

Stock code:2807



**STANDARD CHARTERED BANK (TAIWAN)
LIMITED**

INTERIM FINANCIAL STATEMENTS

**June 30, 2017 and 2016
(With Independent Auditors' Report Thereon)**

Independent Auditors' Report

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

Opinion

We have audited the financial statements of Standard Chartered Bank (Taiwan) Limited (“the Bank”), which comprise the statement of financial position as of June 30, 2017, December 31 and June 30, 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months ended June 30, 2017 and 2016, and notes to the interim financial statements, including a summary of significant accounting policies.

In our opinion, the interim financial statements in all material respects, the financial position of the Bank as of June 30, 2017, December 31 and June 30, 2016, and the results of its operations and its cash flows for the six month ended June 30, 2017 and 2016, in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and the International Accounting Standard 34 "Interim Financial Reporting" endorsed by the FSC.

Basis for Opinion

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

Key Audit Matters

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

1. Impairment of loans and advances

1) Risk and descriptions of the key audit matter:

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

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

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

2) Procedures performed:

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

2. Valuation of financial instruments

1) Risk and descriptions of the key audit matter:

The risk is that the valuation of financial instruments may be misstated due to the application of valuation techniques which often involve the exercise of judgment and the use of assumptions and estimates. Of the financial instruments that are held at fair value through profit and loss or as available-for-sale in the Bank's balance sheet, majority were qualified as being measured using level 1 or 2 inputs in the fair value hierarchy as of June 30, 2017. This means they were valued using prices that were observable in the market place or through models with market observable inputs, including those inputs that can be observed directly (quoted prices) or indirectly (derived from quoted prices) from active markets, resulting in the valuation risk being low. The measurement of the fair value of the input parameters of Level 3 are not based on observable market data, therefore, during the valuation process, those related to the modeling assumptions used by the Bank in measuring expected exposures of derivatives and the appropriateness of the proxies used (for estimating loss rates) for counterparties may cause differences in calculation.

Please refer to Note 6 (36) for further description of valuation of financial instruments.

2) Procedures performed:

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

- Testing, for a selection of pricing inputs used, that they were externally sourced and were correctly input into pricing models.
- Understanding the Bank's valuation model and valuation methodology for financial instrument.
- Valuing a selection of debt securities and derivative positions independently, using appointed internal valuation specialists, and comparing their valuation to the Bank's valuation.

- We also performed a range of additional procedures on the credit and funding valuations adjustments which included:
 - Appointed our valuation specialists to assess the appropriateness of the methodology and to assess the key underlying models used.
 - Checked the selections of counterparty exposures to assess whether these were appropriately netted in arriving at the final exposures.
 - Assessed the appropriateness of the Bank's credit risk valuation adjustment.

3. Realization of deferred tax assets

1) Risk and descriptions of the key audit matter:

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

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

2) Procedures performed:

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

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

4. Disclosures on related party transactions

1) Risk and descriptions of the key audit matter:

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

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

2) Procedures performed:

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

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

Management is responsible for the preparation and fair presentation of the interim financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and the International Accounting Standard 34 "Interim Financial Reporting" endorsed by the FSC, and for such internal control as management determines is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Interim Financial Statements

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

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

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

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

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

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

The image shows the letters 'KPMG' written in a stylized, handwritten font. The letters are black and have a slightly irregular, ink-like appearance.

KPMG

Taipei, Taiwan (Republic of China)

August 29, 2017

Notes to Readers

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

Standard Chartered Bank (Taiwan) Limited
Balance Sheets
June 30, 2017, December 31 and June 30, 2016
(expressed in thousands of New Taiwan Dollars)

Assets		June 30, 2017		December 31, 2016		June 30, 2016		Liabilities and equity		June 30, 2017		December 31, 2016		June 30, 2016	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
11000	Cash and cash equivalents (notes 6(1) and 7)	\$ 11,192,786	2	14,168,772	2	22,053,317	4								
11500	Due from the Central Bank and call loans to banks (notes 6(2) and 7)	116,593,237	19	102,109,199	17	103,922,151	17	21000	Deposits from the Central Bank and banks (notes 6(14) and 7)	\$ 56,138,356	9	31,412,055	5	40,472,160	7
12000	Financial assets at fair value through profit or loss (notes 6(3) and 7)	22,217,678	4	26,530,679	4	18,249,010	3	22000	Financial liabilities at fair value through profit or loss (notes 6(3) and 7)	8,426,778	1	14,882,839	2	14,299,561	2
12300	Derivative financial assets for hedging—net (notes 6(4) and 7)	19,698	-	140,667	-	68,595	-	22300	Derivative financial liabilities for hedging—net (notes 6(4) and 7)	135,687	-	40,185	-	81,752	-
12500	Securities purchased under resell agreements and debt instruments (notes 6(5) and 7)	1,641,128	-	3,196,000	1	11,148,289	2	23000	Payables (note 6(15))	3,869,968	1	3,673,461	1	6,297,549	1
13000	Receivables—net (notes 6(6), (10) and 7)	18,940,345	3	18,603,886	3	16,251,393	3	23100	Related parties payable (note 7)	10,691,992	2	10,207,386	2	12,595,352	2
13200	Current tax assets (note 6(22))	208,258	-	284,209	-	209,460	-	23200	Current tax liabilities (note 6(22))	-	-	17,998	-	61,025	-
13500	Discounts and loans—net (notes 6(4), (7), (10) and 7)	255,622,751	42	267,281,457	43	270,147,491	43	23500	Deposits and remittances (notes 6(4), (16) and 7)	467,938,945	77	492,606,933	80	484,687,320	78
14000	Available-for-sale financial assets—net (notes 6(4), (8) and 7)	164,913,895	27	157,879,248	26	158,117,254	25	24000	Financial debentures—net (notes 6(4), (17) and 7)	14,657,686	3	16,037,802	3	17,158,641	3
15500	Other financial assets—net (notes 6(9), (10) and 8)	7,423,829	1	14,411,707	2	7,994,036	1	25500	Other financial liabilities (note 6(18))	776,865	-	1,033,273	-	1,384,777	-
18500	Property and equipment—net (notes 6(11) and 13(1))	4,393,829	1	4,687,179	1	4,819,149	1	25600	Provisions (notes 6(10), (19) and (21))	1,514,543	-	1,482,568	-	1,745,395	-
19000	Intangible assets—net (note 6(12))	3,156,048	1	3,156,048	1	3,156,048	-	29300	Deferred tax liabilities (note 6(22))	652,503	-	645,744	-	661,044	-
19300	Deferred tax assets (note 6(22))	1,554,417	-	1,767,016	-	2,239,431	-	29500	Other liabilities (note 6(20))	1,883,307	-	1,754,631	-	2,638,784	-
19500	Other assets—net (notes 6(13), 7 and 8)	1,651,910	-	1,307,968	-	5,956,689	1		Total liabilities	<u>566,686,630</u>	<u>93</u>	<u>573,794,875</u>	<u>93</u>	<u>582,083,360</u>	<u>93</u>
									Equity:						
								31101	Common stock (note 6(24))	29,105,720	5	29,105,720	5	29,105,720	5
								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))	6,431,895	1	6,381,790	1	6,381,790	1
								32003	Special reserve (note 6(24))	343,057	-	342,222	-	347,706	-
								32005	Unappropriated earnings (note 6(24))	1,205,948	-	266,400	-	187,331	-
										<u>7,980,900</u>	<u>1</u>	<u>6,990,412</u>	<u>1</u>	<u>6,916,827</u>	<u>1</u>
								32500	Other equity interest (note 6(24))	(38,212)	-	(161,743)	-	431,635	-
									Total equity	<u>42,843,179</u>	<u>7</u>	<u>41,729,160</u>	<u>7</u>	<u>42,248,953</u>	<u>7</u>
									Total liabilities and equity	<u>\$ 609,529,809</u>	<u>100</u>	<u>615,524,035</u>	<u>100</u>	<u>624,332,313</u>	<u>100</u>
	Total assets	<u>\$ 609,529,809</u>	<u>100</u>	<u>615,524,035</u>	<u>100</u>	<u>624,332,313</u>	<u>100</u>								

See accompanying notes to interim financial statements

Standard Chartered Bank (Taiwan) Limited
Statements of Comprehensive Income
For the six months ended June 30, 2017 and 2016
(expressed in thousands of New Taiwan Dollars)

		For the six months ended June 30,			
		2017		2016	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
41000	Interest income (notes 6(27) and 7)	\$ 4,721,270	67	5,041,078	83
51000	Less : Interest expense (notes 6(27) and 7)	<u>2,061,199</u>	<u>29</u>	<u>1,844,477</u>	<u>30</u>
	Net interest income	2,660,071	38	3,196,601	53
	Net non-interest income				
49100	Net service fee income (notes 6(28) and 7)	2,114,327	30	1,843,261	30
49200	Gain on financial assets or liabilities at fair value through profit or loss (notes 6(29) and 7)	410,202	6	542,944	9
49300	Realized gain on available-for-sale financial assets (note 6(30))	351	-	55,927	1
49600	Foreign exchange gain	1,710,515	24	422,577	7
49800	Net other non-interest income (notes 6(4), (9), (31) and 7)	<u>154,599</u>	<u>2</u>	<u>16,493</u>	<u>-</u>
	Net revenue	<u>7,050,065</u>	<u>100</u>	<u>6,077,803</u>	<u>100</u>
58200	Bad debt expense and guarantee liability provision (notes 6(10) and (32))	<u>532,893</u>	<u>8</u>	<u>1,116,990</u>	<u>18</u>
	Operating expenses:				
58500	Employee benefits expenses (notes 6(21), (25), (33) and 7)	2,445,874	35	2,375,298	39
59000	Depreciation and amortization expenses (notes 6(11), (12) and (34))	91,014	1	119,419	2
59500	Other general and administrative expenses (notes 6(35) and 7)	<u>2,477,317</u>	<u>35</u>	<u>2,135,162</u>	<u>35</u>
	Total operating expenses	<u>5,014,205</u>	<u>71</u>	<u>4,629,879</u>	<u>76</u>
	Income before tax	1,502,967	21	330,934	6
61003	Less: income tax expense (note 6(22))	<u>271,813</u>	<u>4</u>	<u>92,539</u>	<u>2</u>
	Net income	<u>1,231,154</u>	<u>17</u>	<u>238,395</u>	<u>4</u>
65000	Other comprehensive income:				
65200	Items that may not be reclassified subsequently to profit or loss:				
65201	Remeasurements of defined benefit plan (note 6(21))	(30,369)	-	(61,522)	(1)
65220	Income tax benefit related to items that may not be reclassified subsequently to profit or loss (note 6(22))	<u>5,163</u>	<u>-</u>	<u>10,458</u>	<u>-</u>
	Total items that may not be reclassified subsequently to profit or loss	<u>(25,206)</u>	<u>-</u>	<u>(51,064)</u>	<u>(1)</u>
65300	Items that may be reclassified subsequently to profit or loss:				
65302	Change in fair value of available-for-sale financial assets recognized	62,163	1	(231,777)	(4)
65303	Change in fair value of cash flow hedges recognized	42,383	1	20,165	-
65320	Income tax benefit related to items that may be reclassified subsequently to profit or loss (note 6(22))	<u>18,985</u>	<u>-</u>	<u>27,656</u>	<u>1</u>
	Total items that may be reclassified subsequently to profit or loss	<u>123,531</u>	<u>2</u>	<u>(183,956)</u>	<u>(3)</u>
65000	Other comprehensive income, net of tax	<u>98,325</u>	<u>2</u>	<u>(235,020)</u>	<u>(4)</u>
	Total comprehensive income	<u>\$ 1,329,479</u>	<u>19</u>	<u>3,375</u>	<u>-</u>
67500	Basic earnings per share (NTD) (note 6(26))	<u>\$ 0.42</u>		<u>0.08</u>	

See accompanying notes to interim financial statements

Standard Chartered Bank (Taiwan) Limited
Statements of Changes in Equity
For the six months ended June 30, 2017 and 2016
(expressed in thousands of New Taiwan Dollars)

	<u>Share capital</u>		<u>Retained earnings</u>			<u>Other item in stockholders' equity</u>		<u>Total equity</u>
	<u>Ordinary share</u>	<u>Capital surplus</u>	<u>Legal reserve</u>	<u>Special reserve</u>	<u>Unappropriated retained earnings</u>	<u>Unrealized gains (losses) on available-for-sale financial assets</u>	<u>Gains (losses) on effective portion of cash flow hedges</u>	
Balance at 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 (note 6(24))	-	-	431,695	-	(431,695)	-	-	-
Cash dividends of ordinary share (note 6(24))	-	-	-	-	(1,034,181)	-	-	(1,034,181)
Net income for the six months ended June 30, 2016	-	-	-	-	238,395	-	-	238,395
Other comprehensive income for the six months June 30, 2016	-	-	-	-	(51,064)	(200,693)	16,737	(235,020)
Total comprehensive income for the six months June 30, 2016	-	-	-	-	187,331	(200,693)	16,737	3,375
Balance at June 30, 2016	\$ 29,105,720	5,794,771	6,381,790	347,706	187,331	423,432	8,203	42,248,953
Balance at January 1, 2017	\$ 29,105,720	5,794,771	6,381,790	342,222	266,400	(121,316)	(40,427)	41,729,160
Appropriation and distribution of retained earnings:								
Legal reserve (note 6(24))	-	-	50,105	-	(50,105)	-	-	-
Special reserve (note 6(24))	-	-	-	835	(835)	-	-	-
Cash dividends of ordinary share (note 6(24))	-	-	-	-	(215,460)	-	-	(215,460)
Net income for the six months ended June 30, 2017	-	-	-	-	1,231,154	-	-	1,231,154
Other comprehensive income for the six months June 30, 2017	-	-	-	-	(25,206)	88,353	35,178	98,325
Total comprehensive income for the six months June 30, 2017	-	-	-	-	1,205,948	88,353	35,178	1,329,479
Balance at June 30, 2017	\$ 29,105,720	5,794,771	6,431,895	343,057	1,205,948	(32,963)	(5,249)	42,843,179

See accompanying notes to interim financial statements

Standard Chartered Bank (Taiwan) Limited
Statements of Cash Flows
For the six months ended June 30, 2017 and 2016
(expressed in thousands of New Taiwan Dollars)

	For the six months ended June 30,	
	2017	2016
Cash flow (used in) from operating activities:		
Profit before tax	\$ 1,502,967	330,934
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	91,014	119,419
Bad debt expense and guarantee liability provision	532,893	1,116,990
Interest expense	2,061,199	1,844,477
Interest income	(4,721,270)	(5,041,078)
Net change in other provisions	(616)	(110,835)
(Gain) loss on disposal of property and equipment	(130,460)	792
Total adjustments to reconcile profit (loss)	(2,167,240)	(2,070,235)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Due from the Central Bank and call loans to banks	(11,729,545)	10,278,647
Financial assets at fair value through profit or loss	4,313,001	10,765,124
Receivables	(1,977)	5,229,383
Discounts and loans	11,078,848	32,426,891
Available-for-sale financial assets	(6,972,038)	24,435,606
Other financial assets	6,879,073	2,265,016
Total changes in operating assets	3,567,362	85,400,667
Changes in operating liabilities:		
Deposits from the Central Bank and banks	24,726,301	12,492,424
Financial liabilities at fair value through profit or loss	(6,456,061)	(2,759,407)
Payables	686,430	(1,895,282)
Deposits and remittances	(24,667,988)	(12,901,681)
Other financial liabilities	(256,408)	226,285
Other liabilities	128,676	(766,761)
Total changes in operating liabilities	(5,839,050)	(5,604,422)
Total changes in operating assets and liabilities	(2,271,688)	79,796,245
Total adjustments	(4,438,928)	77,726,010
Cash (outflow) inflow generated from operations	(2,935,961)	78,056,944
Interest received	4,544,780	5,245,755
Interest paid	(2,066,516)	(1,872,857)
Income taxes return (paid)	29,647	(75,331)
Net cash flows (used in) from operating activities	(428,050)	81,354,511
Cash flows (used in) from investing activities:		
Proceeds from disposal of property and equipment	383,436	-
Acquisition of property and equipment	(50,640)	(13,772)
(Increase) decrease in derivatives collateral	(690,037)	4,206,028
Decrease (increase) in other assets	346,095	(220,013)
Net cash flows (used in) from investing activities	(11,146)	3,972,243
Cash flows used in financing activities:		
Increase in derivative financial instruments for hedging	268,830	91,725
Decrease in financial debentures	(1,020,846)	(36,060,363)
Cash dividends paid	(215,460)	(1,034,181)
Net cash flows used in financing activities	(967,476)	(37,002,819)
Change in foreign exchange rate	(369,693)	(131,665)
Net (decrease) increase in cash and cash equivalents	(1,776,365)	48,192,270
Cash and cash equivalents at beginning of period	96,328,538	55,656,556
Cash and cash equivalents at end of period	\$ 94,552,173	103,848,826
Components of cash and cash equivalents:		
Cash and cash equivalents reported in the balance sheets	\$ 11,192,786	22,053,317
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	81,718,259	70,647,220
Securities purchased under resell agreements and debt instruments qualifying for cash and cash equivalents under the definition of IAS 7	1,641,128	11,148,289
Cash and cash equivalents at end of period	\$ 94,552,173	103,848,826

See accompanying notes to interim financial statements

Standard Chartered Bank (Taiwan) Limited
Notes to the Interim Financial Statements
June 30, 2017 and 2016
(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, 2017, the Bank comprises 73 branches, a business department, a trust department, and an offshore banking unit.

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

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

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

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

(2) Approval date and Procedures of the Financial Statements

The interim financial statements were authorized for issuance by the Board of Directors on August 29, 2017.

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

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
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 "Presentation of Financial Statements-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 "Impairment of Non-Financial assets- Recoverable Amount Disclosures for Non Financial Assets"	January 1, 2014
Amendments to IAS 39 "Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

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

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017:

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

The adoption of the above IFRSs would not have material impact on its interim financial statements, except for the IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from contracts with customers.

(a) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting. The Bank continues to assess the impact that adoption of IFRS 9 will have on its financial statement and any consequential effects on regulatory capital. The Bank will quantify the impact of IFRS 9 when it has robust and reliable estimates.

(Continued)

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

i. Classification and measurement-Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliably. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

At June 30, 2017, the equity investments classified as financial assets measured at cost was amounted to \$127,362 thousand. The Bank continues to assess any consequential classification of the assets. Since the balance of the financial assets measured at cost held by the Bank is not material, the decision to subsequently classify its financial assets measured at fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL) would not have any material impact on its financial statements.

ii. Impairment-Financial assets and contract assets

IFRS 9 replaces the “incurred loss” model in IAS 39 with a forward-looking “expected credit loss” (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

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

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Bank continues to verify the adoption of the method of impairment loss of IFRS 9.

iii. Hedge accounting

IFRS 9 makes hedge accounting and risk management more connected. Under IFRS 9, the Bank has to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy in order to apply a more qualitative and forward-looking approach to hedge effectiveness. IFRS 9 also introduces new requirements regarding rebalancing of hedge relationships and prohibiting voluntary discontinuation of hedge accounting. Under the new model, it is possible that more risk management strategies, particularly those involving hedging a risk component of a non-financial item, will be likely to qualify for hedge accounting.

When initially applying IFRS 9, the Bank may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9. The Bank now expect to continue to apply the hedge accounting requirements of IAS 39 until the International Accounting Standards Board (IASB) makes further clarification on new hedge accounting.

iv. Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Bank's preliminary assessment included an analysis to identify data gaps against current processes and the Bank plans to implement the system and controls changes that it believes will be necessary to capture the required data.

v. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below:

- The Bank plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at 1 January 2018.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

- New hedge accounting requirements should generally be applied prospectively. The Bank has not made a decision in relation to this election.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.
 - The determination of the business model within which a financial asset is held.
 - The designation of certain investments in equity instruments not held for trading as at FVOCI.

(b) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”.

The standard provides a more detailed principles-based approach for income recognition than the current standard IAS 18 Revenue. The new standard may either be applied fully retrospectively or can be applied on a “modified retrospective” basis whereby recognition, measurement and disclosure requirements are applied from 1 January 2018, subject to a cumulative catch-up adjustment to opening retained earnings on this date in respect of open contracts in scope of the standard.

All income in fees and commission income is in scope of IFRS 15. The work to assess the impact of the standard is ongoing, so it is not yet practicable to quantify the effect of IFRS 15 in these financial statements.

3) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
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 16 “Leases”	January 1, 2019
IFRS 17 “Insurance Contracts”	January 1, 2021
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

Those which may be relevant to the Bank are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
September 11, 2014	Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	<p>The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture.</p> <p>The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.</p>
January 13, 2016	IFRS 16 “Leases”	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> • For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of-use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

<u>Issuance / Release Dates</u>	<u>Standards or Interpretations</u>	<u>Content of amendment</u>
May 18, 2016	IFRS 17 “ Insurance Contracts “	<p>The new standard of accounting for insurance contracts contain recognition, measurement, presentation and disclosure of insurance contracts issued, and the main amendments are as follows:</p> <ul style="list-style-type: none"> • Recognition: the beginning of the coverage period of the group of contracts, the date when the first payment from a policyholder in the group becomes due and when the group becomes onerous shall recognize a group of insurance contracts it issues from the earliest. • Measurement: on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. For subsequent measurement, the entity shall estimate the cash flows, discount rates and the adjustment for non-financial risk. • Presentation and disclosure: the presentation of insurance revenue is based on the provision of service pattern and investment components excluded from insurance revenue.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

Issuance / Release Dates	Standards or Interpretations	Content of amendment
June 7, 2017	IFRIC 23 “Uncertainty over Income Tax Treatments”	<ul style="list-style-type: none"> • In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations. • If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

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

(4) Summary of Significant Accounting Policies

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

1) Statement of compliance

The interim financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, International Accounting Standard 34 "Interim Financial Reporting" endorsed by FSC which have already taken effect and do not include all of the information required by Regulations, 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") for full annual financial statements.

(Continued)

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

2) Basis of preparation

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

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

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

iii. Securities under repurchase/resell agreements and debt instruments

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

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

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.

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.

(Continued)

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

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 report date, fair value can be reliably measured if either of the below conditions are met. The financial assets should be measured at fair value and reclassified as available-for-sale. If there is objective evidence of impairment, the impairment loss should be recognized. Such impairment losses are not allowed to be reversed:

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

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

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

- 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.

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;

(Continued)

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

- 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.

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.

(Continued)

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

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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

6) Non-financial asset impairment

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

7) Lease classification

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

The Bank classifies all its leases as operating leases.

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

8) Property and equipment

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

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

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

(Continued)

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

9) Intangible assets

(a) Computer software

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

(b) Goodwill

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

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

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

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

11) Provisions

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

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

The Bank shall not recognize provisions for future operating losses.

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

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

(Continued)

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

12) Revenue and expense recognition

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

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

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

13) Employee benefit

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

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

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

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

(Continued)

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

14) Share-based compensation

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

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

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

15) Income tax

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

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

(Continued)

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

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

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

16) Earnings per share of common stock

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

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

When preparing interim financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and the IAS 34 endorsed by the FSC which have already taken effect, the Bank is required to make judgments, estimates, and assumptions on valuation of below assets that may causes differences between actual results and estimates. Subsequently, it affects the adoption of accounting policies, reported amounts of assets, liabilities, revenues, and expenses.

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

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

1) Impairment of loans and advances

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

2) Valuation of financial instruments

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

3) Recognition of deferred tax assets

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

4) Goodwill impairment

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

(6) Disclosures of Significant Accounts

1) Cash and cash equivalents

	<u>June 30, 2017</u>	December 31, <u>2016</u>	<u>June 30, 2016</u>
Cash on hand	\$ 3,863,602	3,973,432	3,637,587
Checks for clearing	2,950	101,654	1,888,146
Deposits with other banks	3,182,256	2,364,017	15,066,698
Deposits with other banks – affiliates	<u>4,143,978</u>	<u>7,729,669</u>	<u>1,460,886</u>
Total	<u>\$ 11,192,786</u>	<u>14,168,772</u>	<u>22,053,317</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Cash and cash equivalents reported in the statement of balance sheets	\$ 11,192,786	14,168,772	22,053,317
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	81,718,259	78,963,766	70,647,220
Securities purchased under resell agreements and debt instruments qualifying for cash and cash equivalents under the definition of IAS 7	<u>1,641,128</u>	<u>3,196,000</u>	<u>11,148,289</u>
Cash and cash equivalents reported in the statement of cash flows	<u>\$ 94,552,173</u>	<u>96,328,538</u>	<u>103,848,826</u>

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Required reserve – checking account	\$ 10,802,826	5,250,444	7,837,367
Required reserve – demand account	10,687,361	11,537,649	12,817,662
Required reserve – foreign currency	213,045	225,985	226,000
Required reserve – settlement account	807,710	1,518,165	824,023
Call loans to banks	42,929,518	17,599,251	13,607,952
Call loans to banks – affiliates	40,677,816	61,924,729	68,122,953
Trade finance receivables	<u>10,474,961</u>	<u>4,052,976</u>	<u>486,194</u>
Total	<u>\$ 116,593,237</u>	<u>102,109,199</u>	<u>103,922,151</u>

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

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

3) Financial instruments at fair value through profit or loss

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Interest-rate instruments			
Government bonds	\$ 9,914,637	4,244,688	450,140
Corporate bonds	<u>3,675,699</u>	<u>3,826,404</u>	<u>4,746,017</u>
Subtotal	13,590,336	8,071,092	5,196,157
Derivative financial assets			
Interest rate swap	2,051,344	2,609,676	2,723,877
Interest rate option	57,077	51,038	142,695
Spot/forward/swap	5,375,679	11,254,118	5,262,185
Cross currency swap	286,266	1,102,504	207,518
Foreign exchange option	825,465	3,381,213	4,648,003
Commodity swap	31,511	61,038	68,134
Commodity option	-	-	441
Subtotal	<u>8,627,342</u>	<u>18,459,587</u>	<u>13,052,853</u>
Total	<u>\$ 22,217,678</u>	<u>26,530,679</u>	<u>18,249,010</u>

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Derivative financial liabilities			
Interest rate swap	\$ 1,929,937	2,458,160	2,629,717
Interest rate option	7,033	3,135	12,123
Spot/forward/swap	5,331,715	7,222,933	6,412,240
Cross currency swap	297,926	1,496,854	149,238
Foreign exchange option	828,601	3,640,665	5,027,584
Commodity swap	31,566	61,092	68,194
Commodity option	-	-	465
Total	<u>\$ 8,426,778</u>	<u>14,882,839</u>	<u>14,299,561</u>

4) Derivative financial instruments for hedging

Derivative financial assets for hedging were as follows:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Fair value hedge:			
Interest rate swap	\$ 19,698	30,347	47,656
Cash flow hedge:			
Interest rate swap	-	-	14,918
Cross currency swap	-	110,320	6,021
Total	<u>\$ 19,698</u>	<u>140,667</u>	<u>68,595</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

Derivative financial liabilities for hedging were as follows:

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Fair value hedge:			
Interest rate swap	\$ 3,108	-	152
Cash flow hedge:			
Interest rate swap	2,673	14,960	745
Cross currency swap	129,906	25,225	80,855
Total	<u>\$ 135,687</u>	<u>40,185</u>	<u>81,752</u>

(a) Fair value hedge

A fair value hedge is the hedging of the hedged items exposure to change in fair value of recognized assets or liabilities that are attributable to particular hedged risks that could affect profit or loss. As of June 30, 2017, December 31 and June 30, 2016, marked-to-market adjustments of hedged items and the corresponding hedging instruments accounted as fair value hedge were as follows:

<u>Hedged items</u>		<u>Hedging instruments</u>	
<u>Underlying instruments</u>	<u>June 30, 2017</u>	<u>Contract type</u>	<u>June 30, 2017</u>
Available-for-sale financial assets:			
Government bonds	\$ 362	Interest rate swap	\$ (2,856)
Financial debentures	(17,493)	Interest rate swap	19,446
	<u>\$ (17,131)</u>		<u>\$ 16,590</u>

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

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

For the six months ended June 30, 2017 and 2016, net losses on the hedging derivative financial instruments listed above amounted to \$10,503 thousand and \$18,644 thousand, respectively, and net gains from the hedged risk of the hedged items amounted to \$10,871 thousand and \$18,330 thousand, respectively.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

(b) Cash flow hedge

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

<u>Hedged items</u>	<u>Financial instruments designated as hedging instruments</u>	<u>Fair value</u>		
		<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Discounts and loans — floating interest rate	Interest rate swap	\$ (2,673)	(14,960)	14,173
Deposits and remittances — floating interest rate	Cross currency swap	-	-	(65,072)
Deposits and remittances — fixed interest rate	Cross currency swap	(129,906)	85,095	(9,762)
Total		<u>\$ (132,579)</u>	<u>70,135</u>	<u>(60,661)</u>

5) Securities purchased under resell agreements and debt instruments

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Securities purchased under resell agreements	\$ <u>1,641,128</u>	<u>3,196,000</u>	<u>11,148,289</u>
Face value of debt instruments	\$ <u>1,652,175</u>	<u>3,200,000</u>	<u>11,154,000</u>
Interest rate	<u>0.1%~1.07%</u>	<u>0.33%~0.40%</u>	<u>0.31%~0.36%</u>
Last settlement date	<u>106.7.12</u>	<u>106.1.12</u>	<u>105.7.15</u>
Resell price	\$ <u>1,641,375</u>	<u>3,196,442</u>	<u>11,149,318</u>

6) Receivables — net

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Accounts receivable factoring	\$ 10,307,359	9,965,494	6,939,166
Credit cards accounts receivable	4,082,091	4,330,897	4,657,345
Accounts receivable	594,250	587,871	1,897,025
Interest receivable	1,634,417	1,458,049	1,502,727
Acceptances receivable	313,998	363,558	397,369
Accounts receivable — related parties	2,032,850	1,716,910	286,912
Unsettled trade receivable	31,315	47,424	605,250
Other	185,829	569,091	435,334
Subtotal	19,182,109	19,039,294	16,721,128
Less: allowance for bad debts — receivables	241,764	435,408	469,735
Total	<u>\$ 18,940,345</u>	<u>18,603,886</u>	<u>16,251,393</u>

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

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

		June 30, 2017	
<u>Item</u>		<u>Receivables</u>	<u>Allowance for bad debts</u>
With objective evidence of impairment	Individual assessment of impairment	\$ 221,087	218,492
	Portfolio assessment of impairment	450,048	5,680
Without objective evidence of impairment	Portfolio assessment of impairment	18,510,974	17,592
Total		<u>\$ 19,182,109</u>	<u>241,764</u>
		December 31, 2016	
<u>Item</u>		<u>Receivables</u>	<u>Allowance for bad debts</u>
With objective evidence of impairment	Individual assessment of impairment	\$ 539,404	411,885
	Portfolio assessment of impairment	467,482	6,009
Without objective evidence of impairment	Portfolio assessment of impairment	18,032,408	17,514
Total		<u>\$ 19,039,294</u>	<u>435,408</u>
		June 30, 2016	
<u>Item</u>		<u>Receivables</u>	<u>Allowance for bad debts</u>
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	15,765,645	21,539
Total		<u>\$ 16,721,128</u>	<u>469,735</u>

7) Discounts and loans – net

	June 30, 2017	December 31, 2016	June 30, 2016
Bills negotiations and bills and notes discounted	\$ 460,001	682,626	594,100
Short-term loans and overdrafts	39,772,118	47,384,080	37,388,308
Short-term secured loans	11,348,992	12,324,192	10,447,283
Medium-term loans	33,910,369	31,478,466	34,169,372
Medium-term secured loans	5,423,143	5,928,623	8,620,742
Long-term loans	7,465,281	7,047,005	7,092,476
Long-term secured loans	161,618,651	166,433,552	176,078,545
Overdue loans	491,047	1,158,416	914,663
Subtotal	<u>260,489,602</u>	<u>272,436,960</u>	<u>275,305,489</u>
Add: premium adjustments on discounts and loans	8,464	44,738	51,051
Less: allowance for bad debts	4,875,315	5,200,241	5,209,049
Total	<u>\$ 255,622,751</u>	<u>267,281,457</u>	<u>270,147,491</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

As of June 30, 2017, December 31 and June 30, 2016, the Bank's loan with floating rate mentioned above has adopted interest rate swaps as the instrument for cash flow hedging in order to reduce the impact of cash flow that was affected by interest rate fluctuation.

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

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:

		<u>June 30, 2017</u>	
<u>Item</u>		<u>Discounts and loans</u>	<u>Allowance for bad debts</u>
With objective evidence of impairment	Individual assessment of impairment	\$ 2,673,474	1,821,973
	Portfolio assessment of impairment	3,192,223	46,386
Without objective evidence of impairment	Portfolio assessment of impairment	254,623,905	3,006,956
Total		<u>\$ 260,489,602</u>	<u>4,875,315</u>
		<u>December 31, 2016</u>	
<u>Item</u>		<u>Discounts and loans</u>	<u>Allowance for bad debts</u>
With objective evidence of impairment	Individual assessment of impairment	\$ 3,170,046	2,112,172
	Portfolio assessment of impairment	3,394,216	53,398
Without objective evidence of impairment	Portfolio assessment of impairment	265,872,698	3,034,671
Total		<u>\$ 272,436,960</u>	<u>5,200,241</u>
		<u>June 30, 2016</u>	
<u>Item</u>		<u>Discounts and loans</u>	<u>Allowance for bad debts</u>
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		<u>\$ 275,305,489</u>	<u>5,209,049</u>

As of June 30, 2017, December 31 and June 30, 2016, the amounts of outstanding loans with interest charges suspended amounted to \$491,047 thousand, \$1,158,416 thousand and \$914,663 thousand, respectively. The amounts of interest not accrued derived from the aforementioned loans were \$5,489 thousand, \$54,097 thousand and \$2,930 thousand, respectively.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

8) Available-for-sale financial assets – net

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Negotiable certificates of deposit	\$ 80,524,789	86,864,209	87,341,568
Treasury bills	8,962,922	-	2,999,981
Government bonds	75,426,184	64,613,270	61,444,361
Financial debentures	-	6,401,769	6,331,344
Total	<u>\$ 164,913,895</u>	<u>157,879,248</u>	<u>158,117,254</u>
Marked-to-market adjustments for hedged assets included in the above balance	<u>\$ 362</u>	<u>(85)</u>	<u>154</u>

9) Other financial assets – net

	<u>June 30, 2017</u>			<u>December 31, 2016</u>		
	<u>Percentage of ownership %</u>	<u>Investment cost</u>	<u>Book value</u>	<u>Percentage of ownership %</u>	<u>Investment cost</u>	<u>Book value</u>
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	8,505	8,505	5.00	8,505	8,505
Universal Venture Investment, Inc.	4.76	7,949	7,949	4.76	7,949	7,949
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		<u>330,303</u>	<u>330,303</u>		<u>330,303</u>	<u>330,303</u>
Less: accumulated impairment		-	202,941		-	202,941
		<u>330,303</u>	<u>127,362</u>		<u>330,303</u>	<u>127,362</u>
Restricted assets-debt instruments			7,296,467			14,284,345
Overdue receivable			263,936			326,181
Less: allowance for bad debts-overdue receivable			263,936			326,181
		<u>\$ 7,423,829</u>				<u>14,411,707</u>

	<u>June 30, 2016</u>		
	<u>Percentage of ownership %</u>	<u>Investment cost</u>	<u>Book value</u>
Financial assets carried at cost:			
Taiwan Small and Medium Enterprises Development Corp.	4.84	\$ 29,000	29,000
Financial Information Service Co., Ltd.	1.14	45,500	45,500
TSC Bio Venture Management, Inc.	5.00	10,632	10,632
Universal 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
Subtotal		<u>333,030</u>	<u>333,030</u>
Less: accumulated impairment		-	202,941
		<u>333,030</u>	<u>130,089</u>
Restricted assets – debt instruments			7,863,947
Overdue receivable			243,056
Less: allowance for bad debts-overdue receivable			243,056
			<u>\$ 7,994,036</u>

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

For the six months ended June 30, 2017 and 2016, the cash dividends from financial assets carried at cost recorded under net other non-interest income were \$99 thousand and \$101 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 guarantee liability were disclosed below:

	For the six months ended June 30, 2017				
	Allowance for bad debt				
	Receivables	Discounts and loans	Other financial assets	Provision for guarantee	Total
Beginning balance	\$ 435,408	5,200,241	326,181	31,258	5,993,088
Add: bad debt expense (reversal) and guarantee liability provision	(157,992)	579,858	108,805	2,222	532,893
Bad debt recovery	49,435	257,116	-	-	306,551
Less: write-off	69,434	1,012,421	152,373	-	1,234,228
Exchange rate and others	15,653	149,479	18,677	-	183,809
Ending balance	<u>\$ 241,764</u>	<u>4,875,315</u>	<u>263,936</u>	<u>33,480</u>	<u>5,414,495</u>

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

11) Property and equipment – net

June 30, 2017	Cost	Accumulated depreciation	Accumulated impairment	Net
Land	\$ 2,653,772	-	14,236	2,639,536
Buildings	2,780,288	1,196,953	-	1,583,335
Office equipment	457,869	455,402	-	2,467
Leasehold improvements	638,959	575,643	-	63,316
Other equipment	456,500	351,325	-	105,175
Total	<u>\$ 6,987,388</u>	<u>2,579,323</u>	<u>14,236</u>	<u>4,393,829</u>

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

<u>June 30, 2016</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment</u>	<u>Net</u>
Land	\$ 2,915,217	-	41,865	2,873,352
Buildings	3,060,488	1,238,144	-	1,822,344
Office equipment	477,344	464,834	-	12,510
Leasehold improvements	651,145	604,760	-	46,385
Other equipment	409,170	344,612	-	64,558
Total	<u>\$ 7,513,364</u>	<u>2,652,350</u>	<u>41,865</u>	<u>4,819,149</u>

Change in cost movement:

	<u>January 1, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Reclassify</u>	<u>June 30, 2017</u>
Land	\$ 2,820,096	-	166,324	-	2,653,772
Buildings	2,986,290	-	206,002	-	2,780,288
Office equipment	466,944	-	9,075	-	457,869
Leasehold improvements	598,713	40,246	-	-	638,959
Other equipment	455,208	10,394	9,102	-	456,500
Total	<u>\$ 7,327,251</u>	<u>50,640</u>	<u>390,503</u>	<u>-</u>	<u>6,987,388</u>

	<u>January 1, 2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Reclassify</u>	<u>June 30, 2016</u>
Land	\$ 2,915,217	-	-	-	2,915,217
Buildings	3,062,698	-	2,210	-	3,060,488
Office equipment	558,270	-	80,926	-	477,344
Leasehold improvements	689,138	1,589	39,582	-	651,145
Other equipment	600,812	12,183	203,825	-	409,170
Total	<u>\$ 7,826,135</u>	<u>13,772</u>	<u>326,543</u>	<u>-</u>	<u>7,513,364</u>

Change in accumulated depreciation:

	<u>January 1, 2017</u>	<u>Increase</u>	<u>Decrease</u>	<u>Reclassify</u>	<u>June 30, 2017</u>
Buildings	\$ 1,245,184	43,243	91,474	-	1,196,953
Office equipment	461,359	2,879	8,836	-	455,402
Leasehold improvements	551,264	24,379	-	-	575,643
Other equipment	339,914	20,513	9,102	-	351,325
Total	<u>\$ 2,597,721</u>	<u>91,014</u>	<u>109,412</u>	<u>-</u>	<u>2,579,323</u>

	<u>January 1, 2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Reclassify</u>	<u>June 30, 2016</u>
Buildings	\$ 1,193,649	46,705	2,210	-	1,238,144
Office equipment	532,385	12,582	80,133	-	464,834
Leasehold improvements	609,110	35,233	39,583	-	604,760
Other equipment	523,538	24,899	203,825	-	344,612
Total	<u>\$ 2,858,682</u>	<u>119,419</u>	<u>325,751</u>	<u>-</u>	<u>2,652,350</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

Change in accumulated impairment:

	January 1, 2017	Increase	Decrease	June 30, 2017
Land	\$ <u>42,351</u>	<u>-</u>	<u>28,115</u>	<u>14,236</u>

	January 1, 2016	Increase	Decrease	June 30, 2016
Land	\$ <u>41,865</u>	<u>-</u>	<u>-</u>	<u>41,865</u>

12) Intangible assets – net

	June 30, 2017	December 31, 2016	June 30, 2016
Goodwill	\$ <u>3,156,048</u>	<u>3,156,048</u>	<u>3,156,048</u>

Change in intangible assets:

	January 1, 2017	Increase	Decrease	June 30, 2017
Goodwill	\$ <u>3,156,048</u>	<u>-</u>	<u>-</u>	<u>3,156,048</u>

	January 1, 2016	Increase	Decrease	June 30, 2016
Goodwill	\$ <u>3,156,048</u>	<u>-</u>	<u>-</u>	<u>3,156,048</u>

13) Other assets – net

	June 30, 2017	December 31, 2016	June 30, 2016
Refundable deposits	\$ 285,537	296,295	438,098
Derivatives collateral	1,223,367	533,330	5,179,515
Prepaid fee	141,697	146,344	149,110
Other	1,309	331,999	189,966
Total	\$ <u>1,651,910</u>	<u>1,307,968</u>	<u>5,956,689</u>

14) Deposits from the Central Bank and banks

	June 30, 2017	December 31, 2016	June 30, 2016
Deposits from banks	\$ 1,061,707	1,074,427	1,084,787
Deposits from banks – affiliates	1,166,223	993,555	1,216,440
Overdrafts on banks	41,345	345,109	191,072
Overdrafts on banks – affiliates	525,717	-	5,810,389
Call loans from banks	3,512,344	3,389,760	9,250,525
Call loans from banks – affiliates	49,831,020	25,609,204	22,918,947
Total	\$ <u>56,138,356</u>	<u>31,412,055</u>	<u>40,472,160</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

15) Payables

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Accounts payable	\$ 26,874	4,330	1,931,538
Accrued interest	339,180	344,627	304,504
Accrued expenses	1,447,656	1,856,178	1,082,295
Collection payable	49,214	43,987	142,665
Acceptances payable	313,999	363,558	397,369
Inter-branch check clearing payable	151,635	43,712	152,576
Temporary receipts in advance	161,867	64,710	153,089
Unsettled trade payable	841,385	255,211	1,529,881
Other	538,158	697,148	603,632
Total	<u>\$ 3,869,968</u>	<u>3,673,461</u>	<u>6,297,549</u>

16) Deposits and remittances

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Checking accounts deposits	\$ 1,987,521	2,626,583	3,445,704
Demand deposits:			
Demand deposits	183,591,964	189,010,368	176,704,673
Saving account deposits	127,212,438	133,406,929	127,707,260
Subtotal of demand deposits	<u>310,804,402</u>	<u>322,417,297</u>	<u>304,411,933</u>
Time deposits:			
Time deposits	115,798,446	126,412,106	134,659,294
Time savings deposits	39,236,358	41,046,415	42,095,706
Subtotal of time deposits	<u>155,034,804</u>	<u>167,458,521</u>	<u>176,755,000</u>
Remittances	112,218	104,532	74,683
Total	<u>\$ 467,938,945</u>	<u>492,606,933</u>	<u>484,687,320</u>

As of June 30, 2017, December 31 and June 30, 2016, 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)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

17) Financial debentures – net

As of June 30, 2017, December 31 and June 30, 2016, details of financial debentures issued by the Bank were as follows:

<u>Bond</u>	<u>Conditions for issuance</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>
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	100
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	2,550,000
100-1I	7 year term, interest accrued and paid quarterly, TWD 90 day CP interest rate and TWD 90 day TIBOR interest rate from February 19, 2015 ; maturity date: May 19, 2018	4,000,000	4,000,000
100-4D	10 year term, interest accrued and paid quarterly, TWD 90 day CP interest rate plus 0.15% and TWD 90 day TIBOR interest rate plus 0.15% from March 29, 2015 ; maturity date: June 29, 2021	2,000,000	2,000,000
103-2	10 year term, USD based, interest accrued and paid semi annually, annual rate is 4.50%; maturity date: December 18, 2024	6,086,993	6,456,686
		14,640,193	16,009,886
Marked-to-market adjustment on hedged items		17,493	27,916
Total		<u>\$ 14,657,686</u>	<u>16,037,802</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

Bond	Conditions for issuance	June 30, 2016
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%	100
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
100-1I	7 year term, interest accrued and paid quarterly, TWD 90 day CP interest rate and TWD 90 day TIBOR interest rate from February 19, 2015 ; maturity date: May 19, 2018	4,000,000
100-3C	5 year term, interest accrued and paid quarterly, annual interest rate is 1.40%; maturity date: September 23, 2016	1,100,000
100-4D	10 year term, interest accrued and paid quarterly, TWD 90 day CP interest rate plus 0.15% and TWD 90 day TIBOR interest rate plus 0.15% from March 29, 2015 ; maturity date: June 29, 2021	2,000,000
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
		17,110,343
Marked-to-market adjustment on hedged items		48,298
Total		\$ 17,158,641

18) Other financial liabilities

	June 30, 2017	December 31, 2016	June 30, 2016
Structured deposits	\$ 776,865	1,033,273	1,384,777

19) Provisions

	June 30, 2017	December 31, 2016	June 30, 2016
Provision for guarantee liability	\$ 33,480	31,258	34,095
Provision for employee benefits	1,322,644	1,321,978	1,553,898
Provision for decommissioning, restoration and rehabilitation cost	140,523	111,436	151,007
Other miscellaneous provisions	17,896	17,896	6,395
Total	\$ 1,514,543	1,482,568	1,745,395

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

20) Other liabilities

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Advance received from customers	\$ 26,519	26,656	27,681
Deferred income	83,566	71,487	65,649
Guarantee deposits received	25,901	28,533	29,324
Tax payable	701,648	670,686	765,762
Derivatives collateral	742,766	870,489	1,628,810
Other	302,907	86,780	121,558
	<u>\$ 1,883,307</u>	<u>1,754,631</u>	<u>2,638,784</u>

21) Employee benefits

(a) Defined contribution plan

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

For the six months ended June 30, 2017 and 2016, the pension expense under defined contribution plan of the Bank amounted to \$78,114 thousand and \$77,201 thousand, respectively, recorded under operating expenses – employee benefits expense.

(b) Provision for employee benefits

i) Defined benefit obligation

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Defined benefit plan	\$ <u>1,322,644</u>	<u>1,321,978</u>	<u>1,553,898</u>

The Bank adopted the defined benefit plan, which contributes 5% of eligible employees' monthly salary to the retirement reserve trust account at the Bank of Taiwan. Employees' pension is calculated based on the employees' years of service under the Labor Standard Act and the employees' final average monthly salary at the time of retirement. Final average monthly salary refers to the average 6-month monthly salary preceding retirement including basic monthly salary, meal allowance, car allowance, shift allowance, transportation allowance, sales incentives, and overtime payment.

ii) Recognized as profit and loss cost

For the six months ended June 30, 2017 and 2016, the cost charged to profit or loss were \$41,664 thousand and \$49,933 thousand, respectively, recorded under operating expenses – employee benefits expense.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

iii) Primary actuarial assumptions

	For the six months ended	
	June 30, 2017	2016
Defined benefit plan discount rate	1.10 %	1.30 %
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 ended June 30, 2017 and 2016, the income tax expense and related accounts were as follows:

	For the six months ended June 30,	
	2017	2016
Current income tax expense	\$ 28,307	66,713
Deferred income tax expense	243,506	25,826
Income tax expense	\$ 271,813	92,539

As of June 30, 2017, December 31 and June 30, 2016, the current tax assets of the Bank amounted to \$208,258 thousand, \$284,209 thousand and \$209,460 thousand, respectively, the current tax liabilities of the Bank amounted to \$0 thousand, \$17,998 thousand and \$61,025 thousand, respectively.

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

	For the six months ended June 30,	
	2017	2016
Income tax from profit before tax at statutory rate	\$ 255,504	56,259
Permanent difference	(291)	51,935
Prior-year income tax adjustments	805	5,686
Other adjustments per tax regulation	15,795	(21,341)
Income tax expense	\$ 271,813	92,539

For the six months ended June 30, 2017 and 2016, the components of tax expense (benefit) recognized as other comprehensive income were as follows:

	For the six months ended June 30,	
	2017	2016
Item that may not to be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit plan	\$ (5,163)	(10,458)
Items that may be reclassified subsequently to profit or loss:		
Change in fair value of available-for-sale financial assets recognized	\$ (26,190)	(31,084)
Change in fair value of cash flow hedges recognized	7,205	3,428
Total	\$ (18,985)	(27,656)

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

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

	For the six months ended June 30,	
	2017	2016
Bad debt expense and guarantee liability provision	\$ (9,985)	(45,050)
Depreciation expense	(1,820)	(3,509)
Expenses from share-based payments	(3,048)	(4,912)
Employee benefits	5,050	18,662
Provisions	1,002	6,333
Deferred income	27,114	36,610
Loss carryforwards	199,140	(483)
Unrealized interest income on financial assets	(773)	(8,651)
Amortization of goodwill	26,826	26,826
	\$ 243,506	25,826

The Bank's temporary difference of deferred tax components, based on the 17% tax rate for June 30, 2017, December 31 and June 30, 2016 were as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Deferred tax assets:			
Bad debt expense and guarantee liability provision	\$ 388,704	378,719	394,857
Depreciation expense	30,681	28,861	33,668
Impairment loss on assets	34,500	34,500	34,500
Expenses from share-based payments	39,823	36,775	36,775
Employee benefits	224,847	224,734	264,161
Provisions	25,819	26,821	7,176
Deferred income	-	27,114	65,236
Loss carryforwards	802,072	1,001,212	1,403,058
Unrealized loss on available-for-sale financial assets	6,896	-	-
Unrealized loss on cash flow hedge	1,075	8,280	-
Total	\$ 1,554,417	1,767,016	2,239,431
Deferred tax liabilities:			
Unrealized interest income on financial assets	\$ 75,450	76,223	77,587
Amortization of goodwill	456,049	429,223	402,396
Land value increment tax	120,468	120,468	123,716
Unrealized gain on available-for-sale financial assets	536	19,830	55,665
Unrealized gain on cash flow hedge	-	-	1,680
Total	\$ 652,503	645,744	661,044

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

The movements of deferred tax items were as follows:

	For the six months ended June 30,	
	2017	2016
Beginning balance	\$ 1,121,272	1,566,099
Recognized in current period profit and loss	(243,506)	(25,826)
Recognized in other comprehensive income	24,148	38,114
Ending balance	\$ 901,914	1,578,387

The income tax returns of the prior years have been assessed up to the year 2015.

23) Information of imputation credit account

	June 30, 2017	December 31, 2016	June 30, 2016
	Imputation credit account	\$ 235,802	290,340

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.

	2017 (estimated)	2016 (actual)
Tax creditable ratios of distribution of retained earnings to R.O.C. residents	20.48 %	10.69 %

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, 2017, 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.

(Continued)

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

(c) Legal reserve

Whenever the Bank generates a profit in accordance with "The Banking Act of The Republic of China". The bank, at the time of distributing its earnings for each fiscal year, shall set aside thirty percent (30%) of its after tax earnings as legal reserve, until the legal reserve equals its paid-in capital. Otherwise, the maximum cash profits, which may be distributed, shall not exceed fifteen percent (15%) of the Bank's paid in capital. In addition to the legal reserve, a special reserve can be appropriated after being approved during the stockholders' meeting. The board of directors approved the distribution of the 2016 and 2015 earnings on June 28, 2017 and 2016, amounting to \$50,105 thousand and \$431,695 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 the special reserve set aside previously may be reversed to distributable earnings. In accordance with that regulation, under the situation of not having sufficient increment of retained earnings resulted from first time adoption of IFRS, the Bank can shift that incremental amount \$239,413 thousand to special reserves.

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

In accordance with Jin Guan Yin Fa Zhi No. 10510001510 issued by the Financial Supervisory Commission dated May 25, 2016, public banks shall appropriate special reserves between 0.5%~1.00% of their net profit after tax while distributing the earnings for the fiscal years 2016-2018 in response to the development of financial technology in order to protect the rights and interests of bank practitioners. The board of directors, representing the shareholders, approved the appropriation of special reserves amounting to \$835 thousands at 0.5% of the net profit after tax on June 28, 2017.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

(e) Other equity interest

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

	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	Total
January 1, 2017	\$ (121,316)	(40,427)	(161,743)
Available-for-sale financial assets – net			
– Valuation adjustment	88,353	-	88,353
Cash flow hedge			
– Unrealized gain	-	35,178	35,178
June 30, 2017	<u>\$ (32,963)</u>	<u>(5,249)</u>	<u>(38,212)</u>
	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 gain	-	16,737	16,737
June 30, 2016	<u>\$ 423,432</u>	<u>8,203</u>	<u>431,635</u>

(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, 2017 and 2016, the board of directors, representing shareholders, approved the distribution of retained earnings and distributed cash dividends for 2016 and 2015 were as follows:

	2016	2015
Legal reserve appropriated	\$ 50,105	431,695
Special reserve appropriated	835	-
Cash dividends of ordinary share	215,460	1,034,181
Total	<u>\$ 266,400</u>	<u>1,465,876</u>

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

25) Share-based payments

The SC PLC Group operates a number of share-based arrangements for its executive directors and employees. For the six months ended June 30, 2017 and 2016, the share-based payment schemes adopted by the Bank were as follows:

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

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

The option movements of the AESP were as follows:

	For the six months ended June 30,	
	2017 Units	2016 Units
Beginning balance	381,569	471,278
Less: exercised	455	-
lapsed	57,270	91,739
Ending balance	323,844	379,539

For the six months ended June 30, 2017 and 2016, the costs of the AESP charged to profits or losses were \$3,693 thousand and \$4,613 thousand, respectively, recorded under operating expenses—employee benefits expense.

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

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

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

The option movements of the RSA were as follows:

	For the six months ended June 30,	
	2017 Units	2016 Units
Beginning balance	133,354	141,434
Add: granted	66,813	22,561
dividend	-	672
Less: exercised	39,949	17,634
lapsed	6,119	5,360
Ending balance	154,099	141,673

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

For the six months ended June 30, 2017 and 2016, the costs of the RSA charged to profits or losses were \$1,146 thousand and \$7,557 thousand, respectively, recorded under operating expenses—employee benefits expense.

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

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

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

	For the six months ended June 30,	
	2017 Units	2016 Units
Beginning balance	40,980	65,524
Less: exercised	-	1,883
lapsed	36,400	22,661
Ending balance	4,580	40,980

For the six months ended June 30, 2017 and 2016, the costs of the PSA (PSP) reversed to profit or loss were \$324 thousand and \$3,663 thousand, respectively, recorded under operating expenses—employee benefits expense.

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

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

The option movements of the SRSS were as follows:

	For the six months ended June 30,	
	2017 Units	2016 Units
Beginning balance	11,905	12,027
Less: exercised	11,693	-
lapsed	212	-
Ending balance	-	12,027

For the six months ended June 30, 2017 and 2016, no related cost of stock warrants was recorded.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

(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:

	For the six months ended June 30,	
	2017 Units	2016 Units
Beginning balance	51,263	-
Add: granted	-	51,263
Ending balance	<u>51,263</u>	<u>51,263</u>

For the six months ended June 30, 2017 and 2016, no related cost of stock warrants was recorded.

26) Earnings per share

	For the six months ended June 30,	
	2017	2016
Net income attributable to common stockholders (after tax)	<u>\$ 1,231,154</u>	<u>238,395</u>
Common stock (in thousands)	<u>\$ 2,910,572</u>	<u>2,910,572</u>
Basic EPS (in dollars)	<u>\$ 0.42</u>	<u>0.08</u>

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

27) Net interest income

	For the six months ended June 30,	
	2017	2016
Interest income		
Interest income, discounts and loans	\$ 3,349,127	3,618,040
Interest income, accounts receivable factoring	68,795	74,333
Interest income, due from banks	463,470	413,691
Interest income, available-for-sale financial assets	618,071	672,483
Interest income, credit card recurrence	121,365	134,421
Interest income, other	<u>100,442</u>	<u>128,110</u>
Subtotal	4,721,270	5,041,078
Interest expense		
Interest expense, deposits	1,626,940	1,392,835
Interest expense, due to banks	214,337	88,476
Interest expense, financial debentures	214,036	353,938
Interest expense, other	<u>5,886</u>	<u>9,228</u>
Subtotal	<u>2,061,199</u>	<u>1,844,477</u>
Total	<u>\$ 2,660,071</u>	<u>3,196,601</u>

28) Net service fee income

	For the six months ended June 30,	
	2017	2016
Service fee		
Service fee, loan	\$ 41,404	43,616
Service fee, agency	2,618	2,868
Service fee, insurance commission	950,086	834,255
Service fee, remittance and interbank	51,785	57,584
Service fee, guarantee, import, export and acceptance payable	26,914	29,272
Service fee, credit card	138,012	151,958
Service fee, trust	1,033,606	807,120
Service fee, factoring	9,764	11,585
Service fee, underwriting	42,123	105,153
Service fee, other	<u>71,528</u>	<u>73,001</u>
Subtotal	2,367,840	2,116,412
Service charge		
Service charge, interbank	76,954	85,225
Service charge, agency	52,861	57,293
Service charge, custodian	66,122	56,347
Service charge, other	<u>57,576</u>	<u>74,286</u>
Subtotal	<u>253,513</u>	<u>273,151</u>
Total	<u>\$ 2,114,327</u>	<u>1,843,261</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

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

	For the six months ended June 30,	
	2017	2016
Gain (loss) on disposal		
Interest-rate instruments	\$ 31,727	122,425
Derivative financial instruments	309,268	(3,443)
Subtotal	340,995	118,982
Gain (loss) on valuation		
Interest-rate instruments	22,672	(34,644)
Derivative financial instruments	15,498	435,693
Subtotal	38,170	401,049
Interest income	31,037	22,913
Total	\$ 410,202	542,944

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

	For the six months ended June 30,	
	2017	2016
Profit on sale—debt instruments	\$ 351	55,927

31) Net other non-interest income

	For the six months ended June 30,	
	2017	2016
Administrative support service income	\$ 1,596	1,608
Net gain (loss) on disposal of assets	130,460	(792)
Gain on financial assets carried at cost	99	101
Rental income	4,730	5,655
Net gain (loss) on fair value hedge	368	(314)
Other	17,346	10,235
Total	\$ 154,599	16,493

32) Bad debt expense and guarantee liability provision

	For the six months ended June 30,	
	2017	2016
Bad debt expense	\$ 530,671	1,113,689
Guarantee liability provision	2,222	3,301
Total	\$ 532,893	1,116,990

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

33) Employee benefits expense

	For the six months ended June 30,	
	2017	2016
Salary expense	\$ 2,052,457	1,972,200
Employee insurance	154,239	155,618
Pension		
Defined contribution plan	78,114	77,201
Defined benefit plan	41,664	49,933
Other	119,400	120,346
Total	\$ 2,445,874	2,375,298

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 ended June 30, 2017 and 2016, were \$150 thousand and \$27 thousand, recorded under operating expenses— employee benefits expense. Any difference between the actual and estimated distributed bonus in 2018 shall be treated as changes in accounting estimates and recognized as profit or loss in 2018.

The accrued employee's remuneration of the Bank for the year ended December 31, 2016 and 2015, were \$78 thousand and \$160 thousand, recorded under operating expenses— employee benefits expense, with no difference between the actual and estimated distributed bonus. Relevant information can be accessed through Market Observation Post System.

For the six months ended June 30, 2017 and 2016, the average numbers of the Bank's employees were 3,294 and 3,362, respectively.

34) Depreciation and amortization expenses

	For the six months ended June 30,	
	2017	2016
Depreciation expense		
Buildings	\$ 43,243	46,705
Office equipment	2,879	12,582
Leasehold improvements	24,379	35,233
Other equipment	20,513	24,899
Total	\$ 91,014	119,419

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

35) Other general and administrative expenses

	For the six months ended June 30,	
	2017	2016
Rental expense	\$ 235,514	252,772
Office supplies	41,046	38,357
Postage	86,434	89,163
Repairs and maintenance	82,173	86,438
Advertising expense	97,207	62,670
Utilities fee	32,996	37,464
Taxes	328,911	308,820
Professional service fee	31,591	26,988
Operational and advisory service fee	605,381	451,231
Consulting and technical support service fee	317,820	132,364
Wholesale banking business service fee	88,794	96,668
Building management fee	60,610	65,474
Computer management fee	108,089	121,948
Other	360,751	364,805
Total	<u>\$ 2,477,317</u>	<u>2,135,162</u>

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.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

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

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

- iii. The quantitative information of significant unobservable amount (level 3) at fair value
The Bank does not have level 3 financial instruments.
- iv. The sensitivity analysis of the fair value against the reasonably possible alternative assumptions while measuring level 3 fair value
The Bank does not have level 3 financial instruments.
- v. The definition of fair value hierarchy of financial instruments measured at fair value
- i) Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Active markets are defined as markets that meet the following criteria: (1) the asset or liability traded in the market have similar attributes; (2) there is a willing buyer and seller for the asset or liability in the market at any given time; (3) price information on the asset or liability can be accessed by the general public.
 - ii) Level 2 inputs are inputs other than quoted prices in active markets that are observable, including those inputs that can be observed directly (quoted prices) or indirectly (derived from quoted prices) from active markets. For example:
 - a. The quoted price in similar financial instruments' active market was referred to the fair value of financial instruments held by and based on similar financial instruments' recent quoted prices; the judgment of similar financial instruments should follow the characteristics of the financial instruments and trading conditions. The factors that require the fair value of financial instruments to be adjusted with compatible similar financial instruments which have observable trading prices might include recent financial instruments trading price already have time gap (i.e. has been a while since last trading time), the difference between the financial instruments trading conditions, transaction prices involved with a related party, and the correlation between observable transaction price of similar financial instruments and the price of financial instruments held.
 - b. Quoted prices for identical or similar assets or liabilities in markets those are not active.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

- c. Fair value determined based on a valuation model. Inputs for the model (for example, interest rates, yield curves, volatilities, etc.) can be observed from the market (these observable inputs are obtained from market information, and when they are being used in the model, the resulting valuation for the asset or liability shall represent prices anticipated by the market participants).
- d. Inputs are derived principally from or corroborated by observable market data by correlation or other means.
- iii) Level 3 means to measure the fair value of the input parameters are not based on observable market data (inputs which are unobservable).
- vi. Fair value hierarchy information of financial instruments measured at fair value:

Financial instruments at fair value	June 30, 2017			
	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments:				
Assets:				
Financial assets at fair value through profit or loss				
Debt instruments	\$ 13,590,336	-	13,590,336	-
Available-for-sale financial assets – net				
Debt instruments	164,913,895	-	164,913,895	-
Other financial assets – net				
Restricted assets – debt instruments	7,296,467	-	7,296,467	-
Derivative financial instruments:				
Assets:				
Financial assets at fair value through profit or loss	8,627,342	17,918	8,609,424	-
Derivative financial assets for hedging – net	19,698	-	19,698	-
Liabilities:				
Financial liabilities at fair value through profit or loss	8,426,778	15,127	8,411,651	-
Derivative financial liabilities for hedging – net	135,687	-	135,687	-
December 31, 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	\$ 8,071,092	-	8,071,092	-
Available-for-sale financial assets – net				
Debt instruments	157,879,248	-	157,879,248	-
Other financial assets – net				
Restricted assets-debt instruments	14,284,345	-	14,284,345	-
Derivative financial instruments:				
Assets:				
Financial assets at fair value through profit or loss	18,459,587	15,836	18,443,751	-
Derivative financial assets for hedging – net	140,667	-	140,667	-
Liabilities:				
Financial liabilities at fair value through profit or loss	14,882,839	10,221	14,872,618	-
Derivative financial liabilities for hedging – net	40,185	-	40,185	-

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

Financial instruments at fair value	June 30, 2016			
	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	-

(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.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

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

	June 30, 2017	
Financial assets	Book value	Fair value
Cash and cash equivalents	\$ 11,192,786	11,192,786
Due from the Central Bank and call loans to banks	116,593,237	116,600,085
Securities purchased under resell agreements and debt instruments	1,641,128	1,721,610
Receivables – net	18,940,345	18,940,345
Discounts and loans – net	255,622,751	255,633,576
Other financial assets – net		
Financial assets carried at cost	127,362	127,362
	December 31, 2016	
Financial assets	Book value	Fair value
Cash and cash equivalents	\$ 14,168,772	14,168,772
Due from the Central Bank and call loans to banks	102,109,199	102,110,353
Securities purchased under resell agreements and debt instruments	3,196,000	3,236,428
Receivables – net	18,603,886	18,603,886
Discounts and loans – net	267,281,457	267,163,546
Other financial assets – net		
Financial assets carried at cost	127,362	127,362

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

	June 30, 2016	
	Book value	Fair value
Financial assets		
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	16,251,393	16,251,393
Discounts and loans – net	270,147,491	268,854,404
Other financial assets – net		
Financial assets carried at cost	130,089	130,089
Financial liabilities		
Deposits from the Central Bank and banks	\$ 56,138,356	56,145,039
Payables	3,869,968	3,869,968
Related parties payable	10,691,992	10,691,992
Deposits and remittances	467,938,945	468,040,244
Financial debentures – net	14,657,686	14,657,686
Other financial liabilities	776,865	776,865
December 31, 2016		
Financial liabilities		
Deposits from the Central Bank and banks	\$ 31,412,055	31,415,765
Payables	3,673,461	3,673,461
Related parties payable	10,207,386	10,207,386
Deposits and remittances	492,606,933	492,851,047
Financial debentures – net	16,037,802	16,037,802
Other financial liabilities	1,033,273	1,033,273
June 30, 2016		
Financial liabilities		
Deposits from the Central Bank and banks	\$ 40,472,160	40,479,926
Payables	6,297,549	6,297,549
Related parties payable	12,595,352	12,595,352
Deposits and remittances	484,687,320	488,275,469
Financial debentures – net	17,158,641	17,206,939
Other financial liabilities	1,384,777	1,384,777

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

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

Financial instruments measured at amortised cost	June 30, 2017				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Non-derivative financial instruments:					
Assets:					
Cash and cash equivalents	\$ 11,192,786	-	11,192,786	-	11,192,786
Due from the Central Bank and call loans to banks	116,593,237	-	116,600,085	-	116,600,085
Securities purchased under resell agreements and debt instruments	1,641,128	-	1,721,610	-	1,721,610
Receivables – net	18,940,345	-	18,940,345	-	18,940,345
Discounts and loans – net	255,622,751	-	-	255,633,576	255,633,576
Other financial assets – net					
Financial assets carried at cost	127,362	-	-	127,362	127,362
Liabilities:					
Deposits from the Central Bank and banks	56,138,356	-	56,145,039	-	56,145,039
Payables	3,869,968	-	3,869,968	-	3,869,968
Related parties payable	10,691,992	-	10,691,992	-	10,691,992
Deposits and remittances	467,938,945	-	468,040,244	-	468,040,244
Financial debentures – net	14,657,686	-	14,657,686	-	14,657,686
Other financial liabilities	776,865	-	776,865	-	776,865
December 31, 2016					
Financial instruments measured at amortised cost	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Non-derivative financial instruments:					
Assets:					
Cash and cash equivalents	\$ 14,168,772	-	14,168,772	-	14,168,772
Due from the Central Bank and call loans to banks	102,109,199	-	102,110,353	-	102,110,353
Securities purchased under resell agreements and debt instruments	3,196,000	-	3,236,428	-	3,236,428
Receivables – net	18,603,886	-	18,603,886	-	18,603,886
Discounts and loans – net	267,281,457	-	1,000,000	266,163,546	267,163,546
Other financial assets – net					
Financial assets carried at cost	127,362	-	-	127,362	127,362
Liabilities:					
Deposits from the Central Bank and banks	31,412,055	-	31,415,765	-	31,415,765
Payables	3,673,461	-	3,673,461	-	3,673,461
Related parties payable	10,207,386	-	10,207,386	-	10,207,386
Deposits and remittances	492,606,933	-	492,851,047	-	492,851,047
Financial debentures – net	16,037,802	-	16,037,802	-	16,037,802
Other financial liabilities	1,033,273	-	1,033,273	-	1,033,273

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

Financial instruments measured at amortised cost	June 30, 2016				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
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	16,251,393	-	16,251,393	-	16,251,393
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	6,297,549	-	6,297,549	-	6,297,549
Related parties payable	12,595,352	-	12,595,352	-	12,595,352
Deposits and remittances	484,687,320	-	488,275,469	-	488,275,469
Financial debentures—net	17,158,641	-	17,206,939	-	17,206,939
Other financial liabilities	1,384,777	-	1,384,777	-	1,384,777

(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.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

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

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

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

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

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

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

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

	For the six months ended June 30,					
	2017			2016		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Foreign exchange VaR \$	6,327	13,231	1,894	5,376	11,533	1,145
Interest rate VaR	53,564	64,065	43,411	43,500	59,294	26,394
Total VaR	54,008	65,311	43,546	43,973	59,315	26,959

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.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

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

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

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

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

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

- v) Method used for regulatory capital calculation

Standardized Approach / Delta-Plus for Options.

- vi) Exchange rate risk exposure information

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

	June 30, 2017			December 31, 2016		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Long position						
USD	\$18,990,242	30.435	577,967,320	18,623,487	32.283	601,230,016
CNY	8,776,559	4.492	39,427,914	25,142,477	4.637	116,596,332
EUR	1,162,932	34.720	40,376,824	1,459,586	33.870	49,436,211
JPY	32,809,799	0.272	8,908,907	90,136,985	0.275	24,818,870
HKD	7,819,495	3.899	30,485,529	4,816,118	4.163	20,049,416
Short position						
USD	18,944,204	30.435	576,566,176	18,575,830	32.283	599,691,496
CNY	8,760,875	4.492	39,357,454	25,133,334	4.637	116,553,935
EUR	1,163,716	34.720	40,404,051	1,463,353	33.870	49,563,810
JPY	33,714,278	0.272	9,154,502	90,146,108	0.275	24,821,382
HKD	7,820,883	3.899	30,490,942	4,819,926	4.163	20,065,268

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

	June 30, 2016		
	Foreign currency	Exchange rate	NTD
Long position			
USD	\$14,237,871	32.286	459,679,820
CNY	10,097,393	4.862	49,092,919
EUR	904,731	35.882	32,463,684
JPY	84,746,181	0.314	26,618,509
HKD	5,170,873	4.159	21,506,231
Short position			
USD	14,233,396	32.286	459,535,345
CNY	10,130,622	4.862	49,254,477
EUR	905,604	35.882	32,495,014
JPY	84,736,374	0.314	26,615,428
HKD	5,179,795	4.159	21,543,335

i) Interest rate sensitivity information

A. Interest rate sensitivity analysis (NTD)

June 30, 2017

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	\$ 344,977,507	15,959,726	39,078,907	60,006,716	460,022,856
Interest rate sensitive liabilities	245,644,138	14,597,990	19,675,440	5,425,034	285,342,602
Interest rate sensitive gap	99,333,369	1,361,736	19,403,467	54,581,682	174,680,254
Net worth					44,003,248
Ratio of interest rate sensitive assets to liabilities (%)					161.22
Ratio of interest rate sensitive gap to net worth (%)					396.97

December 31, 2016

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

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)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

B. Interest rate sensitivity analysis (USD)

June 30, 2017

Units: in thousands of US Dollars

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	\$ 3,561,457	277,857	104,339	550	3,944,203
Interest rate sensitive liabilities	6,533,435	800,477	416,900	203,050	7,953,862
Interest rate sensitive gap	(2,971,978)	(522,620)	(312,561)	(202,500)	(4,009,659)
Net worth					(95,843)
Ratio of interest rate sensitive assets to liabilities (%)					49.59
Ratio of interest rate sensitive gap to net worth (%)					4,183.57

December 31, 2016

Units: in thousands of US Dollars

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

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

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.

(Continued)

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

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 Operational 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.

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.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

- 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, which results in a regulatory breach, and a contract or legal documentation likely to cause loss due to illegality, incompleteness or unfairness. The Compliance Department of the Bank is responsible for the implementation of compliance system of the Bank. The Legal Department of the Bank is responsible for providing advisory services to legal aspects of transaction documents including legality and enforceability of such transaction documents. The two departments together are to make sure that the Bank follows relevant regulatory compliance and legal matters concerning the financial structure and operations of the Bank.

- iv. Credit risk management

- i) Credit risk strategy, goal, policy and procedure

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

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

A. Strategy and Goal

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

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED**Notes to the Interim Financial Statements****B. Policies and Procedures**

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

ii) Credit risk management organization and structure

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

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

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

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

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

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

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

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

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

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

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

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

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

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

- v) Method used for regulatory capital calculation

Standardized Approach.

- vi) Maximum exposure to credit risk

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

Off-balance-sheet items	Maximum exposure to credit risk		
	June 30, 2017	December 31, 2016	June 30, 2016
Other guarantees	\$ 2,984,904	2,712,222	2,959,250
Unused amount of irrevocable loan commitments	400,565	697,346	231,118
Unused amount of irrevocable letters of credit	1,633,900	886,991	1,137,524
Total	<u>\$ 5,019,369</u>	<u>4,296,559</u>	<u>4,327,892</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

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

vii) Concentrations of credit risk

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

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

A. By industry

	June 30, 2017	December 31, 2016	June 30, 2016
Individual	\$ 172,949,496	177,217,124	187,079,593
Manufacturing	40,879,238	42,401,520	41,002,990
Transportation and warehousing	21,003,966	23,727,467	22,231,223
Commercial	10,411,339	12,164,211	10,073,646
Government	-	1,000,000	-
Financial industry	8,756,480	9,679,380	8,255,188
Other	6,489,083	6,247,258	6,662,849
Total	<u>\$ 260,489,602</u>	<u>272,436,960</u>	<u>275,305,489</u>

B. By area

	June 30, 2017	December 31, 2016	June 30, 2016
Domestic	\$ 226,340,497	230,261,980	234,294,604
Overseas	34,149,105	42,174,980	41,010,885
Total	<u>\$ 260,489,602</u>	<u>272,436,960</u>	<u>275,305,489</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

C. By collateral

	June 30, 2017	December 31, 2016	June 30, 2016
Unsecured	\$ 71,922,313	79,934,290	73,446,613
Secured			
– Real estate	152,752,765	155,144,402	164,236,061
– Movable asset	19,559,492	20,784,795	22,076,905
– Debt instrument	12,647,403	13,664,512	13,696,850
– Other	3,607,629	2,908,961	1,849,060
Total	<u>\$ 260,489,602</u>	<u>272,436,960</u>	<u>275,305,489</u>

viii) Credit quality and impairment analysis on financial asset

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

A. Credit quality analysis

	June 30, 2017					
	Neither past due nor impaired	Past due but not impaired	Impaired	Allowance for bad debts		Total
				Individually impaired	Collectively impaired	
Receivables						
Credit cards accounts receivable	\$ 3,343,779	78,670	659,642	209,595	22,103	3,850,393
Accounts receivable factoring	10,307,359	-	-	-	-	10,307,359
Financial derivatives credit default receivables	-	-	7,448	7,448	-	-
Discounts and loans						
Consumer banking	166,605,535	2,713,302	4,071,310	954,631	2,530,220	169,905,296
Wholesale banking	85,268,657	36,411	1,794,387	867,342	523,122	85,708,991
Available-for-sale financial assets	164,913,895	-	-	-	-	164,913,895
Other financial assets						
Overdue receivable	-	-	263,936	263,936	-	-
	<u>\$ 430,439,225</u>	<u>2,828,383</u>	<u>6,796,723</u>	<u>2,302,952</u>	<u>3,075,445</u>	<u>434,685,934</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

	December 31, 2016					
	Neither past due nor impaired	Past due but not impaired	Impaired	Allowance for bad debts		Total
				Individually impaired	Collectively impaired	
Receivables						
Credit cards accounts receivable	\$ 3,555,627	86,875	688,395	220,913	23,523	4,086,461
Accounts receivable factoring	9,965,494	-	-	-	-	9,965,494
Financial derivatives credit default receivables	-	-	317,736	190,972	-	126,764
Discounts and loans						
Consumer banking	170,747,573	2,820,459	4,352,781	998,101	2,565,327	174,357,385
Wholesale banking	92,236,678	67,988	2,211,481	1,114,071	522,742	92,879,334
Available-for-sale financial assets	157,879,248	-	-	-	-	157,879,248
Other financial assets overdue receivable	-	-	326,181	326,181	-	-
	<u>\$ 434,384,620</u>	<u>2,975,322</u>	<u>7,896,574</u>	<u>2,850,238</u>	<u>3,111,592</u>	<u>439,294,686</u>
	June 30, 2016					
	Neither past due nor impaired	Past due but not impaired	Impaired	Allowance for bad debts		Total
				Individually impaired	Collectively impaired	
Receivables						
Credit cards accounts receivable	\$ 3,832,638	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	-	-
	<u>\$ 433,793,732</u>	<u>3,526,565</u>	<u>8,162,581</u>	<u>2,773,895</u>	<u>3,147,945</u>	<u>439,561,038</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

- 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, 2017			
	Investment grade	Sub-investment grade	High risk grade	Total
Receivables				
Credit cards accounts receivable	\$ 1,274,697	2,042,675	26,407	3,343,779
Accounts receivable factoring	4,688,653	173,812	5,444,894	10,307,359
Discounts and loans				
Consumer banking	143,334,609	22,547,759	723,167	166,605,535
Wholesale banking	18,998,761	37,680,866	28,589,030	85,268,657
Total	\$ 168,296,720	62,445,112	34,783,498	265,525,330
	December 31, 2016			
	Investment grade	Sub-investment grade	High risk grade	Total
Receivables				
Credit cards accounts receivable	\$ 1,287,771	2,224,565	43,291	3,555,627
Accounts receivable factoring	4,299,439	227,822	5,438,233	9,965,494
Discounts and loans				
Consumer banking	145,926,708	23,989,607	831,258	170,747,573
Wholesale banking	21,391,148	39,420,986	31,424,544	92,236,678
Total	\$ 172,905,066	65,862,980	37,737,326	276,505,372
	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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

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

	June 30, 2017			
	Investment grade	Sub-investment grade	High risk grade	Total
Receivables				
Credit cards accounts receivable	\$ 65	65,231	13,374	78,670
Discounts and loans				
Consumer banking	1,850	1,318,261	1,393,191	2,713,302
Wholesale banking	-	34,379	2,032	36,411
Total	<u>\$ 1,915</u>	<u>1,417,871</u>	<u>1,408,597</u>	<u>2,828,383</u>
	December 31, 2016			
	Investment grade	Sub-investment grade	High risk grade	Total
Receivables				
Credit cards accounts receivable	\$ 17	69,804	17,054	86,875
Discounts and loans				
Consumer banking	1,941	1,352,297	1,466,221	2,820,459
Wholesale banking	-	65,001	2,987	67,988
Total	<u>\$ 1,958</u>	<u>1,487,102</u>	<u>1,486,262</u>	<u>2,975,322</u>
	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	<u>\$ 2</u>	<u>1,776,053</u>	<u>1,750,510</u>	<u>3,526,565</u>

- 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, 2017			
	Investment grade	Sub-investment grade	High risk grade	Total
Available-for-sale financial assets				
Debt instruments	<u>\$ 164,913,895</u>	<u>-</u>	<u>-</u>	<u>164,913,895</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

		December 31, 2016			
		Investment grade	Sub-investment grade	High risk grade	Total
Available-for-sale financial assets					
Debt instruments	\$	<u>157,879,248</u>	-	-	<u>157,879,248</u>
		June 30, 2016			
		Investment grade	Sub-investment grade	High risk grade	Total
Available-for-sale financial assets					
Debt instruments	\$	<u>158,117,254</u>	-	-	<u>158,117,254</u>

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, 2017				
		Up to 1 month	1-2 months	2-3 months	Over 3 months	Total
Receivables						
Credit cards						
accounts receivable	\$	38,245	16,836	10,528	13,061	78,670
Discounts and loans						
Consumer banking		1,680,869	632,399	244,021	156,013	2,713,302
Wholesale banking		2,232	4,968	19,176	10,035	36,411
Total	\$	<u>1,721,346</u>	<u>654,203</u>	<u>273,725</u>	<u>179,109</u>	<u>2,828,383</u>
		December 31, 2016				
		Up to 1 month	1-2 months	2-3 months	Over 3 months	Total
Receivables						
Credit cards						
accounts receivable	\$	42,660	18,113	10,246	15,856	86,875
Discounts and loans						
Consumer banking		1,755,629	694,843	222,066	147,921	2,820,459
Wholesale banking		26,033	7,538	34,417	-	67,988
Total	\$	<u>1,824,322</u>	<u>720,494</u>	<u>266,729</u>	<u>163,777</u>	<u>2,975,322</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

		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	\$	<u>2,296,727</u>	<u>833,418</u>	<u>227,981</u>	<u>168,439</u>	<u>3,526,565</u>

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

A. Asset quality of the Bank

Units: in thousands of New Taiwan Dollars, %

Product		Period	June 30, 2017					
			Non-performing loan	Loan balances	NPL ratio	Allowance for bad debts	Coverage ratio	
Wholesale Banking	Secured		9,966	32,947,533	0.03 %	269,951	2,708.72 %	
	Unsecured		442,988	54,151,922	0.82 %	1,120,513	252.94 %	
Consumer Banking	Mortgage		284,852	126,018,914	0.23 %	2,302,012	808.14 %	
	Personal loan		170,605	25,550,266	0.67 %	1,109,415	650.28 %	
	Others	Secured		7,760	19,748,363	0.04 %	51,157	659.24 %
		Unsecured		42,187	2,072,604	2.04 %	22,267	52.78 %
Total			958,358	260,489,602	0.37 %	4,875,315	508.72 %	
			Overdue	Accounts receivable	Overdue ratio	Allowance for bad debts	Coverage ratio	
Credit card			14,075	4,082,091	0.34 %	231,698	1,646.17 %	
Factoring loan receivable without recourse			-	10,307,359	-	-	-	

Product		Period	December 31, 2016					
			Non-performing loan	Loan balances	NPL ratio	Allowance for bad debts	Coverage ratio	
Wholesale Banking	Secured		4,454	36,892,150	0.01 %	70,277	1,577.84 %	
	Unsecured		1,104,624	57,623,997	1.92 %	1,566,536	141.82 %	
Consumer Banking	Mortgage		302,999	128,591,031	0.24 %	2,273,686	750.39 %	
	Personal loan		194,795	27,640,856	0.70 %	1,230,052	631.46 %	
	Others	Secured		65,691	19,723,026	0.33 %	52,089	79.29 %
		Unsecured		37,011	1,965,900	1.88 %	7,601	20.54 %
Total			1,709,574	272,436,960	0.63 %	5,200,241	304.18 %	
			Overdue	Accounts receivable	Overdue ratio	Allowance for bad debts	Coverage ratio	
Credit card			17,116	4,330,897	0.40 %	244,436	1,428.11 %	
Factoring loan receivable without recourse			-	9,965,494	-	-	-	

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

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	- %	-	- %	

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, 2017		December 31, 2016	
	Loans that may be exempted from reporting as overdue loan	Receivables that may be exempted from reporting as overdue receivables	Loans that may be exempted from reporting as overdue loan	Receivables that may be exempted from reporting as overdue receivables
The amount under inter-bank debt relief program without default by debtors	\$ 5,168	18,679	5,919	21,358
The amount under debt discharge program and rehabilitation program without default by debtors	309,447	46,939	337,599	49,012
	<u>\$ 314,615</u>	<u>65,618</u>	<u>343,518</u>	<u>70,370</u>
			June 30, 2016	
			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
The amount under debt discharge program and rehabilitation program without default by debtors			376,243	54,191
			<u>\$ 383,134</u>	<u>78,792</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

B. Concentration of corporate credit risk for the bank

Units: in thousands of New Taiwan Dollars, %

June 30, 2017			
Rank	Industry classification of group enterprise	Outstanding credit	% of net assets
1	A Company Other financial service activities not elsewhere classified	5,460,441	12.75 %
2	B Group Air transport	5,119,366	11.95 %
3	C Group Manufacture of other chemical products not elsewhere classified	4,974,654	11.61 %
4	D Group Manufacture of other electronic parts and components not elsewhere classified	4,560,078	10.64 %
5	E Group Ocean transportation	4,039,955	9.43 %
6	F Company Manufacture of other non-metallic mineral products not elsewhere classified	3,640,294	8.50 %
7	G Group Air transport	3,367,422	7.86 %
8	H Group Ocean transportation	3,200,438	7.47 %
9	I Group Manufacture of integrated circuits	2,832,843	6.61 %
10	J Group Air transport	2,020,485	4.72 %
December 31, 2016			
Rank	Industry classification of group enterprise	Outstanding credit	% of net assets
1	A Company Other financial service activities not elsewhere classified	5,811,017	13.93 %
2	B Group Air transport	5,618,753	13.46 %
3	C Group Manufacture of other chemical products not elsewhere classified	5,601,351	13.42 %
4	F Company Manufacture of other non-metallic mineral products not elsewhere classified	3,874,011	9.28 %
5	D Group Manufacture of other electronic parts and components not elsewhere classified	3,797,787	9.10 %
6	G Group Air transport	3,785,282	9.07 %
7	H Group Ocean transportation	3,496,553	8.38 %
8	I Group Manufacture of integrated circuits	3,013,235	7.22 %
9	E Group Ocean transportation	2,593,763	6.22 %
10	J Group Air transport	2,131,777	5.11 %

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

June 30, 2016				
Rank	Industry classification of group enterprise		Outstanding credit	% of net assets
1	B Group	Air transport	5,959,243	14.11 %
2	A Company	Other financial service activities not elsewhere classified	5,811,429	13.76 %
3	D Group	Manufacture of other electronic parts and components not elsewhere classified	4,420,910	10.46 %
4	C Group	Manufacture of other chemical products not elsewhere classified	4,321,511	10.23 %
5	G Group	Air transport	3,995,953	9.46 %
6	F Company	Manufacture of other non-metallic mineral products not elsewhere classified	3,874,286	9.17 %
7	H Group	Ocean transportation	3,240,174	7.67 %
8	I Group	Manufacture of integrated circuits	3,084,600	7.30 %
9	K Group	Manufacture of footwear	2,389,867	5.66 %
10	J Group	Air transport	2,311,730	5.47 %

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 \$191.3 billion, which is equivalent to 31% of the Bank's total assets. The level of the Bank's aggregate liquid reserves is in accordance with local regulatory minimum liquidity requirements.

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

iii) Financial assets held for liquidity risk management

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

iv) Maturity analysis of non-derivatives liabilities

The table below shows the analysis of non-derivatives liabilities based on time remaining until the contractual maturity date.

	June 30, 2017				
	Within 3 months	3 months~ 1 year	1~5 years	Over 5 years	Total
Deposits from the Central Bank and banks	\$ 47,618,156	8,520,200	-	-	56,138,356
Payables	3,869,968	-	-	-	3,869,968
Related parties payable	10,691,992	-	-	-	10,691,992
Deposits and remittances	383,077,316	79,316,264	5,545,365	-	467,938,945
Financial debentures	20,693	6,550,000	2,000,000	6,086,993	14,657,686
Other financial liabilities	681,486	2,552	92,827	-	776,865
Total	<u>\$ 445,959,611</u>	<u>94,389,016</u>	<u>7,638,192</u>	<u>6,086,993</u>	<u>554,073,812</u>
	December 31, 2016				
	Within 3 months	3 months~ 1 year	1~5 years	Over 5 years	Total
Deposits from the Central Bank and banks	\$ 30,575,849	836,206	-	-	31,412,055
Payables	3,673,461	-	-	-	3,673,461
Related parties payable	10,207,386	-	-	-	10,207,386
Deposits and remittances	405,262,689	81,589,925	5,754,319	-	492,606,933
Financial debentures	31,116	1,000,000	8,550,000	6,456,686	16,037,802
Other financial liabilities	763,801	95,531	173,941	-	1,033,273
Total	<u>\$ 450,514,302</u>	<u>83,521,662</u>	<u>14,478,260</u>	<u>6,456,686</u>	<u>554,970,910</u>
	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	6,297,549	-	-	-	6,297,549
Related parties payable	12,595,352	-	-	-	12,595,352
Deposits and remittances	389,186,412	91,426,078	4,074,830	-	484,687,320
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	<u>\$ 449,878,564</u>	<u>93,460,919</u>	<u>12,799,173</u>	<u>6,457,143</u>	<u>562,595,799</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim 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, 2017						
	<u>0~30 days</u>	<u>31~90 days</u>	<u>91~180 days</u>	<u>181 days~ 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
Derivative financial instruments at fair value through profit or loss						
– Foreign exchange derivative instruments	\$ 179,905	201,337	128,691	139,256	3,640	652,829
– Interest rate derivative instruments	9,883	7,116	12,474	119,235	1,788,262	1,936,970
Derivative financial instruments for hedging						
– Interest rate derivative instruments	9	666	-	2,007	3,099	5,781
	<u>\$ 189,797</u>	<u>209,119</u>	<u>141,165</u>	<u>260,498</u>	<u>1,795,001</u>	<u>2,595,580</u>
December 31, 2016						
	<u>0~30 days</u>	<u>31~90 days</u>	<u>91~180 days</u>	<u>181 days~ 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
Derivative financial instruments at fair value through profit or loss						
– Foreign exchange derivative instruments	\$ 327,986	115,370	1,334,460	1,513,606	3,960	3,295,382
– Interest rate derivative instruments	4,981	13,680	49,282	44,221	2,349,131	2,461,295
Derivative financial instruments for hedging						
– Interest rate derivative instruments	-	-	-	3,375	11,585	14,960
	<u>\$ 332,967</u>	<u>129,050</u>	<u>1,383,742</u>	<u>1,561,202</u>	<u>2,364,676</u>	<u>5,771,637</u>
June 30, 2016						
	<u>0~30 days</u>	<u>31~90 days</u>	<u>91~180 days</u>	<u>181 days~ 1 year</u>	<u>Over 1 year</u>	<u>Total</u>
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
	<u>\$ 332,744</u>	<u>230,583</u>	<u>614,968</u>	<u>2,089,944</u>	<u>3,884,314</u>	<u>7,152,553</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

B. Maturity analysis of gross settled derivatives

June 30, 2017						
	0~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year	Total
Derivative financial instruments at fair value through profit or loss						
– Foreign exchange derivative instruments						
– Cash outflow	\$ 195,742,629	156,083,240	92,815,176	79,300,110	1,686,700	525,627,855
– Cash inflow	194,096,764	154,487,472	91,508,727	77,944,674	1,657,623	519,695,260
Derivative financial instruments for hedging						
– Foreign exchange derivative instruments						
– Cash outflow	-	3,975,474	-	-	-	3,975,474
Net cash flow	<u>\$ (1,645,865)</u>	<u>(5,571,242)</u>	<u>(1,306,449)</u>	<u>(1,355,436)</u>	<u>(29,077)</u>	<u>(9,908,069)</u>
December 31, 2016						
	0~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year	Total
Derivative financial instruments at fair value through profit or loss						
– Foreign exchange derivative instruments						
– Cash outflow	\$ 220,207,652	165,947,729	80,787,702	35,193,197	-	502,136,280
– Cash inflow	216,692,656	163,068,641	79,403,317	34,335,889	-	493,500,503
Derivative financial instruments for hedging						
– Foreign exchange derivative instruments						
– Cash outflow	-	-	1,306,000	-	-	1,306,000
Net cash flow	<u>\$ (3,514,996)</u>	<u>(2,879,088)</u>	<u>(2,690,385)</u>	<u>(857,308)</u>	<u>-</u>	<u>(9,941,777)</u>
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	\$ 206,784,475	131,872,817	99,527,202	45,372,238	442,707	483,999,439
– Cash inflow	203,659,543	130,521,278	98,497,615	44,991,600	446,331	478,116,367
Derivative financial instruments for hedging						
– Foreign exchange derivative instruments						
– Cash outflow	-	-	4,100,000	4,523,000	-	8,623,000
Net cash flow	<u>\$ (3,124,932)</u>	<u>(1,351,539)</u>	<u>(5,129,587)</u>	<u>(4,903,638)</u>	<u>3,624</u>	<u>(14,506,072)</u>

vi) Maturity analysis of off-balance-sheet items

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

	June 30, 2017				
	0~30 days	31~90 Days	91 days~ 1 year	Over 1 year	Total
Other guarantees	\$ 346,838	857,653	1,228,516	551,897	2,984,904
Unused amount of irrevocable loan commitments	12,951	25,903	4,738	356,973	400,565
Unused amount of irrevocable letters of credit	406,744	1,151,849	75,307	-	1,633,900
	<u>\$ 766,533</u>	<u>2,035,405</u>	<u>1,308,561</u>	<u>908,870</u>	<u>5,019,369</u>
	December 31, 2016				
	0~30 days	31~90 Days	91 days~ 1 year	Over 1 year	Total
Other guarantees	\$ 189,839	712,968	1,060,898	748,517	2,712,222
Unused amount of irrevocable loan commitments	27,075	54,150	9,906	606,215	697,346
Unused amount of irrevocable letters of credit	307,283	531,188	48,520	-	886,991
	<u>\$ 524,197</u>	<u>1,298,306</u>	<u>1,119,324</u>	<u>1,354,732</u>	<u>4,296,559</u>
	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
	<u>\$ 878,907</u>	<u>864,004</u>	<u>1,883,631</u>	<u>701,350</u>	<u>4,327,892</u>

vii) Structure Analysis of Maturity Date New Taiwan Dollars

June 30, 2017

	Total	Remaining period to expiration					
		0~10 days	11~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year
Capital provided	\$ 799,387,254	108,419,930	93,193,900	151,653,212	102,288,487	127,711,674	216,120,051
Capital used	891,835,285	72,844,184	101,681,810	210,560,873	115,048,334	117,095,527	274,604,557
Gap	(92,448,031)	35,575,746	(8,487,910)	(58,907,661)	(12,759,847)	10,616,147	(58,484,506)

December 31, 2016

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

June 30, 2016

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

viii) Structure Analysis of Maturity Date US Dollars

June 30, 2017

Units: in thousands of US Dollars

	Total	Remaining period to expiration				
		0~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year
Capital provided	\$ 23,474,668	8,844,755	7,106,637	3,782,790	3,059,358	681,128
Capital used	24,484,039	9,116,204	7,029,793	3,700,556	3,039,715	1,597,771
Gap	(1,009,371)	(271,449)	76,844	82,234	19,643	(916,643)

December 31, 2016

Units: in thousands of US Dollars

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

June 30, 2016

Units: in thousands of US Dollars

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

(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, 2017					
	Financial assets under net executable settlement contracts or similar agreements			Relevant amounts not offset on balance sheet (d)		
	Total financial assets recognized (a)	Offset total financial liabilities recognized in the balance sheet (b)	Net financial assets reported in the balance sheet (c)=(a)-(b)	Financial instruments (Note)	Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial assets	\$ 8,647,040	-	8,647,040	4,819,609	742,766	3,084,665
Securities purchased under resell agreements	1,641,128	-	1,641,128	-	1,641,128	-
Total	\$ 10,288,168	-	10,288,168	4,819,609	2,383,894	3,084,665

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

June 30, 2017						
Financial liabilities under net executable settlement contracts or similar agreements						
	Total financial liabilities recognized (a)	Offset total financial assets recognized in the balance sheet (b)	Net financial liabilities reported in the balance sheet (c)=(a)-(b)	Relevant amounts not offset on balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial liabilities	\$ 8,562,465	-	8,562,465	4,819,609	1,223,367	2,519,489
December 31, 2016						
Financial assets under net executable settlement contracts or similar agreements						
	Total financial assets recognized (a)	Offset total financial liabilities recognized in the balance sheet (b)	Net financial assets reported in the balance sheet (c)=(a)-(b)	Relevant amounts not offset on balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial assets	\$ 18,600,254	-	18,600,254	8,860,642	870,489	8,869,123
Securities purchased under resale agreements	3,196,000	-	3,196,000	-	3,196,000	-
Total	\$ 21,796,254	-	21,796,254	8,860,642	4,066,489	8,869,123
December 31, 2016						
Financial liabilities under net executable settlement contracts or similar agreements						
	Total financial liabilities recognized (a)	Offset total financial assets recognized in the balance sheet (b)	Net financial liabilities reported in the balance sheet (c)=(a)-(b)	Relevant amounts not offset on balance sheet (d)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial liabilities	\$ 14,923,024	-	14,923,024	8,860,642	533,330	5,529,052
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)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial assets	\$ 13,121,448	-	13,121,448	4,396,055	1,628,810	7,096,583
Securities purchased under resale 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)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial liabilities	\$ 14,381,313	-	14,381,313	4,396,055	5,179,515	4,805,743

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

(Continued)

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

(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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

- 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, 2017	December 31, 2016	June 30, 2016
Self-owned capital		Common stock capital	38,665,071	37,530,261	37,326,281
		Other Tier 1 capital	-	-	-
		Tier 2 capital	9,621,605	10,119,637	10,323,264
		Total self-owned capital	48,286,676	47,649,898	47,649,545
Risk-weighted assets	Credit risk	Standard approach (SA)	268,244,043	273,014,017	277,260,061
		Internal ratings-based approach (IRB)	-	-	-
		Securitization	-	-	-
	Operational risk	Basic indicator approach (BIA)	25,195,058	25,574,978	28,135,608
		Standardized approach (SA) /alternative approach	-	-	-
		Advanced measurement approach (AMA)	-	-	-
	Market risk	Standardized approach (SA)	17,096,088	16,826,701	14,115,168
		Internal model-based approach (IMA)	-	-	-
		Total risk-weighted assets	310,535,189	315,415,696	319,510,837
	Total risk-based capital			15.55 %	15.11 %
Ratio of common stock to total risk-based assets			12.45 %	11.90 %	11.68 %
Ratio of Tier 1 capital to risk-based assets			12.45 %	11.90 %	11.68 %
Leverage ratio			5.76 %	5.41 %	4.92 %

Note 1: Capital Adequacy was prepared in compliance with Regulations Governing the Capital Adequacy and Capital Category of Banks.

Note 2: The operational risk in the above table was calculated and prepared based on Appendix 1 Gross profit in Part 4 Operational Risk of “the Methods for calculating Bank’s regulatory capital and Risk Weighted Assets”. Upon examining the composition of gross profit in terms of the above mentioned calculation methods, the Company made adjustments to the definition of gains and losses on property transactions and outsourcing cost, and calculated operational risk according to the new definition starting from 2017.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

(7) Related-Party Transactions

1) Name and relationship of related parties

<u>Name</u>	<u>Relationship</u>
Standard Chartered Bank ("SCB")	The ultimate controlling party
Standard Chartered Bank Taipei Branch ("SCB Taipei")	Affiliate
Standard Chartered Bank New York ("SCB New York")	Affiliate
Standard Chartered Bank Japan ("SCB Japan")	Affiliate
Standard Chartered Bank Singapore ("SCB Singapore")	Affiliate
Standard Chartered Bank Germany ("SCB Germany")	Affiliate
Scope International Private Limited	Affiliate
Scope International (M) Sdn Bhd	Affiliate
Standard Chartered Bank Hong Kong Limited ("SCB Hong Kong")	Affiliate
Standard Chartered Bank China Limited ("SCB China")	Affiliate
Standard Chartered Bank Thailand Limited ("SCB Thailand")	Affiliate
Standard Chartered Bank Korea Limited ("SCB Korea")	Affiliate
Standard Chartered Bank Vietnam Limited ("SCB Vietnam")	Affiliate
Standard Chartered Bank Philippines Limited ("SCB Philippines")	Affiliate
Standard Chartered Bank South Africa Limited ("SCB South Africa")	Affiliate
Standard Chartered Bank Macau Limited ("SCB Macau")	Affiliate
Standard Chartered Bank Indonesia ("SCB Indonesia")	Affiliate
Standard Chartered Bank Dubai ("SCB Dubai")	Affiliate
Standard Chartered Bank Mauritius ("SCB Mauritius")	Affiliate
Standard Chartered Bank France ("SCB France")	Affiliate
Standard Chartered Bank Australia ("SCB Australia")	Affiliate
Standard Chartered Bank India ("SCB India")	Affiliate
Standard Chartered Bank UAE ("SCB UAE")	Affiliate
Directors, Supervisors, President and Vice Presidents	The senior management of the Bank

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

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

2) Significant transactions with related parties

(a) Deposits

June 30, 2017			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties not over 1% of total deposits	\$ <u>400,344</u>	<u>0.09</u>	0.00~6.80
December 31, 2016			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties not over 1% of total deposits	\$ <u>669,166</u>	<u>0.14</u>	0.00~6.70
June 30, 2016			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties not over 1% of total deposits	\$ <u>525,050</u>	<u>0.11</u>	0.00~6.05

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 ended June 30, 2017 and 2016, interest expenses on the above deposits were \$1,461 thousand and \$1,730 thousand, respectively. As of June 30, 2017, December 31 and June 30, 2016, the interest payables on the above transaction were \$130 thousand, \$161 thousand and \$156 thousand, respectively.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

(b) Loans

For the six months ended June 30, 2017

Type of loan	Maximum balance during the period	Number of accounts or name of related party	Ending balance	Repayment		Collateral	Difference between terms and conditions offered to the accounts and to the general public
				On-schedule	Overdue		
Employee consumer loans	4,819	16	6,736	6,736	-	Unsecured lending	None
Mortgage	143,126	22	171,230	171,230	-	House	None
Other	4,363	Other individuals	4,065	4,065	-	Overdraft on the comprehensive deposits	None

2016

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

For the six months ended June 30, 2016

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

For the six months ended June 30, 2017 and 2016, interest income on the above loans were \$920 thousand and \$1,127 thousand, respectively. As of June 30, 2017, December 31 and June 30, 2016, the interest receivables on the above transaction were \$122 thousand, \$126 thousand and \$105 thousand, respectively.

(c) Foreign exchange and derivative transactions

June 30, 2017

Name	Contracts	Contracts duration period	Notional	Gain (loss) on valuation	Balance sheet	
					Account	Balance
SCB	Interest rate swap	2017.7.20~2027.6.14	\$ 206,242,242	72,411	Financial assets at fair value through profit or loss	210,922
					Financial liabilities at fair value through profit or loss	(242,768)
	Spot/forward/swap	2017.7.3~2019.12.16	67,102,185	825,131	Financial assets at fair value through profit or loss	339,985
					Financial liabilities at fair value through profit or loss	(388,417)
	Foreign exchange option	2017.7.3~2019.1.17	160,110,730	1,716,352	Financial assets at fair value through profit or loss	68,733
					Financial liabilities at fair value through profit or loss	(756,731)
	Commodity swap	2017.7.5~2018.2.2	2,667,366	(22,580)	Financial assets at fair value through profit or loss	11,505
					Financial liabilities at fair value through profit or loss	(20,006)
	Interest rate swap (Hedge)	2017.8.7~2018.2.20	2,023,928	12,287	Derivative financial liabilities for hedging	(2,673)

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

June 30, 2017						
Name	Contracts	Contracts duration period	Notional	Gain (loss) on valuation	Balance sheet	
					Account	Balance
SCB Singapore	Spot/forward/swap	2017.7.3~ 2018.6.20	\$ 38,955,805	(2,163,061)	Financial assets at fair value through profit or loss	167,784
					Financial liabilities at fair value through profit or loss	(883,821)
SCB Hong Kong	Spot/forward/swap	2017.7.3~ 2018.6.5	55,366,281	206,448	Financial assets at fair value through profit or loss	207,381
					Financial liabilities at fair value through profit or loss	(105,567)
SCB New York	Spot/forward/swap	2017.7.13~ 2017.8.25	1,065,225	77,822	Financial assets at fair value through profit or loss	3,418
					Financial liabilities at fair value through profit or loss	(3,000)
December 31, 2016						
Name	Contracts	Contracts duration period	Notional	Gain (loss) on valuation	Balance sheet	
					Account	Balance
SCB	Interest rate swap	2017.1.25~ 2026.10.26	\$ 199,978,124	(106,100)	Financial assets at fair value through profit or loss	530,883
					Financial liabilities at fair value through profit or loss	(635,140)
	Spot/forward/swap	2017.1.3~ 2017.12.15	108,778,910	196,025	Financial assets at fair value through profit or loss	1,090,473
					Financial liabilities at fair value through profit or loss	(1,964,036)
	Foreign exchange option	2017.1.2~ 2018.5.15	245,788,922	5,673,721	Financial assets at fair value through profit or loss	488,431
					Financial liabilities at fair value through profit or loss	(2,892,781)
	Commodity swap	2017.1.4~ 2017.8.2	1,424,006	9,946	Financial assets at fair value through profit or loss	37,559
					Financial liabilities at fair value through profit or loss	(23,480)
	Cross currency swap	2017.1.5~ 2017.1.20	17,755,870	1,094,145	Financial assets at fair value through profit or loss	1,063,662
	Interest rate swap (Hedge)	2017.8.7~ 2018.11.29	5,220,226	17,492	Derivative financial liabilities for hedging	(14,960)
SCB Singapore	Spot/forward/swap	2017.1.3~ 2017.11.6	81,624,339	1,445,291	Financial assets at fair value through profit or loss	2,119,345
					Financial liabilities at fair value through profit or loss	(672,321)
SCB Hong Kong	Spot/forward/swap	2017.1.3~ 2017.12.29	30,813,228	(103,256)	Financial assets at fair value through profit or loss	15,227
					Financial liabilities at fair value through profit or loss	(119,861)
SCB New York	Spot/forward/swap	2017.4.6~ 2017.8.25	2,259,838	(77,404)	Financial assets at fair value through profit or loss	33,753
					Financial liabilities at fair value through profit or loss	(111,157)
June 30, 2016						
Name	Contracts	Contracts duration period	Notional	Gain (loss) on valuation	Balance sheet	
					Account	Balance
SCB	Interest rate swap	2016.12.9~ 2026.4.1	\$ 108,698,946	54,150	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	190,615	Financial assets at fair value through profit or loss	546,620
					Financial liabilities at fair value through profit or loss	(1,425,593)

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

June 30, 2016						
Name	Contracts	Contracts duration period	Notional	Gain (loss) on valuation	Balance sheet	
					Account	Balance
	Foreign exchange option	2016.7.1~ 2018.5.15	\$ 283,726,943	4,090,632	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	(27,760)	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	(91,776)	Financial liabilities at fair value through profit or loss	(122,259)
	Commodity option	2016.8.5	88,721	28,633	Financial assets at fair value through profit or loss	441
	Interest rate swap (Hedge)	2016.7.22~ 2018.11.29	8,859,196	46,625	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	(12,074)	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)

As of June 30, 2017, December 31 and June 30, 2016, the premium receivables resulting from the above option contracts were \$3,076 thousand, \$4,389 thousand and \$13,563 thousand, respectively, recorded under receivables – net; and the premium payables resulting from the above option contracts were \$15,535 thousand, \$16,571 thousand and \$1,212 thousand, respectively, recorded under related parties payable.

(d) Deposits with banks – affiliates

	For the six months ended June 30, 2017		
	Balance	Interest rate %	Interest income
SCB Japan	\$ 1,623,701	-	-
SCB New York	1,085,465	0.71	3,275
SCB Germany	657,693	-0.50	-
SCB Hong Kong	486,254	-	-
SCB Singapore	195,921	-	-
SCB	80,587	-	-
SCB China	13,490	0.48	1,001
SCB Thailand	696	-	-
SCB Philippines	171	-	-
	<u>\$ 4,143,978</u>		<u>4,276</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

	2016		
	<u>Balance</u>	<u>Interest rate %</u>	<u>Interest income</u>
SCB Japan	\$ 3,019,529	-	-
SCB New York	2,775,921	0.33	3,452
SCB	845,908	-	-
SCB Germany	722,757	-1.50	-
SCB Hong Kong	203,578	-	-
SCB Singapore	125,781	-	-
SCB China	34,873	0.48	1,415
SCB Thailand	1,138	-	-
SCB Philippines	184	-	-
	<u>\$ 7,729,669</u>		<u>4,867</u>
For the six months ended June 30, 2016			
	<u>Balance</u>	<u>Interest rate %</u>	<u>Interest income</u>
SCB Germany	\$ 813,591	1.50	-
SCB	258,141	-	-
SCB Hong Kong	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	-	-
	<u>\$ 1,460,886</u>		<u>2,706</u>

As of June 30, 2017, December 31 and June 30, 2016, no interest receivables resulting from the above deposits with banks to affiliates was recorded. For the six months ended June 30, 2017 and 2016, the service charge from the above deposits were \$12,235 thousand and \$13,714 thousand, respectively, recorded under net service fee income.

(e) Call loans to banks – affiliates

	For the six months ended June 30, 2017		
	<u>Balance</u>	<u>Interest rate %</u>	<u>Interest income</u>
SCB Taipei	\$ 38,334,284	-0.27~4.00	153,204
SCB Korea	1,521,748	1.53~1.82	13,136
SCB Japan	814,596	-0.10	4,167
SCB	-	0.75~1.00	38,433
SCB Hong Kong	-	0.40~1.45	1,077
SCB Thailand	7,188	3.60	81
SCB China	-	3.20	(1)
SCB Singapore	-	-0.26~14	(95)
SCB Germany	-	-0.50~-0.45	(4,732)
	<u>\$ 40,677,816</u>		<u>205,270</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

	2016		
	Balance	Interest rate %	Interest income
SCB Taipei	\$ 35,211,021	-0.28~4.80	334,343
SCB	16,948,800	0.35~0.85	42,805
SCB Germany	6,774,006	-0.50~-0.45	(5,488)
SCB Korea	1,614,171	0.55~1.53	3,989
SCB Singapore	1,376,731	-0.26~-0.10	(11,430)
SCB Dubai	-	0.35~0.85	344
SCB China	-	0.55~1.80	1,236
SCB Vietnam	-	0.50	13
SCB Japan	-	-0.10~0.78	1,649
SCB New York	-	1.40~1.45	17,648
SCB Hong Kong	-	0.01~1.20	3,363
	\$ 61,924,729		388,472
	For the six months ended June 30, 2016		
	Balance	Interest rate %	Interest income
SCB Taipei	\$ 39,327,122	-0.25~4.80	221,310
SCB Hong Kong	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

As of June 30, 2017, December 31 and June 30, 2016, the interest receivables resulting from the above call loans to banks to affiliates were \$52,163 thousand, \$8,389 thousand and \$140,690 thousand, respectively, recorded under receivables – net.

(f) Deposits from banks – affiliates

	For the six months ended June 30, 2017		
	Balance	Interest rate %	Interest expense
SCB Taipei	\$ 1,166,223	0.01	54
	2016		
	Balance	Interest rate %	Interest expense
SCB Taipei	\$ 993,555	0.01	115
	For the six months ended June 30, 2016		
	Balance	Interest rate %	Interest expense
SCB Taipei	\$ 1,216,440	0.01	68

As of June 30, 2017, December 31 and June 30, 2016, the interest payables resulting from the above deposits from banks to affiliates were \$3 thousand, \$2 thousand and \$3 thousand, respectively, recorded under related parties payable.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

(g) Overdrafts on banks – affiliates

	For the six months ended June 30, 2017		
	Balance	Interest rate %	Interest expense
SCB Hong Kong	\$ 525,717	13.25	8
SCB Germany	-	1.50	1,851
SCB New York	-	1.25	52
SCB	-	1.25	20
SCB China	-	8.00	7
	\$ 525,717		1,938
	2016		
	Balance	Interest rate %	Interest expense
SCB Germany	\$ -	1.50	3,612
SCB China	-	4.87	642
SCB Japan	-	1.55	156
SCB New York	-	0.50	125
SCB Hong Kong	-	13.25	85
SCB Singapore	-	5.75	79
SCB	-	1.25	31
	\$ -		4,730
	For the six months ended June 30, 2016		
	Balance	Interest rate %	Interest expense
SCB New York	\$ 5,147,508	0.50	85
SCB Hong Kong	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

As of June 30, 2017, December 31 and June 30, 2016, no interest payables resulting from the above overdrafts on banks to affiliates was recorded.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

(h) Call loans from banks – affiliates

	For the six months ended June 30, 2017		
	Balance	Interest rate %	Interest expense
SCB Hong Kong	\$ 25,257,707	0.28~1.66	87,551
SCB Taipei	9,721,050	0.27~1.33	26,745
SCB Singapore	6,086,993	1.30~1.80	3,923
SCB China	3,652,196	0.95~1.50	7,844
SCB Thailand	3,043,496	1.55	11,073
SCB Korea	1,217,399	0.90~1.50	3,158
SCB Macau	852,179	0.91~1.22	5,298
SCB New York	-	1.70	15,279
SCB	-	0.70~1.25	158
	\$ 49,831,020		161,029
	2016		
	Balance	Interest rate %	Interest expense
SCB Hong Kong	\$ 12,926,061	0.08~6.80	59,813
SCB New York	9,685,029	0.85~1.75	16,621
SCB Korea	1,291,337	0.42~1.10	3,924
SCB Macau	1,093,392	0.05~0.99	6,500
SCB Taipei	613,385	0.39~0.70	2,327
SCB China	-	0.36~0.67	13,514
SCB	-	1.00	2,184
SCB Japan	-	0.11~1.30	1,408
SCB Singapore	-	0.50	760
SCB Thailand	-	0.50	110
	\$ 25,609,204		107,161
	For the six months ended June 30, 2016		
	Balance	Interest rate %	Interest expense
SCB Hong Kong	\$ 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	-	0.60	329
SCB Japan	-	0.11	27
	\$ 22,918,947		35,380

As of June 30, 2017, December 31 and June 30, 2016, the interest payables resulting from the above call loans from banks to affiliates were \$56,682 thousand, \$15,835 thousand and \$7,948 thousand, respectively, recorded under related parties payable.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

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

<u>Name</u>	<u>Fair value</u>		
	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
SCB Hong Kong	\$ -	6,401,768	6,331,344

For the six months ended June 30, 2017 and 2016, the interest income resulting from the above transaction were \$227,078 thousand and \$215,357 thousand, respectively.

- (j) The detail of securities purchased under resell agreement and debt instruments acquired from affiliates were as follows:

<u>Name</u>	<u>June 30, 2017</u>
SCB	\$ 155,005

For the six months ended June 30, 2017, the interest income resulting from the above transaction was \$420 thousand, respectively. As of June 30, 2017, the interest receivable resulting from the above transaction was \$106 thousand, recorded under receivables – net.

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

<u>Name</u>	<u>Bond (note)</u>	<u>December 31,</u>		
		<u>June 30, 2017</u>	<u>2016</u>	<u>June 30, 2016</u>
SCB	103-2	6,086,993	6,456,686	6,457,143

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

For the six months ended June 30, 2017 and 2016, the interest expenses on the above transactions were \$138,844 thousand and \$257,721 thousand, respectively. As of June 30, 2017, December 31 and June 30, 2016, the interest payables on the above transactions were \$11,313 thousand, \$12,323 thousand and \$10,650 thousand, respectively, recorded under related parties payable.

- (l) Guarantee

	<u>For the six months ended June 30, 2017</u>			
	<u>Maximum balance during the period</u>	<u>Ending balance</u>	<u>Expense</u>	<u>Collateral</u>
SCB Indonesia	\$ 12,174	12,174	USD100 (per case)	None
	<u>2016</u>			
	<u>Maximum balance during the period</u>	<u>Ending balance</u>	<u>Expense</u>	<u>Collateral</u>
SCB Indonesia	\$ 25,827	25,827	USD100 (per case)	None
SCB Hong Kong	12,913	12,913	0.25% (per quarter)	None

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

	For the six months ended June 30, 2016			
	Maximum balance during the period	Ending balance	Expense	Collateral
SCB Indonesia	\$ 25,829	25,829	USD100 (per case)	None
SCB Hong Kong	19,371	19,371	0.25% (per quarter)	None

- (m) For the six months ended June 30, 2017, operational and advisory service fees, consulting and technical support service fees and wholesale banking business service fees were \$605,381 thousand, \$317,820 thousand, and \$88,794 thousand, respectively. For the six months 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. As of June 30, 2017, December 31 and June 30, 2016, fees payables to SCB were \$10,504,164 thousand, \$10,076,197 thousand and \$12,363,403 thousand, respectively, recorded under related parties payable. Moreover, for the six months ended June 30, 2016, the royalty expenses for obtaining the right to use intellectual property of the SC PLC Group reversed was \$570 thousand. For the six months ended June 30, 2017, and 2016, the group insurance expenses for entering the group insurance amounted to \$11,800 thousand and \$16,744 thousand, respectively. As of June 30, 2017, the prepaid group insurance expense was \$11,800 thousand, recorded under other assets – net. As of June 30, 2016, the group insurance expenses payable to SCB was \$51,115 thousand, recorded under related parties payable.
- (n) For the six months ended June 30, 2017 and 2016, the related cost of the Executive Share Option Scheme amounted to \$5,163 thousand and \$8,507 thousand, respectively. As of June 30, 2017, December 31 and June 30, 2016, the estimated accounts payable to SCB for the share-based payment scheme costs amounted to \$24,954 thousand, \$20,980 thousand and \$5,921 thousand, respectively, recorded under related parties payable, the prepaid fee to SCB for the share-based payment scheme costs amounted to \$848 thousand, \$900 thousand and \$900 thousand, respectively, recorded under other assets – net.
- (o) For the six months ended June 30, 2017 and 2016, expenses resulting from operating and other business related activities with affiliates were as follows:

Name	For the six months ended June 30,	
	2017	2016
Technical support service fees:		
SCB Hong Kong	\$ 6,102	1,083
SCB Singapore	3,814	25
SCB China	2,987	-
SCB	1,956	4,189
SCB India	33	-
SCB Korea	-	74
Total	<u>\$ 14,892</u>	<u>5,371</u>
Information technology service fees:		
Scope International Private Ltd.	\$ 16,567	34,050
Scope International (M) Sdn Bhd	23,575	45,472
Total	<u>\$ 40,142</u>	<u>79,522</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

Name	For the six months ended June 30,	
	2017	2016
Consultant service income, origination income, and trading income:		
SCB	\$ 117,737	213,835
SCB New York	13,006	11,227
SCB Hong Kong	3,285	-
SCB China	3,205	-
SCB Germany	2,039	1,067
Other	(416)	-
Total	<u>\$ 138,856</u>	<u>226,129</u>
Consultant service fees and origination fees:		
SCB Dubai	\$ 8,869	30,791
SCB Singapore	5,148	1,623
SCB Hong Kong	2,979	5,651
SCB Philippines	610	1,792
SCB	(33)	11,861
SCB China	(3,645)	4,152
SCB Korea	-	8,576
Other	1,984	1,701
Total	<u>\$ 15,912</u>	<u>66,147</u>

As of June 30, 2017, December 31 and June 30, 2016, technical support service fees payables and information technology service fees payables were \$28,440 thousand, \$28,405 thousand and \$36,979 thousand, respectively, recorded under related parties payable. As of June 30, 2017, December 31 and June 30, 2016, consultant service income, origination income, and trading income receivables were \$115,464 thousand, \$102,673 thousand and \$131,033 thousand, respectively, recorded under receivables – net. As of June 30, 2017, December 31 and June 30, 2016, consultant service fees, origination fees and trading fees payables were \$50,751 thousand, \$36,896 thousand and \$118,050 thousand, respectively, recorded under related parties payable.

- (p) 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 ended June 30, 2017 and 2016, the rentals were \$1,592 thousand and \$1,467 thousand, respectively. As of June 30, 2017, December 31 and June 30, 2016, the utility and information system usage income receivables from SCB Taipei were \$67 thousand, \$99 thousand and \$119 thousand, respectively, recorded under receivables – net. For the six months ended June 30, 2017 and 2016, the related recharge from expense allocation were \$461 thousand and \$572 thousand, respectively.
- (q) For the six months ended June 30, 2017 and 2016, the administrative support service income from SCB Taipei to the Bank were \$1,596 thousand and \$1,608 thousand, respectively.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

- (r) SCLIA entered into the Exclusivity Fee Sharing Agreement with Standard Chartered Bank Singapore. For the six months ended June 30, 2017 and 2016, the service fee income were \$281,249 thousand and \$294,914 thousand, respectively, recorded under net service fee income. As of June 30, 2017, December 31 and June 30, 2016, the service income receivables were \$1,861,834 thousand, \$1,592,926 thousand and \$1,274,352 thousand, respectively, recorded under receivables – net. (Please refer to note 9 Significant Contingent Liabilities and Unrecognized Contract Commitments – (3) significant service agreements section for related information.)

- 3) The salary and remuneration of directors and supervisors

	For the six months ended June 30,	
	2017	2016
Salary and other short term benefits	\$ 157,248	164,364
Post-employment benefit	543	810
Total	\$ 157,791	165,174

(8) Pledged Assets

Units: in thousands of New Taiwan Dollars

Pledged assets	Pledged for	Face value		
		December 31,		
		June 30, 2017	2016	June 30, 2016
Negotiable certificates of deposit, bonds (recorded under other financial assets)	Provision seizures	\$ 6,600	6,600	13,800
	USD overdraft clearing deposits	6,835,000	13,835,000	7,500,000
Total		\$ 6,841,600	13,841,600	7,513,800

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

Pledged assets	Pledged for	Face value		
		December 31,		
		June 30, 2017	2016	June 30, 2016
Negotiable certificates of deposit, bonds (recorded under other financial assets)	Trust indemnity reserve	\$ 150,000	150,000	150,000
	Operating deposits for foreign bond agency business	50,000	50,000	50,000
	Operating deposits for securities underwriting	50,000	50,000	50,000
	Operating deposits for bills business	100,000	100,000	100,000
	Settlement reserves for bond proprietary trading	100,000	100,000	-
		450,000	450,000	350,000
Guarantee deposits paid (recorded under other assets)	Operating deposits and settlement reserves for bond proprietary trading	50,300	50,300	150,300
Total		\$ 500,300	500,300	500,300

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

- 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) Operating deposits for foreign bond agency business are operating deposits placed for operating business of foreign bond agency approved by the competent authority. The provision is prepared in accordance with the Regulations Governing Securities Firms.
- 5) Operating deposits for securities underwriting are operating deposits placed for operating business of securities underwriting business approved by the competent authority in accordance with the Regulations Governing Securities Firms. (Deposits required in accordance with relevant regulations for securities underwriting is \$40,000 thousand)
- 6) Operating deposits for bills business are deposits placed in the Central Bank of the Republic of China for the Bank's bills business.
- 7) Operating deposits and settlement reserves for bond proprietary trading are comprised of the Bank's operating deposits for securities business, self-regulatory fund deposits in Taiwan Securities Association, and settlement reserves placed in the Taipei Exchange's electronic bond trading system, which were prepared in accordance with the related regulations.

(9) Significant Contingent Liabilities and Unrecognized Contract Commitments

- 1) Commitments and contingent liabilities

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Consignment collection for others	\$ 6,118,043	7,333,235	6,776,626
Securities, consignments and goods in custody	2,267,494,650	1,847,217,531	1,588,538,310
Trust assets	89,753,350	89,151,397	88,193,704
	<u>\$ 2,363,366,043</u>	<u>1,943,702,163</u>	<u>1,683,508,640</u>
Other guarantees	<u>\$ 2,984,904</u>	<u>2,712,222</u>	<u>2,959,250</u>
Unused amount of irrevocable loan commitments	<u>\$ 400,565</u>	<u>697,346</u>	<u>231,118</u>
Unused amount of irrevocable letters of credit	<u>\$ 1,633,900</u>	<u>886,991</u>	<u>1,137,524</u>

- 2) Operating leases

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Not later than one year	\$ 375,563	444,289	392,291
Later than one year and less than five years	1,024,508	1,223,322	1,294,141
Total	<u>\$ 1,400,071</u>	<u>1,667,611</u>	<u>1,686,432</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

3) Significant service agreements

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

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

Trust balance sheet
June 30, 2017

Trust assets		Trust liabilities	
Bank deposits	\$ 6,054	Accounts payable	\$ 4
Short-term investments	85,516,624	Tax payable	1
Structured notes	3,420,208	Payables for securities under custody	810,463
Securities under custody	810,463	Trust capital and accumulated	88,942,882
Other assets	1	earnings	
Total trust assets	<u>\$ 89,753,350</u>	Total trust liabilities	<u>\$ 89,753,350</u>

Trust balance sheet
December 31, 2016

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

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	744,052
Structured notes	3,128,054	Payables for securities under custody	87,449,646
Securities under custody	744,052	Trust capital and accumulated	
Other assets	1		
Total trust assets	<u>\$ 88,193,704</u>	Total trust liabilities	<u>\$ 88,193,704</u>

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

Trust income statements

	For the six months ended June 30,	
	2017	2016
Trust revenue:		
Interest revenue	\$ 1,794,906	1,703,791
Common stock cash dividends	178	187
Realized gain on investments	893,421	337,536
Unrealized gain on investments	4,723,599	4,339,241
	<u>7,412,104</u>	<u>6,380,755</u>
Trust expenses:		
Management expense	32	41
Realized loss on investments	1,251,092	2,080,824
Unrealized loss on investments	1,433,379	1,941,529
Loss on trading of assets	28	10
	<u>2,684,531</u>	<u>4,022,404</u>
Net gain before income tax	4,727,573	2,358,351
Income tax expense	-	-
Net gain after income tax	<u>\$ 4,727,573</u>	<u>2,358,351</u>

Schedules of investment for trust business

Investment items	June 30, 2017	December 31,	
		2016	June 30, 2016
Bank deposits	\$ 6,054	6,478	6,856
Short-term investments:			
Bonds	20,600,581	19,550,567	16,824,013
Common stock	3,349,855	3,113,795	2,756,902
Funds	61,566,188	62,438,592	64,733,826
Structured notes	3,420,208	3,351,690	3,128,054
Securities under custody	810,463	690,274	744,052
Other assets	1	1	1
	<u>\$ 89,753,350</u>	<u>89,151,397</u>	<u>88,193,704</u>

Foreign currency trust business engaged by the Offshore Banking Unit (OBU) as of June 30, 2017, December 31 and June 30, 2016, were included in the trust balance sheets and schedules of investment for trust business.

(10) Significant Disaster Loss: None.

(11) Significant Subsequent Events: None.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

(12) Others

1) Profitability

Unit: %

Items		June 30, 2017	December 31, 2016	June 30, 2016
Return on assets	Before income tax	0.49	0.12	0.10
	After income tax	0.40	0.03	0.07
Return on equity	Before income tax	7.11	1.83	1.55
	After income tax	5.82	0.39	1.11
Net profit ratio		17.46	1.37	3.92

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

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

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

(13) Other Disclosures Items

For the six months ended June 30, 2017, relevant information of any major transactions that the Bank was required to disclose are as follow:

1) Related information on significant transaction

- (a) Information regarding securities for which the purchase or sale amount for the period exceeded NT\$300 million or 10% of the Bank's paid in capital: None.
- (b) Information on the acquisition of real estate for which the purchase amount exceeded NT\$300 million or 10% of the Bank's paid in capital: None.
- (c) Information on the disposal of real estate for which the sale amount exceeded NT\$300 million or 10% of the Bank's paid in capital :

Units: in thousands of New Taiwan Dollars

Seller	Name of the property	Trade (actual) date	Acquisition date	Net book value	Transaction amount	Collection status	Gain (loss) on disposal	Counterparty	Relationship with counterparty	Purpose of disposal	Price reference	Other terms and conditions
Standard Chartered Bank (Taiwan) Limited	No. 90, Zhongzheng Rd., Luzhu Dist., Taoyuan City	2017/1/13	1994/2/22	149,003	300,030	Payment received.	141,967	Ming Yang Construction Co., Ltd.	None.	Asset Activation.	Referring to appraisal report.	None.

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

- (f) Information regarding selling non performing loans :
- i. Summary table of NPL disposal: None.
 - ii Disposal of a single batch of NPL up to 1 billion and information on each transactions: None.
- (g) Information on applications for handling securitized commodities according to the Regulation on Financial Asset Securitization or the Regulation on Real Estate Investment Trusts: None.
- (h) Business relationship, and material transaction and amount between the parent party and subsidiaries and among subsidiaries themselves: Not applicable.
- (i) Other material transaction items which were significant to people who use the information in the financial statements to make financial decisions: None.

2) Information on long-term equity investments and combined shareholding ratios:

Name of investee	Investee's location	Investee's operation	Percentage of ownership	Book value of investments	Gain (loss) recognized during the period	Holdings				Remark
						Number of shares (thousand)	Pro forma number of shares (thousand)	Total		
								Shares (thousand)	Percentage	
Taiwan Small and Medium Enterprises Development Corp.	8F., No.181, Fushing N. Rd., Songshan District, Taipei City 10596, Taiwan	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 %	8,505	-	851	-	851	5.00 %	Note
Universal Venture Investment, Inc.	8F., No.70, Sec. 3, Nanjing E. Rd., Jhongshan District, Taipei City 10489, Taiwan	Venture capital services	4.76 %	7,949	-	607	-	607	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
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

(Continued)

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

Note: Shares held by the Bank remained the same as compared to December 31, 2016.

- 3) Setting up branches and investing in Mainland China:
 - (a) Name, main operating item and other information of the invested company in Mainland China: None.
 - (b) Amount limitation of investments in Mainland China: None.

(14) Operating Segment Financial Information

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

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

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

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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Interim Financial Statements

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

	For the six months ended June 30, 2017				
	<u>Retail Banking</u>	<u>International Corporates and Financial Institutions Banking</u>	<u>Commercial Banking</u>	<u>Other Banking</u>	<u>Total</u>
Interest income	\$ 2,585,088	808,678	258,386	1,069,118	4,721,270
Interest expense	(30,702)	(464,286)	(37,140)	(1,529,071)	(2,061,199)
Net interest income	2,554,386	344,392	221,246	(459,953)	2,660,071
Net service fee income	1,744,469	338,329	43,159	(11,630)	2,114,327
Other miscellaneous income	230,816	389,231	108,195	1,547,425	2,275,667
Net income	4,529,671	1,071,952	372,600	1,075,842	7,050,065
Bad debt expense and (provision for) reversal guarantee liabilities	(136,328)	1,055	(397,620)	-	(532,893)
Operating expense	(3,816,428)	(624,221)	(476,512)	(97,044)	(5,014,205)
Segment profit or loss	<u>\$ 576,915</u>	<u>448,786</u>	<u>(501,532)</u>	<u>978,798</u>	<u>1,502,967</u>
Segment assets	<u>\$ 190,161,273</u>	<u>107,278,737</u>	<u>29,630,387</u>	<u>282,459,412</u>	<u>609,529,809</u>
Segment liabilities	<u>\$ 287,291,284</u>	<u>172,357,189</u>	<u>53,749,621</u>	<u>53,288,536</u>	<u>566,686,630</u>
	For the six months ended June 30, 2016				
	<u>Retail Banking</u>	<u>International Corporates and Financial Institutions Banking</u>	<u>Commercial Banking</u>	<u>Other Banking</u>	<u>Total</u>
Interest income	\$ 3,011,990	1,558,281	254,807	216,000	5,041,078
Interest expense	(65,993)	(1,587,531)	33,641	(224,594)	(1,844,477)
Net interest income	2,945,997	(29,250)	288,448	(8,594)	3,196,601
Net service fee income	1,457,003	332,958	53,539	(239)	1,843,261
Other miscellaneous income	159,913	719,603	154,400	4,025	1,037,941
Net income	4,562,913	1,023,311	496,387	(4,808)	6,077,803
Bad debt expense and (provision for) reversal guarantee liabilities	(198,154)	752	(919,588)	-	(1,116,990)
Operating expense	(3,541,214)	(620,060)	(439,965)	(28,640)	(4,629,879)
Segment profit or loss	<u>\$ 823,545</u>	<u>404,003</u>	<u>(863,166)</u>	<u>(33,448)</u>	<u>330,934</u>
Segment assets	<u>\$ 204,595,554</u>	<u>378,702,292</u>	<u>24,956,845</u>	<u>16,077,622</u>	<u>624,332,313</u>
Segment liabilities	<u>\$ 290,857,121</u>	<u>169,530,735</u>	<u>94,331,249</u>	<u>27,364,255</u>	<u>582,083,360</u>

Note: Departmental information for the six months ended June 30, 2017 is based on the disclosure of the organization after the rearrangements in 2016.