	1,924,247
Other	603,632	726,164	742,936
Total	$ 6,278,098	8,442,779	5,357,970

16) Deposits and remittances

	June 30, 2016	December 31, 2015	June 30, 2015
Checking accounts deposits	$ 3,445,704	4,317,267	4,231,659
Demand deposits:			
Demand deposits	176,920,427	189,922,987	187,158,234
Saving account deposits	127,707,260	129,183,137	126,522,656
Subtotal of demand deposits	304,627,687	319,106,124	313,680,890
Time deposits:			
Time deposits	134,664,194	130,155,613	184,723,082
Time savings deposits	42,095,706	44,460,114	48,255,274
Subtotal of time deposits	176,759,900	174,615,727	232,978,356
Remittances	74,683	81,745	79,287
Total	$ 484,907,974	498,120,863	550,970,192

As of June 30, 2016 and December 31, 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.

(Continued)

17) Financial debentures—net

As of June 30, 2016, December 31 and June 30, 2015, details of financial debentures issued by the Bank were as follows:

Bond	Conditions for issuance	June 30, 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	-	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	-	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; maturity date: May 19, 2016	-	400,000
100-1I	7 year term, interest accrued and paid quarterly, TWD 90 day CP interest rate; maturity date: May 19, 2018	4,000,000	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	1,100,000
100-4D	10 year term, interest accrued and paid quarterly, TWD 90 day CP interest rate plus 0.15% interest rate; maturity date: June 29, 2021	2,000,000	2,000,000
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	6,457,143	6,588,808
		17,110,343	53,283,159
Marked-to-market adjustment on hedged items		48,298	57,904
Total		$ 17,158,641	53,341,063

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Bond	Conditions for issuance	June 30, 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
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
94-2	No maturity date, interest accrued and paid semi annually, based on the average one year regular floating rate of the nine largest banks plus 1.493%	500
98-2	No maturity date, USD based interest accrued and paid quarterly, annual interest rate from issuance date to June 11, 2015 is USD 3M LIBOR plus 3.33%, and USD 3M LIBOR plus 4.33% from June 11, 2015	4,644,214
98-3	No maturity date, USD based interest accrued and paid quarterly, annual interest rate from issuance date to June 11, 2015 is USD 3M LIBOR plus 3.33%, and USD 3M LIBOR plus 4.33% from June 11, 2015	4,644,214
100-1D	5 year term, interest accrued and paid quarterly, annual interest rate is 1.45%; maturity date: May 19, 2016	6,150,000
100-1E	6 year term, interest accrued and paid quarterly, annual interest rate is 1.51%; maturity date: May 19, 2017	1,000,000
100-1F	7 year term, interest accrued and paid quarterly, annual interest rate is 1.60%; maturity date: May 19, 2018	2,550,000
100-1H	5 year term, interest accrued and paid quarterly, TWD 90 day CP interest rate; maturity date: May 19, 2016	400,000
100-1I	7 year term, interest accrued and paid quarterly, TWD 90 day CP interest rate; maturity date: May 19, 2018	4,000,000
100-2	5 year term, interest accrued and paid quarterly, annual interest rate is 1.451%; maturity date: June 8, 2016	500,000
100-3C	5 year term, interest accrued and paid quarterly, annual interest rate is 1.40%; maturity date: September 23, 2016	1,100,000
100-4D	10 year term, interest accrued and paid quarterly, TWD 90 day CP interest rate plus 0.15% interest rate; maturity date: June 29, 2021	2,000,000
103-1	2 year term, USD based, interest accrued quarterly, interest paid annually, annual interest rate is USD 3M LIBOR plus 0.70%; maturity date: January 27, 2016	17,957,630
103-2	10 year term, USD based, interest accrued and paid semi annually, annual rate is 4.50%; maturity date: December 18, 2024	6,192,286
		51,141,944
Marked-to-market adjustment on hedged items		45,554
Total		$ 51,187,498

18) Other financial liabilities

	June 30, 2016	December 31, 2015	June 30, 2015
Structured deposits	$ 1,384,777	1,158,492	1,329,768

19) Provisions

	June 30, 2016	December 31, 2015	June 30, 2015
Provision for guarantee liability	$ 34,095	30,794	69,950
Provision for employee benefits	1,553,898	1,602,155	1,659,972
Provision for decommissioning, restoration and rehabilitation cost	151,007	149,418	147,974
Other miscellaneous provisions	6,395	9,040	2,645
Total	$ 1,745,395	1,791,407	1,880,541

(Continued)

20) Other liabilities

	June 30, 2016	December 31, 2015	June 30, 2015
Advance received from customers	$ 27,681	55,260	77,029
Deferred income	65,649	55,575	58,909
Guarantee deposits received	29,407	43,877	38,836
Tax payable	697,085	648,239	632,566
Derivatives collateral	1,628,810	2,446,420	2,137,885
Temporary trade receipts in advance	-	-	1,800,163
Other	121,558	96,773	228,662
	$ 2,570,190	3,346,144	4,974,050

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 six months period ended June 30, 2016 and 2015, the pension expense under defined contribution plan of the Bank amounted to $76,915 thousand and $82,114 thousand, respectively, recorded under operating expenses—employee benefits expense.

(b) Provision for employee benefits

i) Change in defined benefit obligation

	June 30, 2016	December 31, 2015	June 30, 2015
Defined benefit plan	$ 1,553,898	1,602,155	1,659,972

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.

(Continued)

ii) Recognized as profit and loss cost

For the six months period ended June 30, 2016 and 2015, the cost charged to profit or loss were $49,933 thousand and $77,595 thousand, respectively, recorded under operating expenses—employee benefits expense.

iii) Primary actuarial assumptions

	January to June 2016	2015
Defined benefit plan discount rate	0.80 %	1.00 %
Incremental rate of future compensation levels	3.00 %	3.00 %

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 six months period ended June 30, 2016 and 2015, the income tax expense (benefit) and related accounts were as follows:

	January to June 2016	January to June 2015
Current income tax expense (benefit)	$ 5,671	(8,565)
Deferred income tax expense	25,826	187,524
Basic income tax	-	134,293
Income tax expense	$ 31,497	313,252

As of June 30, 2016, December 31 and June 30, 2015, the current tax assets of the Bank amounted to $209,460 thousand, $239,692 thousand and $42,718 thousand, respectively.

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

	January to June 2016	January to June 2015
Income tax from profit before tax at statutory rate	$ 45,882	396,131
Permanent difference	1,285	(257,822)
Prior-year income tax adjustments	5,671	(12,121)
Basic income tax	-	134,293
Other adjustments per tax regulation	(21,341)	52,771
Income tax expense	$ 31,497	313,252

For the six months period ended June 30, 2016 and 2015, the components of deferred income tax expense (benefit) recognized as other comprehensive income were as follows:

	January to June 2016	January to June 2015
Item not to be reclassified into profit or loss:		
Remeasurements of defined benefit plan	$ (10,458)	(2,685)
Items that may be subsequently reclassified into profit or loss:		
Change in fair value of available-for-sale financial assets recognized	$ (31,084)	(18,288)
Change in fair value of cash flow hedges recognized	3,428	(24,042)
Total	$ (27,656)	(42,330)

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

	January to June 2016	January to June 2015
Bad debt expense and guarantee liability provision	$ (45,050)	47,721
Depreciation expense	(3,509)	(5,466)
Impairment loss on assets	-	2,460
Expenses from share-based payments	(4,912)	(3,690)
Employee benefits	18,662	10,426
Provisions	6,333	5,330
Deferred income	36,610	30,320
Loss carryforwards	(483)	70,819
Unrealized interest income on financial assets	(8,651)	2,778
Amortization of goodwill	26,826	26,826
	$ 25,826	187,524

The Bank's temporary difference of deferred tax components, based on the 17% tax rate for June 30, 2016, December 31 and June 30, 2015 were as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Deferred tax assets:			
Bad debt expense and guarantee liability provision	$ 394,857	349,807	256,667
Depreciation expense	33,668	30,159	25,434
Impairment loss on assets	34,500	34,500	34,699
Expenses from share-based payments	36,775	31,863	31,863
Employee benefits	264,161	272,365	282,193
Provisions	7,176	13,509	16,251
Deferred income	65,236	101,846	135,533
Loss carryforwards	1,403,058	1,402,575	1,380,802
Unrealized loss on cash flow hedge	-	1,748	-
Total	$ 2,239,431	2,238,372	2,163,442

(Continued)

	June 30, 2016	December 31, 2015	June 30, 2015
Deferred tax liabilities:			
Unrealized interest income on financial assets	$ 77,587	86,238	94,902
Amortization of goodwill	402,396	375,570	348,743
Land value increment tax	123,716	123,716	123,716
Unrealized gain on available-for-sale financial assets	55,665	86,749	109,174
Unrealized gain on cash flow hedge	1,680	-	3,647
Total	$ 661,044	672,273	680,182

The movements of deferred tax items were as follows:

	January to June 2016	January to June 2015
Beginning balance	$ 1,566,099	1,612,306
Recognized in current period profit and loss	(25,826)	(187,524)
Land value increment tax	-	13,463
Recognized in other comprehensive income	38,114	45,015
Ending balance	$ 1,578,387	1,483,260

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

23) Information of imputation credit account

	June 30, 2016	December 31, 2015	June 30, 2015
Imputation credit account	$ 159,430	156,765	132,804

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

	2015 (estimated)	2014 (actual)
Tax creditable ratios of distribution of retained earnings to R.O.C. residents	10.69 %	6.90 %

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

(c) Legal reserve

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

(d) Special reserve

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

(Continued)

(e) Other item in stockholders' equity

Changes in the Bank's other items in stockholders' equity 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	(200,693)	-	(200,693)
Cash flow hedge			
—Unrealized loss	-	16,737	16,737
June 30, 2016	$ 423,432	8,203	431,635

	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	(108,519)	-	(108,519)
Cash flow hedge			
—Unrealized gain	-	(117,382)	(117,382)
June 30, 2015	$ 620,165	17,805	637,970

(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	1,034,181
Total	$ 1,465,876

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%

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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		2,728,080
Total	$	**3,708,006**

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.

25) Share-based payments

Standard Chartered PLC Group (the SC PLC Group) has established several main share-based payment schemes for its directors and employees. For the six months period ended June 30, 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 Sharesave plans, employees have the choice of opening a savings contract. Within a period of six months after the third or fifth anniversary, as appropriate, employees may purchase ordinary shares in the Group at a discount of up to 20 percent on the share price at the date of invitation. There are no performance conditions attached to options granted under the Sharesave plans.

The option movements of the AESP were as follows:

	January to June 2016 Units	January to June 2015 Units
Beginning balance	471,278	466,480
Less: exercised	-	8,448
lapsed	91,739	119,835
Ending balance	**379,539**	**338,197**

For the six months period ended June 30, 2016 and 2015, the costs of the AESP recognized as profits or losses were $4,604 thousand and $6,775 thousand, respectively, recorded under operating expenses—employee benefits expense.

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

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

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

The option movements of the RSA were as follows:

	January to June 2016 Units	January to June 2015 Units
Beginning balance	141,434	121,384
Add: granted	22,561	41,068
dividend	672	2,834
Less: exercised	17,634	17,260
lapsed	5,360	13,003
Ending balance	**141,673**	**135,023**

For the six months period ended June 30, 2016 and 2015, the costs of the RSA charged to profits or losses were $7,557 thousand and $17,908 thousand, respectively, recorded under operating expenses—employee benefits expense.

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

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

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

	January to June 2016 Units	January to June 2015 Units
Beginning balance	65,524	100,182
Less: exercised	1,883	6,371
lapsed	22,661	31,106
Ending balance	**40,980**	**62,705**

(Continued)

For the six months period ended June 30, 2016 and 2015, the costs of the PSA (PSP) reversed and charged to profit or loss were $3,663 thousand and $3,873 thousand, respectively, recorded under operating expenses—employee benefits expense.

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

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

The option movements of the SRSS were as follows:

	January to June 2016 Units	January to June 2015 Units
Ending balance (beginning balance)	$ 12,027	16,797

For the six months period ended June 30, 2016 and 2015, no related cost of stock warrants was recorded.

(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:

	January to June 2016 Units	January to June 2015 Units
Beginning balance	-	-
Add: granted	51,263	-
Ending balance	51,263	-

For the six months period ended June 30, 2016 and 2015 no related cost of stock warrants was recorded.

26) Earnings per share

	January to June 2016	January to June 2015
Net income attributable to common stockholders (after tax)	$ 238,395	2,016,932
Common stock (in thousands)	$ 2,910,572	2,910,572
Basic EPS (in dollars)	$ 0.08	0.69

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

		January to June 2016	January to June 2015
Interest income			
Interest income, discounts and loans	$	3,618,040	4,337,491
Interest income, accounts receivable factoring		74,333	104,447
Interest income, due from banks		413,691	795,480
Interest income, available-for-sale financial assets		672,483	871,736
Interest income, credit card recurrence		134,421	172,589
Interest income, other		128,110	119,960
Subtotal		5,041,078	6,401,703
Interest expense			
Interest expense, deposits		1,392,879	1,957,179
Interest expense, due to banks		88,476	193,715
Interest expense, financial debentures		353,938	510,499
Interest expense, other		9,228	22,727
Subtotal		1,844,521	2,684,120
Total	$	3,196,557	3,717,583

28) Net service fee income

		January to June 2016	January to June 2015
Service fee			
Service fee, loan	$	43,616	85,927
Service fee, agency		2,868	3,358
Service fee, remittance and interbank		57,584	58,828
Service fee, guarantee, import, export and acceptance payable		29,272	48,129
Service fee, credit card		151,958	173,835
Service fee, trust		807,120	1,061,710
Service fee, factoring		11,585	40,649
Service fee, underwriting		105,153	-
Service fee, other		73,001	54,974
Subtotal		1,282,157	1,527,410
Service charge			
Service charge, interbank		85,225	104,159
Service charge, agency		57,293	55,725
Service charge, custodian		56,347	52,847
Service charge, other		74,286	44,454
Subtotal		273,151	257,185
Total	$	1,009,006	1,270,225

(Continued)

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Notes to the Financial Statements

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

		January to June 2016	January to June 2015
Gain on disposal			
Interest-rate instruments	$	122,415	69,593
Derivative financial instruments		(3,433)	1,224,659
Subtotal		118,982	1,294,252
Gain (loss) on valuation			
Interest-rate instruments		(34,644)	(12,043)
Derivative financial instruments		435,693	(572,958)
Subtotal		401,049	(585,001)
Interest income		22,913	54,770
Total	$	542,944	764,021

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

		January to June 2016	January to June 2015
Profit on sale—debt instruments	$	55,927	53,250
Profit on sale—equity instruments		-	6,465
Total	$	55,927	59,715

31) Net other non-interest income

		January to June 2016	January to June 2015
Administrative support service income	$	400,827	324,699
Net (loss) gain on disposal of assets		(792)	80,358
Gain on financial assets carried at cost		101	3,264
Rental income		5,755	7,227
Net (loss) gain on fair value hedge		(314)	9,555
Other		10,235	12,670
Total	$	415,812	437,773

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

		January to June 2016	January to June 2015
Bad debt expense (reversal)	$	1,113,689	(66,401)
Guarantee liability provision (reversal)		3,301	(39,085)
Total	$	1,116,990	(105,486)

(Continued)

33) Employee benefits expense

	January to June 2016	January to June 2015
Salary expense	$ 1,966,329	2,148,437
Employee insurance	155,143	172,911
Pension		
Defined contribution plan	76,915	82,114
Defined benefit plan	49,933	77,595
Other	120,142	134,154
Total	$ 2,368,462	2,615,211

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 six months period ended June 30, 2016 was $27 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.

34) Depreciation and amortization expenses

	January to June 2016	January to June 2015
Depreciation expense		
Buildings	$ 46,705	46,660
Office equipment	12,582	16,185
Leasehold improvements	35,233	58,705
Other equipment	24,857	28,120
Subtotal of depreciation	119,377	149,670
Computer software amortization	-	27
Total	$ 119,377	149,697

35) Other general and administrative expenses

	January to June 2016	January to June 2015
Rental expense	$ 252,305	254,435
Office supplies	38,331	65,654
Postage	89,108	109,487
Repairs and maintenance	86,438	92,529
Advertising expense	62,670	41,175
Utilities fee	37,401	43,504
Taxes	285,006	367,013
Professional service fee	26,788	53,484
Operational and advisory service fee	451,231	491,975
Consulting and technical support service fee	132,364	255,348
Wholesale banking business service fee	96,668	159,443
Building management fee	65,474	63,560
Computer management fee	123,097	126,411
Other	319,166	292,812
Total	$ 2,066,047	2,416,830

36) Disclosure of financial instruments

(a) Financial instruments measured at fair value

i. Valuation of financial instruments measured at fair value:

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

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

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

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

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

The Bank does not have level 3 financial instruments.

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

The Bank does not have level 3 financial instruments.

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

i) Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Active markets are defined as markets that meet the following criteria: (1) the asset or liability traded in the market have similar attributes; (2) there is a willing buyer and seller for the asset or liability in the market at any given time; (3) price information on the asset or liability can be accessed by the general public.

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

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

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:

	June 30, 2016			
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	$ 5,196,157	-	5,196,157	-
Available-for-sale financial assets—net				
Debt instruments	158,117,254	-	158,117,254	-
Other financial assets—net				
Restricted assets—debt instruments	7,863,947	-	7,863,947	-
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	13,052,853	17,673	13,035,180	-
Derivative financial assets for hedging—net	68,595	-	68,595	-
Liabilities:				
Financial liabilities at fair value through profit or loss	14,299,561	11,981	14,287,580	-
Derivative financial liabilities for hedging—net	81,752	-	81,752	-

(Continued)

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Notes to the Financial Statements

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

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

(Continued)

(b) Financial instruments measured at amortised cost

i. Valuation of financial instruments measured at amortised cost:

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

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

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

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

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

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

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

(Continued)

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

	June 30, 2016	
Financial assets	**Book value**	**Fair value**
Cash and cash equivalents	$ 22,053,317	22,053,317
Due from the Central Bank and call loans to banks	103,922,151	103,923,586
Securities purchased under resell agreements and debt instruments	11,148,289	11,384,157
Receivables — net	15,958,562	15,958,562
Discounts and loans — net	270,147,491	268,854,404
Other financial assets — net		
Financial assets carried at cost	130,089	130,089

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

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

	June 30, 2016	
Financial liabilities	**Book value**	**Fair value**
Deposits from the Central Bank and banks	$ 40,472,160	40,479,926
Payables	6,278,098	6,278,098
Related parties payable	12,595,354	12,595,354
Deposits and remittances	484,907,974	488,496,123
Financial debentures — net	17,158,641	17,206,939
Other financial liabilities	1,384,777	1,384,777

(Continued)

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

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

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

Financial instruments measured at amortised cost	June 30, 2016				
	Book value	Fair value Level 1	Level 2	Level 3	Total
Non-derivative financial instruments:					
Assets:					
Cash and cash equivalents	$ 22,053,317	-	22,053,317	-	22,053,317
Due from the Central Bank and call loans to banks	103,922,151	-	103,923,586	-	103,923,586
Securities purchased under resell agreements and debt instruments	11,148,289	-	11,384,157	-	11,384,157
Receivables—net	15,958,562	-	15,958,562	-	15,958,562
Discounts and loans—net	270,147,491	-	-	268,854,404	268,854,404
Other financial assets—net					
Financial assets carried at cost	130,089	-	-	130,089	130,089
Liabilities:					
Deposits from the Central Bank and banks	40,472,160	-	40,479,926	-	40,479,926
Payables	6,278,098	-	6,278,098	-	6,278,098
Related parties payable	12,595,354	-	12,595,354	-	12,595,354
Deposits and remittances	484,907,974	-	488,496,123	-	488,496,123
Financial debentures—net	17,158,641	-	17,206,939	-	17,206,939
Other financial liabilities	1,384,777	-	1,384,777	-	1,384,777

(Continued)

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

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

(c) Information on financial risk

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

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

i. Market risk

i) Strategy and procedure of market risk management

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

ii) Market risk management organization and structure

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

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

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

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

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

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

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

(Continued)

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

	January to June 2016			January to June 2015		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Foreign exchange VaR	$ 5,376	11,533	1,145	3,607	6,504	1,433
Interest rate VaR	43,500	59,294	26,394	42,535	53,778	31,089
Risk rate VaR	43,973	59,315	26,959	42,701	53,978	31,246

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

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

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

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

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

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

v) Method used for regulatory capital calculation

Standardized Approach / Delta-Plus for Options.

(Continued)

vi) Exchange rate risk exposure information

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

	June 30, 2016			December 31, 2015		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Long position						
USD	$14,237,871	32.286	459,679,820	16,096,051	32.944	530,268,897
EUR	904,731	35.882	32,463,684	841,544	35.969	30,269,568
JPY	84,746,181	0.314	26,618,509	91,124,869	0.274	24,932,900
HKD	5,170,873	4.159	21,506,231	433,513	4.251	1,842,733
CNY	10,097,393	4.862	49,092,919	20,292,976	5.075	102,985,830
Short position						
USD	14,233,396	32.286	459,535,345	16,135,635	32.944	531,572,928
EUR	905,604	35.882	32,495,014	841,498	35.969	30,267,916
JPY	84,736,374	0.314	26,615,428	91,201,776	0.274	24,953,943
HKD	5,179,795	4.159	21,543,335	428,843	4.251	1,822,885
CNY	10,130,622	4.862	49,254,477	20,305,972	5.075	103,051,785

	June 30, 2015		
	Foreign currency	Exchange rate	NTD
Long position			
USD	$12,021,058	30.961	372,189,138
EUR	995,946	34.577	34,436,696
JPY	65,802,205	0.253	16,679,290
HKD	3,276,957	3.994	13,088,059
CNY	12,305,263	5.064	62,311,572
Short position			
USD	11,999,542	30.961	371,522,974
EUR	997,990	34.577	34,507,362
JPY	65,802,882	0.253	16,679,462
HKD	3,278,506	3.994	13,094,246
CNY	12,257,735	5.064	62,070,901

i) Interest rate sensitivity information

A. Interest rate sensitivity analysis (NTD)

June 30, 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	$ 315,914,657	15,280,031	40,443,093	48,455,465	420,093,246
Interest rate sensitive liabilities	286,365,030	27,106,239	35,501,979	3,066,737	352,039,985
Interest rate sensitive gap	29,549,627	(11,826,208)	4,941,114	45,388,728	68,053,261
Net worth					42,649,243
Ratio of interest rate sensitive assets to liabilities (%)					119.33
Ratio of interest rate sensitive gap to net worth (%)					159.56

(Continued)

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

June 30, 2015

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

B. Interest rate sensitivity analysis (USD)

June 30, 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	$ 3,285,196	340,383	241,627	462	3,867,668
Interest rate sensitive liabilities	3,426,301	324,704	583,612	206,778	4,541,395
Interest rate sensitive gap	(141,105)	15,679	(341,985)	(206,316)	(673,727)
Net worth					(21,305)
Ratio of interest rate sensitive assets to liabilities (%)					85.16
Ratio of interest rate sensitive gap to net worth (%)					3,162.30

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)

June 30, 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	$ 3,078,113	118,995	50,386	194,384	3,441,878
Interest rate sensitive liabilities	5,112,850	744,591	364,763	5,427	6,227,631
Interest rate sensitive gap	(2,034,737)	(625,596)	(314,377)	188,957	(2,785,753)
Net worth					48,014
Ratio of interest rate sensitive assets to liabilities (%)					55.27
Ratio of interest rate sensitive gap to net worth (%)					(5,801.96)

(Continued)

ii. Operational risk

i) Strategy and procedure of operational risk management

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

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

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

ii) Operational risk management organization and structure

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

The Risk committee is designed to oversee and to challenge the effectiveness of risk management and control. It is also authorised to take certain risk acceptance and control decisions which are outside the authority of individual managers. The Risk committee delegates the authority to Country Operational Risk Committee ("CORC") to determine the Bank's approach to the management of operational risk in accordance with the Risk Management Framework, and has the responsibility to ensure its effective application.

The Country Operational Risk Committee ("CORC") oversees the management of operational risks across the Bank, supported by business and country level committees. The CORC is responsible for ensuring the effectiveness of the Taiwan's Operational Risk Framework and committee structure and that it is implemented consistently.

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

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

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

(Continued)

The on-going effectiveness of operational risk controls is ensured through an assurance approach that comprises the responsibility of three lines of defences. It is based on the responsibility that businesses and functions have to adhere to control requirements and to periodically test adherence through control sample testing performed on controls embedded within critical processes.

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

The operational risk management procedures and processes are built based on Risk Management Framework, and they are integral components of the Operational Risk Management Framework. Operational risks are managed through an end to end process of risk identification, assessment, control, acceptance, and monitoring. This process is performed at all levels across the Bank and is the foundation of the management approach. The identified risks are assessed against operational risk matrices to determine their significance and mitigation actions to reduce the exposure to acceptable levels. Risk mitigation plans are overseen by the appropriate operational risk forum(s) and/or CORC.

v) Method used for regulatory capital calculation

Basic Indicator Approach.

iii. Compliance and legal risk

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

iv. Credit risk management

i) Credit risk strategy, goal, policy and procedure

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

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

A. Strategy and Goal

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

(Continued)

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

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

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

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

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

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

B. Policies and Procedures

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

ii) Credit risk management organization and structure

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

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

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

(Continued)

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

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

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

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

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

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

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

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

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

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

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

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

v) Method used for regulatory capital calculation

Standardized Approach.

vi) Maximum exposure to credit risk

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

	Maximum exposure to credit risk		
Off-balance-sheet items	**June 30, 2016**	**December 31, 2015**	**June 30, 2015**
Other guarantees	$ 2,959,250	2,808,832	6,614,153
Unused amount of irrevocable credit commitments	231,118	462,103	1,500,755
Unused amount of irrevocable letters of credit	1,137,524	1,154,935	1,732,928
Total	$ 4,327,892	4,425,870	9,847,836

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:

(Continued)

A. By industry

	June 30, 2016	December 31, 2015	June 30, 2015
Individual	$ 187,079,593	202,309,525	214,704,843
Manufacturing	41,002,990	44,300,341	46,999,706
Transportation and warehousing	22,231,223	20,192,020	14,502,567
Commercial	10,073,646	10,284,335	12,183,224
Government	-	19,000,000	10,000,000
Financial industry	8,255,188	3,831,930	4,652,319
Other	6,662,849	8,126,130	10,830,313
Total	$ 275,305,489	308,044,281	313,872,972

B. By area

	June 30, 2016	December 31, 2015	June 30, 2015
Domestic	$ 234,294,604	268,897,803	277,602,230
Overseas	41,010,885	39,146,478	36,270,742
Total	$ 275,305,489	308,044,281	313,872,972

C. By collateral

	June 30, 2016	December 31, 2015	June 30, 2015
Unsecured	$ 73,446,613	99,150,444	98,220,925
Secured			
－Real estate	164,236,061	177,623,327	189,159,816
－Movable asset	22,076,905	20,429,692	15,049,111
－Debt instrument	13,696,850	8,600,624	8,799,093
－Other	1,849,060	2,240,194	2,644,027
Total	$ 275,305,489	308,044,281	313,872,972

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.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

A. Credit quality analysis

	June 30, 2016					
	Neither past due nor impaired	Past due but not impaired	Impaired	Allowance for bad debts: Individually impaired	Allowance for bad debts: Collectively impaired	Total
Receivables						
Credit cards accounts receivable	$ 3,832,638	92,201	732,506	238,837	28,178	4,390,330
Accounts receivable factoring	6,939,166	-	-	-	-	6,939,166
Financial derivatives credit default receivables	-	-	220,568	202,720	-	17,848
Discounts and loans						
Consumer banking	179,980,386	3,367,763	4,506,780	1,079,989	2,570,649	184,204,291
Wholesale banking	84,924,288	66,601	2,459,671	1,009,293	549,118	85,892,149
Available-for-sale financial assets	158,117,254	-	-	-	-	158,117,254
Other financial assets						
Overdue receivable	-	-	243,056	243,056	-	-
	$ 433,793,732	3,526,565	8,162,581	2,773,895	3,147,945	439,561,038

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

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

(Continued)

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

	June 30, 2016			
	Investment grade	Sub-investment grade	High risk grade	Total
Receivables				
Credit cards accounts receivable	$ -	3,832,638	-	3,832,638
Accounts receivable factoring	1,507,705	5,431,461	-	6,939,166
Discounts and loans				
Consumer banking	152,163,918	27,816,468	-	179,980,386
Wholesale banking	42,327,373	42,588,653	8,262	84,924,288
Total	$ 195,998,996	79,669,220	8,262	275,676,478

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

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

(Continued)

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

	June 30, 2016			
	Investment grade	Sub-investment grade	High risk grade	Total
Receivables				
Credit cards accounts receivable	$ 2	71,943	20,256	92,201
Discounts and loans				
Consumer banking	-	1,643,121	1,724,642	3,367,763
Wholesale banking	-	60,989	5,612	66,601
Total	$ 2	1,776,053	1,750,510	3,526,565

	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

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

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.

	June 30, 2016			
	Investment grade	Sub-investment grade	High risk grade	Total
Available-for-sale financial assets				
Debt instruments	$ 158,117,254	-	-	158,117,254

(Continued)

	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

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

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

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

	June 30, 2016				
	Up to 1 month	1-2 months	2-3 months	Over 3 months	Total
Receivables					
Credit cards accounts receivable	$ 43,029	18,974	10,834	19,364	92,201
Discounts and loans					
Consumer banking	2,226,638	783,546	216,694	140,885	3,367,763
Wholesale banking	27,060	30,898	453	8,190	66,601
Total	$ 2,296,727	833,418	227,981	168,439	3,526,565

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

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

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

A. Asset quality of the Bank

Unit: in thousands of New Taiwan Dollars, %

Product			Period: June 30, 2016 Non-performing loan	Loan balances	NPL ratio	Allowance for bad debts	Coverage ratio
Wholesale Banking	Secured		4,992	38,628,526	0.01 %	72,033	1,442.97 %
	Unsecured		958,041	48,822,034	1.96 %	1,486,378	155.15 %
Consumer Banking	Mortgage		226,382	135,690,184	0.17 %	2,251,100	994.38 %
	Personal loan		200,300	28,948,263	0.69 %	1,343,225	670.61 %
	Others	Secured	7,157	21,343,228	0.03 %	30,774	429.98 %
		Unsecured	57,139	1,873,254	3.05 %	25,539	44.70 %
Total			1,454,011	275,305,489	0.53 %	5,209,049	358.25 %
			Overdue	Accounts receivable	Overdue ratio	Allowance for bad debts	Coverage ratio
Credit card			20,568	4,657,345	0.44 %	267,015	1,298.21 %
Factoring loan receivable without recourse			-	6,939,166	- %	-	- %

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	- %	-	- %

(Continued)

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

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

Units: in thousands of New Taiwan Dollars

	June 30, 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	$ 6,891	24,601	8,380	29,889
The amount under debt discharge program and rehabilitation program without default by debtors	376,243	54,191	419,195	60,224
	$ 383,134	78,792	427,575	90,113

	June 30, 2015	
	Loans that may be exempted from reporting as overdue loan	Receivables that may be exempted from reporting as overdue receivables
The amount under inter-bank debt relief program without default by debtors	$ 9,916	35,561
The amount under debt discharge program and rehabilitation program without default by debtors	448,914	63,933
	$ 458,830	99,494

(Continued)

B. Concentration of corporate credit risk for the bank

Units: in thousands of New Taiwan Dollars, %

June 30, 2016				
Rank	**Industry classification of group enterprise**		**Outstanding credit**	**% of net assets**
1	A Group	Aviation transportation	5,959,243	14.11 %
2	B Company	Other financial intermediation service not elsewher classified	5,811,429	13.76 %
3	C Group	Other computer peripheral manufacturing industry	4,420,910	10.46 %
4	D Group	Other weaving industry	4,321,511	10.23 %
5	E Group	Other transportation vehicles leasing	3,995,953	9.46 %
6	F Company	Copper metallurgy industry	3,874,286	9.17 %
7	G Group	Ocean freight industry	3,240,174	7.67 %
8	H Group	Semiconductors packing and testing	3,084,600	7.30 %
9	I Group	Shoes industry	2,389,867	5.66 %
10	J Group	Aviation transportation	2,311,730	5.47 %

December 31, 2015				
Rank	**Industry classification of group enterprise**		**Outstanding credit**	**% of net assets**
1	A Group	Aviation transportation	6,426,338	14.85 %
2	D Group	Other weaving industry	5,089,217	11.76 %
3	H Group	Semiconductors packaging and testing	3,709,538	8.57 %
4	E 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	M Group	Petrochemicals manufacturing	2,233,945	5.16 %
9	N Group	Ocean freight industry	2,092,921	4.84 %
10	C Group	Other computer peripheral manufacturing industry	1,881,089	4.35 %

(Continued)

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

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

v. Liquidity risk management mechanism

i) Definition and sources of liquidity risk

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

ii) Management procedure of liquidity risk

The Liquidity Risk Framework governs liquidity risk and is managed by Asset and Liability Committee. The Bank maintains a liquid portfolio of marketable securities as a liquidity buffer as required by local regulation. In total, it maintains a liquidity buffer of $176.8 billion, which is equivalent to 28% of the Bank's total assets. The level of the Bank's aggregate liquid reserves is in accordance with local regulatory minimum liquidity requirements.

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

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

(Continued)

iii) Financial assets held for liquidity risk management

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

iv) Maturity analysis of non-derivatives liabilities

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

	June 30, 2016				
	Within 3 months	3 months~1 year	1~5 years	Over 5 years	Total
Deposits from the Central Bank and banks	$ 39,549,370	922,790	-	-	40,472,160
Payables	6,278,098	-	-	-	6,278,098
Related parties payable	12,595,354	-	-	-	12,595,354
Deposits and remittances	389,407,066	91,426,078	4,074,830	-	484,907,974
Financial debentures	1,151,498	1,000,000	8,550,000	6,457,143	17,158,641
Other financial liabilities	1,098,383	112,051	174,343	-	1,384,777
Total	$ 450,079,769	93,460,919	12,799,173	6,457,143	562,797,004

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

v) Maturity analysis of derivative financial liabilities

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

A. Maturity analysis of net settled derivatives

	June 30, 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	$	330,580	206,081	591,805	1,953,312	1,428,038	4,509,816
—Interest rate derivative instruments		2,124	24,502	23,051	136,189	2,455,974	2,641,840
Derivative financial instruments for hedging							
—Interest rate derivative instruments		40	-	112	443	302	897
	$	332,744	230,583	614,968	2,089,944	3,884,314	7,152,553

	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
	$	236,172	766,850	409,369	1,424,324	7,928,697	10,765,412

	June 30, 2015						
		0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Derivative financial instruments at fair value through profit or loss							
—Foreign exchange derivative instruments	$	177,402	703,873	163,160	1,466,481	1,027,411	3,538,327
—Interest rate derivative instruments		12,903	18,736	34,042	188,845	924,775	1,179,301
Derivative financial instruments for hedging							
—Interest rate derivative instruments		-	-	-	388	837	1,225
	$	190,305	722,609	197,202	1,655,714	1,953,023	4,718,853

(Continued)

B. Maturity analysis of gross settled derivatives

	June 30, 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	$ 205,326,536	129,951,263	97,167,893	43,804,909	438,944	476,689,545
—Cash inflow	201,154,705	127,126,492	96,197,612	43,469,965	446,332	468,395,106
Derivative financial instruments for hedging						
—Foreign exchange derivative instruments						
—Cash outflow	-	-	4,100,000	4,531,500	-	8,631,500
Net cash flow	$ (4,171,831)	(2,824,771)	(5,070,281)	(4,866,444)	7,388	(16,925,939)

	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	$ (3,489,901)	(3,676,047)	(3,096,817)	(4,503,218)	(586,952)	(15,352,935)

	June 30, 2015					
	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Derivative financial instruments at fair value through profit or loss						
—Foreign exchange derivative instruments						
—Cash outflow	$ 139,382,491	53,216,470	85,774,641	47,240,900	2,160,616	327,775,118
—Cash inflow	137,658,464	51,701,865	81,699,600	41,568,904	1,009,078	313,637,911
Net cash flow	$ (1,724,027)	(1,514,605)	(4,075,041)	(5,671,996)	(1,151,538)	(14,137,207)

vi) Maturity analysis of off-balance-sheet items

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

	June 30, 2016				
	0-30 days	31-90 Days	91 days-1 year	Over 1 year	Total
Other guarantees	$ 254,318	307,310	1,786,927	610,695	2,959,250
Unused amount of irrevocable loan commitments	41,732	83,463	15,268	90,655	231,118
Unused amount of irrevocable letters of credit	582,857	473,231	81,436	-	1,137,524
	$ 878,907	864,004	1,883,631	701,350	4,327,892

	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
	$ 699,358	1,518,760	1,263,142	944,610	4,425,870

(Continued)

	June 30, 2015				
	0-30 days	31-90 Days	91 days-1 year	Over 1 year	Total
Other guarantees	$ 311,466	1,338,112	1,529,506	3,435,069	6,614,153
Unused amount of irrevocable loan commitments	123,699	247,397	45,258	1,084,401	1,500,755
Unused amount of irrevocable letters of credit	342,656	943,777	446,495	-	1,732,928
	$ 777,821	2,529,286	2,021,259	4,519,470	9,847,836

vii) Structure Analysis of Maturity Date New Taiwan Dollars

June 30, 2016

		Remaining period to expiration					
	Total	0~10 days	11~30 days	31~90 days	91~180 days	181 days~ Over 1 year	Over 1 year
Capital provided	$ 737,009,083	94,771,130	108,815,600	121,711,955	82,241,491	113,247,509	216,221,398
Capital used	846,783,463	61,695,029	111,360,230	184,723,824	122,977,416	97,717,327	268,309,637
Gap	(109,774,380)	33,076,101	(2,544,630)	(63,011,869)	(40,735,925)	15,530,182	(52,088,239)

December 31, 2015

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

June 30, 2015

		Remaining period to expiration					
	Total	0~10 days	11~30 days	31~90 days	91~180 days	181 days~ Over 1 year	Over 1 year
Capital provided	$ 674,755,217	97,426,326	40,145,235	72,588,599	117,989,641	114,132,191	232,473,225
Capital used	786,968,868	77,656,047	69,253,073	152,802,453	120,316,427	94,284,562	272,656,306
Gap	(112,213,651)	19,770,279	(29,107,838)	(80,213,854)	(2,326,786)	19,847,629	(40,183,081)

viii) Structure Analysis of Maturity Date US Dollars

June 30, 2016

Units: in thousands of US Dollars

		Remaining period to expiration				
	Total	0~30 days	31~90 days	91~180 days	181 days~ Over 1 year	Over 1 year
Capital provided	$ 18,320,235	7,268,223	4,606,882	3,588,095	1,820,673	1,036,362
Capital used	19,162,732	7,270,980	4,848,259	2,798,170	2,412,550	1,832,773
Gap	(842,497)	(2,757)	(241,377)	789,925	(591,877)	(796,411)

December 31, 2015

Units: in thousands of US Dollars

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

(Continued)

June 30, 2015

Units: in thousands of US Dollars

		Remaining period to expiration				
	Total	0~30 days	31~90 days	91~180 days	181 days~ Over 1 year	Over 1 year
Capital provided	$ 15,033,723	5,903,923	3,184,603	3,374,438	1,588,657	982,102
Capital used	15,938,094	5,770,190	2,740,700	3,396,519	1,834,808	2,195,877
Gap	(904,371)	133,733	443,903	(22,081)	(246,151)	(1,213,775)

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

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

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

June 30, 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): Financial instruments (Note)	Relevant amounts not offset on balance sheet (d): Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial assets	$ 13,121,448	-	13,121,448	4,396,055	1,628,810	7,096,583
Securities purchased under resell agreements	11,148,289	-	11,148,289	-	11,148,289	-
Total	$ 24,269,737	-	24,269,737	4,396,055	12,777,099	7,096,583

June 30, 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): Financial instruments (Note)	Relevant amounts not offset on balance sheet (d): Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial liabilities	$ 14,381,313	-	14,381,313	4,396,055	5,179,515	4,805,743

December 31, 2015

Financial assets under net executable settlement contracts or similar agreements

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

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December 31, 2015

Financial liabilities under net executable settlement contracts or similar agreements

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

June 30, 2015

Financial assets under net executable settlement contracts or similar agreements

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

June 30, 2015

Financial liabilities under net executable settlement contracts or similar agreements

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

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

(e) Capital management

i. Summary

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

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

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

ii. Capital management procedure

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

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

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

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

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

b. Capital collected in advance

c. Capital surplus

d. Legal reserves

e. Special reserves

f. Accumulated profit or loss

g. Non-controlling interests

h. Other items in stockholders' equity

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

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

iii. Capital adequacy

Item		Period-end	June 30, 2016	December 31, 2015	June 30, 2015
Self-owned capital	Common stock capital		37,142,163	37,945,503	38,657,201
	Other Tier 1 capital		-	-	-
	Tier 2 capital		10,143,444	10,428,252	9,553,001
	Total self-owned capital		47,285,607	48,373,755	48,210,202
Risk-weighted assets	Credit risk	Standard approach (SA)	277,603,987	300,252,506	323,299,502
		Internal ratings-based approach (IRB)	-	-	-
		Securitization	-	-	-
	Operational risk	Basic indicator approach (BIA)	27,054,758	27,054,758	28,835,011
		Standardized approach (SA) /alternative approach	-	-	-
		Advanced measurement approach (AMA)	-	-	-
	Market risk	Standardized approach (SA)	14,115,168	13,447,757	14,862,361
		Internal model-based approach (IMA)	-	-	-
	Total risk-weighted assets		318,773,913	340,755,021	366,996,874
Total risk-based capital			14.83 %	14.20 %	13.14 %
Ratio of common stock to total risk-based assets			11.65 %	11.14 %	10.53 %
Ratio of Tier 1 capital to risk-based assets			11.65 %	11.14 %	10.53 %
Leverage ratio			4.90 %	4.72 %	4.45 %

Note: Capital Adequacy was prepared in compliance with Regulations Governing the Capital Adequacy and Capital Category of Banks. Besides, since fiscal year 2014, leveraged multiple factors and remaining settlement periods have been taken into account for risk-weighted assets for credit risk of structured derivative transactions with multiple payoffs.

(7) Related-Party Transactions

1) Name and relationship of related parties

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

2) Significant transactions with related parties

(a) Deposits

June 30, 2016			
Name	**Ending balance**	**Percentage of deposits (%)**	**Interest rate (%)**
Deposits by individual related parties not over 1% of total deposits	$ 745,704	0.15	0.00~6.05

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

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

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

For the six months period ended June 30, 2016 and 2015, interest expenses on the above deposits were $1,774 thousand and $2,782 thousand, respectively. As of June 30, 2016, December 31 and June 30, 2015, the interest payables on the above transaction were $158 thousand, $230 thousand and $214 thousand, respectively.

As of June 30, 2016, December 31 and June 30, 2015, the deposit ending balance of SCLIA were $191,852 thousand, $503,956 thousand and $115,342 thousand, respectively; interest payable were $1 thousand, $1 thousand and $1 thousand, respectively; for the six months period ended June 30, 2016 and 2015, related interest expense were $33 thousand and $587 thousand, respectively; as of June 30, 2016, December 31 and June 30, 2015, the deposit ending balance of SCIAC were $28,802 thousand, $27,906 thousand and $17,454 thousand, respectively; interest payable were $1 thousand, $2 thousand and $2 thousand, respectively; for the six months period ended June 30, 2016 and 2015, related interest expense were $11 thousand and $30 thousand, respectively.

(b) Loans

January to June 2016							
				Repayment			
Type of loan	**Maximum balance during the period**	**Number of accounts or name of related party**	**Ending balance**	**On-schedule**	**Overdue**	**Collateral**	**Difference between terms and conditions offered to the accounts and to the general public**
Employee consumer loans	5,691	12	4,291	4,291	-	Unsecured lending	None
Mortgage	115,320	22	106,189	106,189	-	House	None
Other	4,947	Other individuals	4,657	4,657	-	Overdraft on the comprehensive deposits	None

(Continued)

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

January to June 2015							
Type of loan	Maximum balance during the period	Number of accounts or name of related party	Ending balance	Repayment: On-schedule	Repayment: Overdue	Collateral	Difference between terms and conditions offered to the accounts and to the general public
Employee consumer loans	10,487	15	7,677	7,677	-	Unsecured lending	None
Mortgage	148,557	27	141,986	141,986	-	House	None
Other	5,514	Other individuals	5,232	5,232	-	Overdraft on the comprehensive deposits	None

For the six months period ended June 30, 2016 and 2015, interest income on the above loans were $1,127 thousand and $1,484 thousand, respectively. As of June 30, 2016, December 31 and June 30, 2015, the interest receivables on the above transaction were $105 thousand, $121 thousand and $149 thousand, respectively.

(c) Foreign exchange and derivative transactions

June 30, 2016						
Name	Contracts	Contracts duration period	Notional	Net valuation adjustment	Balance sheet: Account	Balance sheet: Balance
SCB	Interest rate swap	2016.12.9~ 2026.4.1	$ 108,698,946	55,993	Financial assets at fair value through profit or loss	136,066
					Financial liabilities at fair value through profit or loss	(80,073)
	Spot/forward/swap	2016.7.1~ 2017.7.26	110,577,465	(878,973)	Financial assets at fair value through profit or loss	546,620
					Financial liabilities at fair value through profit or loss	(1,425,593)
	Foreign exchange option	2016.7.1~ 2018.5.15	283,726,943	(3,987,439)	Financial assets at fair value through profit or loss	330,281
					Financial liabilities at fair value through profit or loss	(4,317,720)
	Commodity swap	2016.7.5~ 2017.7.5	1,724,000	(23,627)	Financial assets at fair value through profit or loss	22,253
					Financial liabilities at fair value through profit or loss	(45,880)
	Cross currency swap	2016.10.11~ 2017.5.3	3,551,427	(122,259)	Financial liabilities at fair value through profit or loss	(122,259)
	Commodity option	2016.8.5	88,721	441	Financial assets at fair value through profit or loss	441
	Interest rate swap (Hedge)	2016.7.22~ 2018.11.29	8,859,196	14,173	Derivative financial assets for hedging	14,918
					Derivative financial liabilities for hedging	(745)
SCB Singapore	Spot/forward/swap	2016.7.1~ 2017.7.5	39,238,948	(10,341)	Financial assets at fair value through profit or loss	317,167
					Financial liabilities at fair value through profit or loss	(327,508)
SCB New York	Spot/forward/swap	2016.9.14~ 2017.6.14	1,775,714	8,539	Financial assets at fair value through profit or loss	17,813
					Financial liabilities at fair value through profit or loss	(9,274)

(Continued)

December 31, 2015

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

June 30, 2015

Name	Contracts	Contracts duration period	Notional	Net valuation adjustment	Balance sheet Account	Balance
SCB	Interest rate swap	2015.7.17~ 2022.7.1	$ 14,365,769	(25,256)	Financial assets at fair value through profit or loss	13,149
					Financial liabilities at fair value through profit or loss	(38,405)
	Spot/forward/swap	2015.7.1~ 2017.4.28	142,275,553	13,343	Financial assets at fair value through profit or loss	558,975
					Financial liabilities at fair value through profit or loss	(545,632)
	Foreign exchange option	2015.7.1~ 2017.6.29	167,115,731	(3,894,695)	Financial assets at fair value through profit or loss	183,182
					Financial liabilities at fair value through profit or loss	(4,077,877)
	Commodity swap	2015.7.22~ 2016.5.4	512,593	32,229	Financial assets at fair value through profit or loss	41,437
					Financial liabilities at fair value through profit or loss	(9,208)
	Cross currency swap	2016.3.18~ 2017.5.3	467,833	(8,698)	Financial liabilities at fair value through profit or loss	(8,698)
	Commodity option	2015.7.2~ 2016.6.3	4,624,178	(55,869)	Financial assets at fair value through profit or loss	93
					Financial liabilities at fair value through profit or loss	(55,962)
	Interest rate swap (Hedge)	2015.10.23~ 2018.2.20	10,423,784	1,619	Derivative financial assets for hedging	2,456
					Derivative financial liabilities for hedging	(837)

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

			June 30, 2015			
		Contracts		Net valuation	Balance sheet	
Name	Contracts	duration period	Notional	adjustment	Account	Balance
SCB Singapore	Spot/forward/swap	2015.7.1~ 2016.5.11	$ -	(88,619)	Financial assets at fair value through profit or loss	133,877
					Financial liabilities at fair value through profit or loss	(222,496)
SCB HK	Spot/forward/swap	2015.7.1	1,414,007	539	Financial assets at fair value through profit or loss	539
SCB New York	Spot/forward/swap	2015.7.1	543,741	893	Financial assets at fair value through profit or loss	1,455
					Financial liabilities at fair value through profit or loss	(562)

(d) Deposits with banks－affiliates

	January to June 2016		
	Balance	Interest rate %	Interest income
SCB Germany	$ 813,591	1.50	-
SCB	258,141	-	-
SCB HK	165,835	-	-
SCB Singapore	105,546	-	-
SCB China	59,700	3.04	1,128
SCB Japan	33,397	-	-
SCB New York	23,926	0.18	1,578
Other	750	-	-
	$ 1,460,886		2,706

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

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

As of June 30, 2016, no interest receivables resulting from the above deposits with banks to affiliates was recorded.

(e) Call loans to banks—affiliates

	January to June 2016		
	Balance	Interest rate %	Interest income
SCB Taipei	$ 39,327,122	-0.25~4.80	221,310
SCB HK	16,142,857	0.40~1.20	2,523
SCB Singapore	10,679,293	-0.20~-0.10	(5,151)
SCB Japan	1,005,110	0.01~0.50	117
SCB Vietnam	968,571	0.50	14
SCB	-	0.35~0.85	32,805
SCB China	-	0.55~1.70	1,118
SCB Dubai	-	0.35~0.38	355
	$ 68,122,953		253,091

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

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

As of June 30, 2016, December 31 and June 30, 2015, the interest receivables resulting from the above call loans to banks to affiliates were $140,690 thousand, $181,120 thousand and $143,237 thousand, respectively, recorded under receivables—net.

(f) Deposits from banks—affiliates

	January to June 2016		
	Balance	Interest rate %	Interest expense
SCB Taipei	$ 1,216,440	0.01	68

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

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

As of June 30, 2016, December 31 and June 30, 2015, the interest payables resulting from the above deposits from banks to affiliates were $3 thousand, $5 thousand and $5 thousand, respectively, recorded under related parties payable.

(g) Overdrafts on banks—affiliates

	January to June 2016		
	Balance	Interest rate %	Interest expense
SCB New York	$ 5,147,508	0.50	85
SCB HK	662,881	5.25	3
SCB Germany	-	1.50	1,199
SCB Japan	-	1.55	156
SCB China	-	2.04	149
SCB Singapore	-	5.75	79
SCB	-	1.50	7
	$ 5,810,389		1,678

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

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

As of June 30, 2016, no interest payables resulting from the above overdrafts on banks to affiliates was recorded.

(Continued)

(h) Call loans from banks — affiliates

		January to June 2016	
	Balance	Interest rate %	Interest expense
SCB HK	$ 20,206,947	0.10~2.15	28,305
SCB Korea	1,291,429	0.42~0.47	481
SCB Macau	774,857	0.35~0.65	2,889
SCB Taipei	645,714	0.39~0.45	671
SCB China	-	0.36~0.43	1,914
SCB Singapore	-	0.50	764
SCB Japan	-	0.11	27
SCB	-	0.60	329
	$ 22,918,947		35,380

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

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

As of June 30, 2016, December 31 and June 30, 2015, the interest payables resulting from the above call loans from banks to affiliates were $7,948 thousand, $2,254 thousand and $19,717 thousand, respectively, recorded under related parties payable.

(Continued)

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

	Fair value		
Name	June 30, 2016	December 31, 2015	June 30, 2015
SCB HK	$ 6,331,344	6,385,341	6,017,808

For the six months period ended June 30, 2016 and 2015, the interest income resulting from the above transaction were $215,357 thousand and $178,352 thousand, respectively.

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

Name	Bond (note)	June 30, 2016	December 31, 2015	June 30, 2015
SCB	98-2	$ -	4,941,605	4,644,214
SCB	98-3	-	4,941,605	4,644,214
SCB	103-1	-	13,177,614	-
SCB HK	103-1	-	5,929,927	17,957,630
SCB	103-2	6,457,143	6,588,808	6,192,286

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

For the six months period ended June 30, 2016 and 2015, the interest expenses on the above transactions were $257,721 thousand and $402,635 thousand, respectively. As of June 30, 2016, December 31 and June 30, 2015, the interest payables on the above transactions were $10,650 thousand, $216,660 thousand and $108,481 thousand, respectively, recorded under related parties payable.

(k) Guarantee

	January to June 2016			
	Maximum balance during the period	Ending balance	Expense (per case)	Collateral
SCB Indonesia	$ 25,829	25,829	USD100	None
SCB HK	19,371	19,371	USD100	None

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

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

(Continued)

(l) For the six months period ended June 30, 2016, operational and advisory service fees, consulting and technical support service fees and wholesale banking business service fees were $451,231 thousand, $132,364 thousand, and $96,668 thousand, respectively. For the six months period ended June 30, 2015, operational and advisory service fees, consulting and technical support service fees and wholesale banking business service fees were $491,975 thousand, $255,348 thousand, and $159,443 thousand, respectively. As of June 30, 2016, December 31 and June 30, 2015, fees payables to SCB were $12,363,403 thousand, $11,932,162 thousand and $10,319,207 thousand, respectively, recorded under related parties payable. Moreover, for the six months period ended June 30, 2016 and 2015, the royalty expenses for obtaining the right to use intellectual property of SC PLC Group amounted to $570 thousand and $19,809 thousand, respectively. As of December 31 and June 30, 2015, the royalty expenses payable to SCB were $40,833 thousand and $158,199 thousand, respectively, recorded under related parties payable. For the six months period ended June 30, 2016, and 2015, the group insurance expenses for entering the group insurance amounted to $16,744 thousand and $20,156 thousand, respectively. As of June 30, 2016, December 31 and June 30, 2015, the group insurance expenses payable to SCB were $51,115 thousand, $35,072 thousand and $20,156 thousand, respectively, recorded under related parties payable.

(m) For the six months period ended June 30, 2016 and 2015, the related cost of the Executive Share Option Scheme amounted to $8,498 thousand and $28,556 thousand, respectively. As of June 30, 2016, December 31 and June 30, 2015, accounts payable to SCB for the share-based payment scheme costs amounted to $5,889 thousand, $23,967 thousand and $16,615 thousand, respectively, recorded under related parties payable, the prepaid fee to SCB for the share-based payment scheme costs amounted to $900 thousand, $918 thousand and $863 thousand, respectively, recorded under other assets—net.

(n) For the six months period ended June 30, 2016 and 2015, expenses resulting from operating and other business related activities with affiliates were as follows:

Name		January to June 2016	January to June 2015
Technical support service fees:			
SCB	$	4,189	5,231
SCB HK		1,083	-
SCB Korea		74	-
SCB Singapore		25	-
Total	$	5,371	5,231
Information technology service fees:			
Scope International Private Ltd.	$	34,050	38,792
Scope International (M) Sdn Bhd		45,472	39,463
Total	$	79,522	78,255
Consultant service income and origination income:			
SCB New York	$	11,227	-
SCB HK		-	8,427
SCB Germany		1,067	-
Total	$	12,294	8,427

(Continued)

Name		January to June 2016	January to June 2015
Consultant service fees and origination fees:			
SCB Dubai	$	30,791	-
SCB		11,861	-
SCB Korea		8,576	-
SCB HK		5,651	11,817
SCB China		4,152	-
SCB Vietnam		-	2,349
Other		5,116	2,603
Total	$	66,147	16,769

As of June 30, 2016, December 31 and June 30, 2015, technical support service fees payables and information technology service fees payables were $36,979 thousand, $16,345 thousand and $23,246 thousand, respectively, recorded under related parties payable. As of June 30, 2016, December 31 and June 30, 2015, consultant service income and origination income receivables were $12,294 thousand, $8,289 thousand and $47,206 thousand, respectively, recorded under receivables—net. Consultant service fees and origination fees payables were $117,978 thousand, $24,837 thousand and $32,145 thousand, respectively, recorded under related parties payable.

(o) SCBTL signed rental contracts calculated by the market situation and the rental area with SCLIA and SCIAC. The rentals were received monthly. For the six months period ended June 30, 2016 and 2015, the related rentals from SCLIA were $85 thousand and $25 thousand, respectively. For the six months period ended June 30, 2016, the related rental from SCIAC was $15 thousand. As of June 30, 2016, December 31 and June 30, 2015, the guarantee deposits paid from SCLIA were $68 thousand, $8 thousand and $8 thousand, respectively. As of June 30, 2016, the guarantee deposits paid from SCIAC was $15 thousand. As of June 30, 2016, December 31 and June 30, 2015, the related receivables from SCLIA for the usage of utility facilities and software were $20 thousand, $21 thousand and $16 thousand, respectively, recorded under receivables—net; related receivables from SCIAC were $3 thousand, $5 thousand and $4 thousand, respectively, recorded under receivables—net.

(p) As of June 30, 2016, December 31 and June 30, 2015, the service income receivable that SCBTL supported SCLIA for its sales and administrative support were $365,900 thousand, $659,700 thousand and $308,400 thousand, respectively, recorded under receivables—net. The related service income for the six months period ended 2016 and 2015, were $395,827 thousand and $320,032 thousand, respectively. As of June 30, 2016, December 31 and June 30, 2015, the service income receivable that SCBTL supported SCIAC for its sales and administrative support were $2,800 thousand, $6,020 thousand and $3,020 thousand, respectively, recorded under receivables—net. The related service income for the six months period ended 2016 and 2015, were $3,392 thousand and $3,017 thousand, respectively.

(q) As of June 30, 2016, the cash dividends receivables from SCLIA and SCIAC were $764,181 thousand and $13,979 thousand, respectively, recorded under receivables —net.

(Continued)

(r) The Bank has signed a rental contract with SCB Taipei which was calculated by either the main rental contract or market situation and the rental area. The rentals were received monthly. For the six months period ended June 30, 2016 and 2015, the rentals were $1,467 thousand and $2,220 thousand, respectively. As of June 30, 2016, December 31 and June 30, 2015, the utility and information system usage income receivables were $119 thousand, $126 thousand and $129 thousand, respectively, recorded under receivables—net, and the related recharge from expense allocation were $572 thousand, $1,309 thousand and $753 thousand, respectively.

(s) For the six months period ended June 30, 2016 and 2015, the administrative support service income from SCB Taipei to the Bank were $1,608 thousand and $1,650 thousand, respectively.

3) The salary and remuneration of directors and supervisors

	January to June 2016	January to June 2015
Salary and other short term benefits	$ 164,364	183,682
Post-employment benefit	810	693
Total	$ 165,174	184,375

(8) Pledged Assets

Units: in thousands of New Taiwan Dollars

Pledged assets	Pledged for	Amount June 30, 2016	Amount December 31, 2015	Amount June 30, 2015
Bonds (recorded under other financial assets)	Provision seizures	$ 13,800	18,000	46,100
	USD overdraft clearing deposits	7,500,000	10,000,000	10,000,000
Total		$ 7,513,800	10,018,000	10,046,100

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

Pledged assets	Pledged for	Amount June 30, 2016	Amount December 31, 2015	Amount June 30, 2015
Negotiable certificates of deposit, government bonds (recorded under other financial assets)	Trust indemnity reserve	$ 150,000	150,000	150,000
	Security deposits for agency on foreign bond trading	50,000	50,000	50,000
	Security deposits for security underwriting	50,000	50,000	50,000
	Security deposits for bill trading business	100,000	100,000	100,000
		350,000	350,000	350,000
Guarantee deposits paid (recorded under other assets)	Operating deposits and security deposits for bond proprietary trading	150,300	150,300	150,300
Total		$ 500,300	500,300	500,300

(Continued)

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 securities commission agency, brokerage, agency, and other relevant businesses approved by the competent authority in accordance with the provisions of the escrow deposit business.
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 provisions of the competent authorities of the escrow deposit.
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.

(9) Significant Contingent Liabilities and Unrecognized Contract Commitments

1) Commitments and contingent liabilities

	June 30, 2016	December 31, 2015	June 30, 2015
Consignment collection for others	$ 6,776,626	7,095,837	7,024,364
Securities, consignments and goods in custody	1,588,538,310	1,501,915,468	1,736,193,831
Trust assets	88,193,704	89,734,022	95,458,824
	$ 1,683,508,640	1,598,745,327	1,838,677,019
Other guarantees	$ 2,959,250	2,808,832	6,614,153
Unused amount of irrevocable loan commitments	$ 231,118	462,103	1,500,755
Unused amount of irrevocable letters of credit	$ 1,137,524	1,154,935	1,732,928

2) Operating leases

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

	June 30, 2016	December 31, 2015	June 30, 2015
Not later than one year	$ 392,291	342,391	465,433
Later than one year and not later than five years	1,294,141	610,709	630,759
Total	$ 1,686,432	953,100	1,096,192

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

3) Significant service agreements

The Bank entered into a bancassurance agreement with PCA Life Assurance Co., Ltd. ("PCA") to promote and sell approved insurance policies in October 2007. SCBTL entered into a new agreement with PCA and SCLIA on July 4, 2014 to continue the tripartite partnership and terminate the aforementioned agreement.

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

Trust balance sheet
June 30, 2016

Trust assets			Trust liabilities		
Bank deposits	$	6,856	Accounts payable	$	6
Short-term investments		84,314,741	Tax payable		-
Structured notes		3,128,054	Payables for securities under custody		744,052
Securities under custody		744,052	Trust capital and accumulated		
Other assets		1	earnings		87,449,646
Total trust assets	$	88,193,704	Total trust liabilities	$	88,193,704

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		
Other assets		4	earnings		88,870,996
Total trust assets	$	89,734,022	Total trust liabilities	$	89,734,022

Trust balance sheet
June 30, 2015

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

(Continued)

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Notes to the Financial Statements

Trust income statements

	January to June 2016	January to June 2015
Trust revenue:		
Interest revenue	$ 1,703,791	1,698,930
Common stock cash dividends	187	198
Realized gain on investments	337,536	1,498,797
Unrealized gain on investments	2,474,493	67,644
	4,516,007	3,265,569
Trust expenses:		
Management expense	41	53
Realized loss on investments	2,080,824	1,345,775
Unrealized loss on investments	23,817,435	12,034,354
Loss on trading of assets	10	15
	25,898,310	13,380,197
Net loss before income tax	(21,382,303)	(10,114,628)
Income tax expense	-	2
Net loss after income tax	$ (21,382,303)	(10,114,630)

Schedules of investment for trust business

Investment items	June 30, 2016	December 31, 2015	June 30, 2015
Bank deposits	$ 6,856	13,758	14,277
Short-term investments:			
Bonds	16,824,013	14,104,486	12,976,418
Common stock	2,756,902	2,930,746	3,032,154
Funds	64,733,826	68,507,202	74,992,390
Structured notes	3,128,054	3,314,809	3,396,508
Securities under custody	744,052	863,017	1,047,073
Other assets	1	4	4
	$ 88,193,704	89,734,022	95,458,824

Foreign currency trust business engaged by the Offshore Banking Unit (OBU) as of June 30, 2016, December 31 and June 30, 2015, were included in the trust balance sheets and schedules of investment for trust business.

(10) Significant Disaster Loss: None.

(11) Significant Subsequent Events: None.

(12) Others

1) Profitability

Unit: %

Items		June 30, 2016	December 31, 2015	June 30, 2015
Return on assets	Before income tax	0.08	0.22	0.63
	After income tax	0.07	0.20	0.54
Return on equity	Before income tax	1.26	3.63	10.52
	After income tax	1.11	3.27	9.10
Net profit ratio		4.01	10.73	27.23

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

1) Related information on significant transaction

For the six months period ended June 30, 2016, relevant information of any major transactions that the Bank was required to disclose are as follow:

(a) Lending to other parties: Not applicable to banking industry.

(b) Guarantees and endorsements for other parties: Not applicable to banking industry.

(c) Information regarding securities held (excluding investment in subsidiaries, affiliates and joint ventures): Not applicable to banking industry.

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

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

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

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

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

(i) Information regarding trading in derivative financial instruments: Not applicable to banking industry.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(j) Information regarding selling non performing loans：

i. Summary table of NPL disposal: None.

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

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

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

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

2) Information on long-term equity investments:

Name of investee	Investee's location	Investee's operation	Percentage of ownership	Book value of investments	Gain (loss) recognized during the period	Holdings				Remark
						Number of shares	Pro forma number of shares	Total		
								Shares (thousand)	Percentage	
Standard Chartered Life Insurance Agency Co., Ltd.	2F; No9., Ln.91, Dongmei Road, Hsinchu, Taiwan.	Life insurance agent	100.00 %	355,084	292,523	300	-	300	100.00 %	Note
Taiwan Standard Chartered Insurance Agency Co., Ltd.	2F; No9., Ln.91, Dongmei Road, Hsinchu, Taiwan.	Property insurance agent	100.00 %	13,153	5,422	300	-	300	100.00 %	Note
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
Financial Information Service Co., Ltd.	No.81, Sec. 3, Kangning Rd., Neihu District, Taipei City 11485, Taiwan	Information technology services	1.14 %	45,500	-	5,938	-	5,938	1.14 %	Note
TSC Bio Venture Management, Inc.	5F., No.50, Sec. 1, Sinsheng S. Rd., Jhongjheng Dist., Taipei City 100, Taiwan (R.O.C.)	Venture capital services	5.00 %	10,632	-	1,063	-	1,063	5.00 %	Note
Liyu Venture Investment, Inc.	8F., No.70, Sec. 3, Nanjing E. Rd., Jhongshan District, Taipei City 10489, Taiwan	Venture capital services	4.76 %	8,549	-	855	-	855	4.76 %	Note
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
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

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Name of investee	Investee's location	Investee's operation	Percentage of ownership	Book value of investments	Gain (loss) recognized during the period	Holdings: Number of shares	Holdings: Pro forma number of shares	Holdings: Total Shares (thousand)	Holdings: Total Percentage	Remark
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

Note: As of June 30, 2016, shares held by the Bank remained the same as December 31, 2015.

3) Related information on investments in Mainland China:

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

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

(14) Operating Segment Financial Information

Please refer to the audited consolidated interim financial reports for the six months period ended 2016.