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ANNUAL REPORT 2017

Standard Chartered Bank (Taiwan) Limited

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Anthony Lin, Chief Executive Officer

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



Deputy spokesperson:

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Addresses and phone numbers of the head office and branches

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



Stock registration agent

Yuanta Securities, Agency Department of Stock Services

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

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

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



Credit rating institutions

Fitch Australia Pty Ltd, Taiwan Branch

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

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

Taiwan Ratings Corporation

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

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



Names of CPAs certifying financial statements of the most recent year

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

Company Name : Klynveld Peat Marwick Goerdeler (KPMG)

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

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

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

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

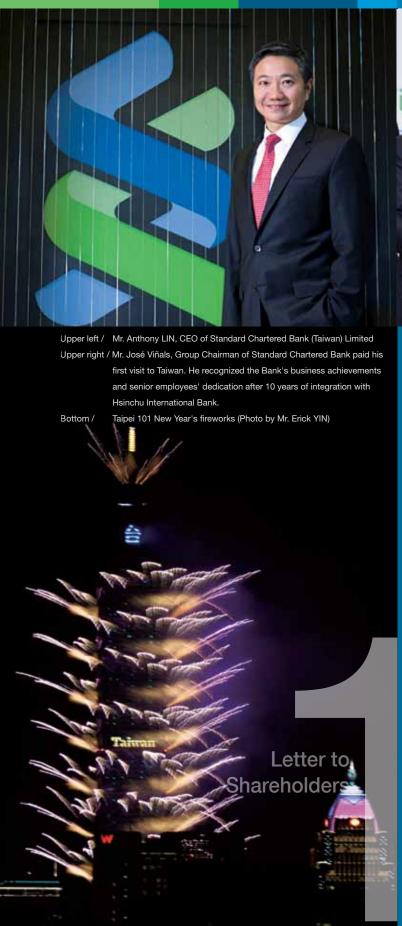


Bank website : https://www.sc.com/tw/

Cover page / Reach the peak of perfection (Photo by Mr. Erick YIN)

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Taiwan Economic Overview

Taiwan's real GDP growth further rebounded to 2.9% in 2017, which was two times of the 1.4% growth recorded in 2016. Notably, exports recovered strongly and grew 13% from a year ago, demonstrating the fastest increase since 2010. Total trade surplus, as a result, reached a record high of USD58bn. Again, the local high-tech sector remained outperformed, riding on steady global demand for the latest mobile devices as well as recovery in global commodity prices. Strong equity market, stable job market and improved residential housing market sentiment further provided vigorous support to consumer spending. Indeed, market sentiment as well as risk appetite remained firm despite concern over policy reversal from major global central banks and fear over rising trade tension between the US and China.

In 2018, we believe overall growth prospect is bright, though there are challenges ahead. Taiwan economy will benefit from relatively optimistic global outlook. We expect the Central Bank of Republic of China (Taiwan) to hike interest rates for the first time since 2011 in response to continued economic recovery and rising inflation risk in 2018. Notably, growth prospects should improve as the unfavorable base effect fades and the inventory adjustment cycle runs its course. Consumer spending will remain a strong pillar of growth given benign labor-market conditions, the government proposal to raise public-sector wages by around 3%, and improving residential housing-market sentiment. The Forward-looking Infrastructure Program recently approved by lawmakers should be able to bring additional support for growth in 2018.

Despite the rather optimistic global outlook, there is no time for complacency. In addition to geopolitical and political risks, one also needs to keep a close eye on three other key risks in 2018. We expect major central banks' QE tapering or exit policies will likely start to impact the economies, particularly in the second half of 2018. Also, global trade may not perform as strongly since temporary factors that propped up 2017 exports are likely to fade. Additionally, stretched leverage – especially among emerging economies that are vulnerable to shifting global risk sentiment – cannot be ignored.

results

Financial Performance

Standard Chartered Bank Taiwan Limited ("the Bank") has delivered a solid financial performance and substantially achieved various improvements in 2017. The Bank made positive progress to secure our foundation for sustainable growth going forward. Net revenue improved 10% mainly contributed by strong wealth management momentum, foreign exchange gain, property's disposal gain, while partially offset by interest margin compression as well as sluggish financial market sentiment in foreign exchange option. Operating expenses increased by 1% to support business growth and various investments. Through process streamline, branch and channel optimisation as well as productivity and efficiency enhancement, the Bank was able to utilize the savings from costs for talent development and system/infrastructure upgrade. As a result, the cost-to-income ratio improved from 82% to 75%. Loan impairment was down by 48% on account of stabilized derivatives portfolio resulting from Renminbi ("RMB") depreciation in 2016 and sustained improvement in the quality of unsecured lending portfolio. Income before tax was up 233%, leading the Bank's after income tax return on equity significantly increased from 0.4% to 5.1%. The Bank continues to focus on optimising branch network and diversifying income source for more sustainable returns as a whole in the long run.

The Bank's balance sheet remained liquid and healthy with the capital adequacy ratio at 16.2%. Deposits increased in pace with mortgage business growth. The Bank dedicates to optimise deposit mix and increase management efficiency on funding cost. While overall customer loans outstanding was slightly lower than that of in 2016 by 2%, customer assets turned around in the second half of 2017. The momentum in mortgage expects to continue through 2018 in light of prospect of real estate market

The Bank maintained satisfactory level of loan quality and bad debt coverage. Non-performing loan ratio significantly improved from 0.6% a year ago to 0.4% in 2017 and the loan coverage ratio enhanced from 304.2% in 2016 to 480.2% in 2017. All compliance ratios were above regulatory requirements.

The Bank's credit rating by Fitch Ratings in October 2017 was AA+ (twn) for domestic long-term credit, F1+(twn) for domestic short-term credit, A for international long-term credit, F1 for international short-term credit, with an overall "Stable" outlook. In August 2017, Taiwan Ratings Corporation, a local arm of Standard & Poor's, rated the Bank as twAA for long-term credit, twA-1+ for short-term credit, with overall credit watch "Stable". By adopting and implementing prudent business strategies, the Bank is confident to deliver strong financial performance and maintain good asset quality with adequate capital levels in 2018.

Achievements and Awards

"Here for good" incorporates the Bank's past, present, and future. It is a deep commitment to the markets where we are: We are here for the long run, applying our knowledge and experience to create profits for our shareholders and clients. We are here for progress, committed to be a responsible company, and devoted to community service. To deliver the "Here for good" brand promise, the Bank continuously provides world-class and innovative financial services in Taiwan and the outstanding performances were awarded by international and local renowned institutions, such as The Asset, mtn-i, CMD (Collaborative Market Data), IFR Asia, Wealth Magazine, etc. Moreover, the Bank received several awards in recognition of our commitment to well perform the role of corporate citizenship. For instance, the Bank was the only international

bank received two "Sports Promoter Award" from Ministry of Education, as well as the "Best Corporate Image Award – Foreign Bank Category" from Wealth Magazine. In addition, Taiwan Institute for Sustainable Energy (TISE) presented two corporate sustainability awards to the Bank, including "The Most Prestigious Sustainability Award – Top Three Foreign Corporate" and "Corporate Sustainability Awards – Social Participation, Financial Industry Category." The Bank was the only foreign bank to receive these two renowned awards from TISE and was one of the foreign companies receiving the most awards. Furthermore, the Bank's "Seeing is Believing" Visually Impaired Employment Platform received the "2017 Zero Project - Innovative Practice" award from Essl Foundation in Vienna, Austria. The Bank sponsored charity marathon for 5 years and the event has become the largest marathon in Taiwan.

Prospects and Strategies

Looking forward in 2018, the Bank will continue to focus on executing our refined strategy for growing franchise in three client businesses and providing clients with complete financial solutions. By leveraging the Group's network, it enables the Bank to explore more cross border business opportunities, including to promote the Taiwan government's "New Southbound Policy" as well as to become client's most trustworthy partner. In addition, we realized how new technologies have quickly changed the way we do business and the way we operate. By applying new technologies in our day-to-day operations will help to enhance customer experience and improve the Bank's operational efficiency. We have already taken certain initiatives in 2017 to drive productivity, which will continue to be our top priority in 2018.

- 1. Retail Banking: The Bank has made good progress in Priority segment and core cities. Our refined strategic transformation remains on growing client sub-segment value proposition, key cities strategy and uplifting productivity and efficiency through continuous investment in digitisation and wealth management. We will continue to innovate and transform ourselves to prepare and invest for the future.
- Commercial Banking: The Bank will focus on deepening client relationship, acquiring new clients by targeted sectors, and driving eco-system initiatives.
- 3. Corporate & Institutional Banking: Taiwan is a key part of the Bank's Greater China strategy. With China and ASEAN countries being major trading partners of Taiwan and our unique position, the Bank will focus on our strategic priorities to capture network opportunities, capitalise our product edge of Financial Institution and manage risk weighted assets, along with client's overseas expansion.

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

Benjamin Pi-Cheng Hung Chairman



Upper left / Standard Chartered opened the iWealth Centre in Taipei, which was the first of its kind in Standard Chartered Asia Pacific region.

Upper right / The Bank celebrated its 10-year integration with Hsinchu
International Bank through a series of celebration events. The Bank
achieved outstanding performance and ranked among the Top 10
Profitable Markets within the SCB Group for the past five years.

Bottom / The Bank's inclusive culture promotes the uniqueness and diversity of each individual. (Photo by Ms. Yu-Chieh CHIU)

Bank Profile

I. History

Standard Chartered PLC ("the Group") is a leading international banking group, with more than 86,000 employees and over 150 years of history in some of the world's most dynamic markets. We bank the people and companies driving investment, trade and the creation of wealth across Asia, Africa and the Middle East, where we earn over 80 percent of our income and profits. Our heritage and values are expressed in our brand promise, Here for good.

We are present in more than 60 countries and territories, with over 1,000 branches and around 3,000 ATMs.

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

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

The Bank has been widely recognized for its commitment to enhancing services and brand reputation in Taiwan. In 2017, the Bank received awards including big four awards from Wealth Magazine's 2017 wealth management survey" Most Recommended by Client International Bank", "Best Wealth Management International Bank", "Best Relationship Management Team International Bank" and "Best Service International Bank"; the "2017 Best Service Provider - Liquidity Management" and the "2017 Best Supply Chain Solutions" by The Asset and The Asset Country Awards 2017- Best Formosa Bond; "2017 Investor Solutions Formosa FRN" and "2017 Global Deal of the Year" awards from mtn-I; "Best Taiwan Capital Markets Deal" from IFR Asia and "Best Formosa Dealer in 2017" award from CMD (Collaborative Market Data); the awards from CMD for the consecutive 2 years in 2016 and 2017.

On the Corporate Social Responsibility front, Seeing is Believing Visually Impaired Employment Platform initiated by Standard Chartered and supported by NGO partners and government agencied was awarded Innovative Practice by 2017 Zero Project Awards organised by Essl Foundation; the Inaugural British Chamber of Commerce in Taipei Better Business Award for Corporate Social Responsibility; 2017 TCSA Taiwan Corporate Sustainability Awards "The Most Prestigious Sustainability Awards-Top Three Foreign Corporate" and Corporate Sustainability Awards – Social Participation, Financial Industry Category' and "Golden Award" and "Long-term Sponsorship Award" and "iSport" by Sports Administration, Ministry of Education.

- II. Information on mergers, acquisitions, reinvestment in affiliated enterprises and company restructure for the most recent fiscal year and up to the printing date of the annual report: None
- III. Information on a major transfer or change in ownership of shares belonging to Directors, Supervisors or a concerned party requiring to declare any change in shareholding pursuant to Paragraph 3, Article 25 of the Banking Act : None





pper left / The book titled "Seeing is Believing" compiled 11 visually-impaired employment success stories from open job market, which was also recognized by Mr. Wen-je KO, Taipei City Mayor.

Upper center / "Standard Chartered Seeing is Believing Visually Impaired

Employment Platform" was awarded the inaugural "Better Business

Award for Corporate Social Responsibility" by the British Chamber

of Commerce in Taipei.

Ipper right / "Standard Chartered Seeing is Believing Visually Impaired
Employment Platform" was awarded 2017 Zero Project - Innovative
Practice Award organized by Essl Foundation (Austria). Standard
Chartered was the only awardee from Taiwan to receive this
honorary award in United Nation's Vienna headquarters.

Bottom / The bustling downtown Xinyi district of Taipei City (Photo by Mr. Erick YIN)

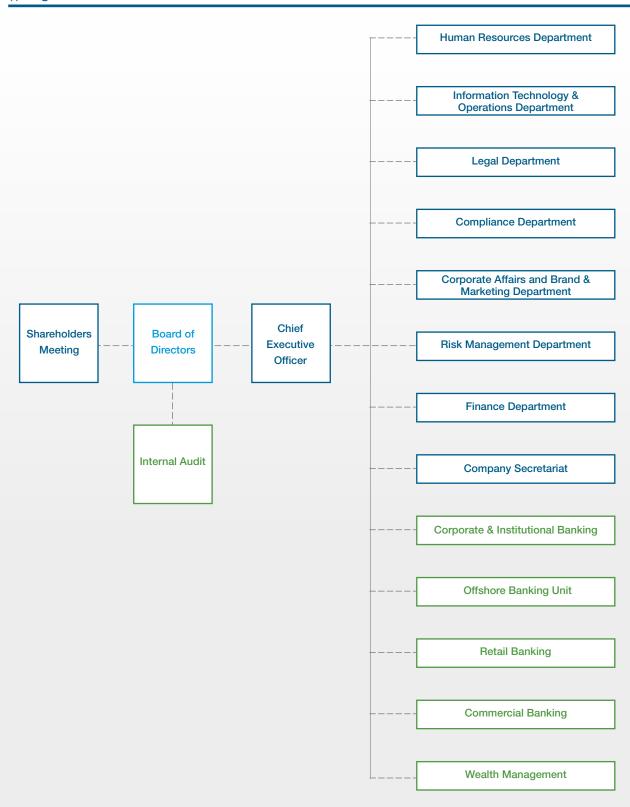
Corporate Governance

Corporate Governance

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I. Organization Structure

(I) Organizational Chart



(II) Responsibilities of Major Departments

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

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

(I) Directors (Including INEDs) Information 15 May 2018

1. Directors (Including INEDs)

Title	Nationality	Name	Gender	Date elected	Term	Date first elected	Sharel when e	nolding		rrent holding	Sharel of spo mir		Shareh in oth nar	ner's	er's he Experience / Education	Also serve concurrently as	sup within	ervisors second	ves, directors or are spouse or -degree relative ity to each other
							Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
Chairman	Canada	Standard Chartered Bank Representative: Benjamin Pi-Cheng Hung	Male	2015/11/24	3 yrs	2014/03/26	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Chief Executive Officer, Greater China, Standard Chartered Bank Executive Director & Chief Executive Officer, Standard Chartered Bank (Hong Kong) Limited Head of Consumer Banking, Standard Chartered Bank (Hong Kong) Limited Chief Operating Officer, Standard Chartered Bank (Hong Kong) Limited Master of Business Administration, University of Toronto (Canada)	Regional CEO, Greater China and North Asia and CEO, Retail Banking, Standard Chartered Bank Chairman/Director, Standard Chartered Bank (Hong Kong) Limited Chairman/Director, Standard Chartered Bank (China) Limited Director of the Hong Kong Institute for Monetary Research Director of Community Chest of Hong Kong Member of the Financial Services Development Council (Hong Kong) Member of Hong Kong-United States Business Council Director of Hong Kong Exchanges and Clearing Limited Member of Hong Kong Trade Development Council Belt and Road Committee Member of Hong Kong Chief Executive's Council of Advisers on Innovation and Strategic Development Member of The Visa Asia Pacific Senior Client Council Member of The Mastercard Asia/Pacific Advisory Board	N/A	N/A	N/A
Director	Hong Kong	Standard Chartered Bank Representative: Yuen Tung Anthony Lin	Male	2017/03/24	3 yrs	2017/03/24	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	President and Head of Corporate Banking, Bank of America N.A., China Executive Vice President and Head of Corporate Banking Coverage and Head of Trade Finance and Corporate Cash Management, Deutsche Bank (China) Co. Ltd. Head of Transaction Banking, Standard Chartered Bank (China) Ltd. Head of Origination and Client Coverage, East China and General Manager of Shanghai Branch, Standard Chartered Bank (China) Ltd. Master of Business Administration, Chinese University of Hong Kong	CEO, Standard Chartered Bank (Taiwan) Limited Director of British Chamber of Commerce in Taipei Director of Taiwan India Business Association Supervisor of The Banks Association of the Republic of China	N/A	N/A	N/A

Title	Nationality	Name	Gender	Date elected	Term	Date first		holding elected		rrent holding	of sp	holding ouse & nors	in ot	nolding her's me	Experience / Education	Also serve concurrently as	sup withir	ervisors n second	ves, directors of are spouse or I-degree relative ity to each othe
							Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)			Title	Name	Relationship
Director	Ireland	Standard Chartered Bank Representative: Norman Lyle	Male	2015/11/24	3 yrs	2015/11/24	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Supervisor, Standard Chartered Bank (Taiwan) Limited Supervisor, Standard Chartered Bank (China) Limited Group Finance Director, Jardine Matheson Holdings Limited Fellow of the Chartered Institute of Management Accountants Fellow of the Association of Corporate Treasurers Harvard Business School, Senior Management Programme UK Cabinet Top Office Management Programme	INED, Standard Chartered Bank (China) Limited INED, Lei Shing Hong Ltd, Hong Kong INED, Grosvenor Asia Pacific Limited Director, Chace Warren Limited Director, Chace Warren Management Limited	N/A	N/A	N/A
Director	England	Standard Chartered Bank Representative: Gregory John Powell	Male	2017/08/30	1 yr 2.5 mths	2017/08/30	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Chief Financial Officer, Standard Chartered Bank (Korea) Limited Group Head, Business Performance, Standard Chartered Bank Chief Financial Officer, Standard Chartered Bank (Taiwan) Limited Associate, Institute of Chartered Accountants in England and Wales (ACA) Bachelor of Science (B.Sc) first class honours, University of Sussex, England	Regional CFO, Greater China and North Asia, Standard Chartered Bank	N/A	N/A	N/A
Director	R.O.C.	Standard Chartered Bank Representative: Wei-Chih Chen	Female	2015/11/24	3 yrs	2012/12/10	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Head of Learning & Talent Development, Standard Chartered Bank (Taiwan) Limited General Manager, Shared Distribution and Priority Banking, Standard Chartered Bank Taiwan Master of Business Administration, Lehigh University, Pennsylvania, USA	Head of Human Resources, Standard Chartered Bank (Taiwan) Limited	N/A	N/A	N/A
Director	Australia	Standard Chartered Bank Representative: Rangus Hok Hoi Tse	Male	2016/03/31	2 yr 7.5 mths	2016/03/31	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Regional Finance Head, Retail and Private Client and Products, Hong Kong and Greater China, Standard Chartered Bank (Hong Kong) Limited Chief Financial Officer, Consumer Banking, Standard Chartered Bank (Hong Kong) Limited Certified Practising Accountant ("CPA") Australian Society of Certified Practicing Accountants Master degree in Applied Finance and Master of Business Administration in Australian Graduate School of Management (which co-run by both The University of Sydney and The University of New South Wales)	Chief Financial Officer, Standard Chartered Bank (Taiwan) Limited Director, Celebration Limited	N/A	N/A	N/A

Title	Nationality	Name	Gender	Date elected	Term	Date first elected		nolding		rrent holding	of sp	holding ouse & nors		holding her's me	Experience / Education	Also serve concurrently as	sup withir	ervisors second	ves, directors or are spouse or -degree relative ity to each other
							Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio (%)	Shares	Ratio			Title	Name	Relationship
INED	R.O.C.	Standard Chartered Bank Representative: Nei-Ping Yin	Male	2015/11/24	3 yrs	2009/12/10	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Counselor of Executive Yuan, Taiwan Member of Economic Advisory Group, Office of the President, Taiwan Chief of Asia-Pacific Financial Research Center, Business School, National Cheng Chi University, Taiwan 5th term of Legislator Consultant of Ministry of Economic Affairs Master of Economics, Washington University in St. Louis, USA	Professor, Department of Money and Banking, National Cheng-chi University Member of National Stabilization Fund Management Committee	N/A	N/A	N/A
INED	R.O.C.	Standard Chartered Bank Representative: Man-Jung Chan	Female	2015/11/24	3 yrs	2013/03/01	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Legislator-at-Large & Chair of the Judicial Committee, Legislative Yuan, Republic of China Senior Advisor to the President, National Security Council, Republic of China Director General, International Secretariat, Pacific Economic Cooperation Council Director (Research & Analysis), International Secretariat, Asia-Pacific Economic Cooperation Executive Director, Chinese Taipei APEC Study Center Chief of Staff, APEC Business Advisory Associate-in-Research, Harvard Business School Adjunct Associate Professor, International Doctorate on Asian Studies (IDAS) & International Master Program on International Studies Programs (IMPIS), National Cheng-chi University Assistant Professor, Graduate School of American Studies, Tamkang University Ph.D., Political Economy, Boston University, USA	Founder & CEO, Out-of-the-Box Consultancy Board Member, Chinese Taipei Pacific Economic Cooperation Council Board Member & Commissioner on Economic Development, National Policy Foundation Advisor, Taiwan Institute of Economic Research Advisor, Taiwan Research Institute Research Committee Member, 21st Century Foundation Executive Board Member, Association of Emerging Market Studies Board Member, Sino-American Cultural & Economic Association Adjunct Associate Professor, Master of Business Administration Program, Commerce Department, National Cheng-chi University Honorable Advisor, Legislative Yuan	N/A	N/A	N/A
INED	R.O.C.	Standard Chartered Bank Representative: Ban-Ren Chen	Male	2017/03/25	1 yr 8 mths	2017/03/25	(Note)	(Note)	(Note)	(Note)	N/A	N/A	N/A	N/A	Fubon Group Fubon Financial holdings Group Business Manager, Senior Executive VP Wealth Management Group Chairman, Fubon Securities Co., Ltd Taiwan Mobile Company Managing Director Chief Business Officer Chairman, Taipei New Horizon CitiGroup, China Country Business Manager, Consumer Banking China Trust Financial Holdings Deputy President, Consumer Banking Farestone Mobile Company Chief Business & Strategy Officer Master of Business Administration, Southern Illinois University	Nil	N/A	N/A	N/A

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

2. Major Shareholder of Institutional Shareholders

15 May 2018

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

3. Major Shareholder of Principal Institutional Shareholders

15 May 2018

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

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

Qualification		of experience in re g professional qua	lated fields and the alifications		Inc	depe	ende	ence	Sta	atus	(No	te)		The number of public
Name	At least lecturer of business, law, finance or accounting departments or other relevant business departments/ divisions of public and private colleges/ universities as required by corporate business needs	Judge, prosecutor, attorney, certified public accountant, or other professionally qualified and technical person who possesses certificates of national examinations	Experience in business, law, finance, accounting or other work as required by corporate business needs	1	2	3	4	5	6	7	8	9	10	companies in which the director or supervisor also serves concurrently as an Independent Director
Standard Chartered Bank Representative : Benjamin Pi-Cheng Hung			√			V	V	V	V	V	V	V		
Standard Chartered Bank Representative : Yuen Tung Anthony Lin			√		√	V	V	V	V	V	V	V		
Standard Chartered Bank Representative : Norman Lyle		V	V	√		V	V	V	V	V	V	V		
Standard Chartered Bank Representative : Gregory John Powell		√	√		V	V	V	V	V	V	V	V		
Standard Chartered Bank Representative : Wei-Chih Chen			√		V	V	V	V	V	V	V	V		
Standard Chartered Bank Representative : Rangus Hok Hoi Tse		√	√		V	V	V	V	V	V	√	V		

Qualification	_	of experience in re g professional qua	lated fields and the alifications		Inc	depe	ende	ence	Sta	atus	(No	te)		The number of public
Name	At least lecturer of business, law, finance or accounting departments or other relevant business departments/ divisions of public and private colleges/ universities as required by corporate business needs	Judge, prosecutor, attorney, certified public accountant, or other professionally qualified and technical person who possesses certificates of national examinations	Experience in business, law, finance, accounting or other work as required by corporate business needs	1	2	3	4	5	6	7	8	9	10	companies in which the director or supervisor also serves concurrently as an Independent Director
Standard Chartered Bank Representative : Nei-Ping Yin	√		√	V	V	V	V	V	V	V	√	V		
Standard Chartered Bank Representative : Man-Jung Chan	√		√	V	V	V	V	V	V	V	√	V		
Standard Chartered Bank Representative : Ban-Ren Chen			√	√	V	√	√	√	√	V	V	√		

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

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

(II) Information on the Executive Officers and Branch Managers

15 May 2018

Title (Note 1)	Nationality	Name	Gender	Date appointed	Sharel	nolding		nolding ouse & nor	Shareh in oth nar	ner's	Education & Work Experience (Note 2)	Also serve concurrently	seco	nd-degre	pouse or within ee relative of to each other
					Shares	%	Shares	%	Shares	%		as	Title	Name	Relationship
Chief Executive Officer	Hong Kong	Yuen Tung Anthony Lin	Male	2017/03/01	0	0	0	0	0	0	Master of Business Administration, Chinese University of Hong Kong	N/A	N/A	N/A	N/A
Chief Auditor	R.O.C	Vicki Yang	Female	2014/01/08	0	0	0	0	0	0	Master of Business Administration, Syracuse University, USA	N/A	N/A	N/A	N/A
Head of Commercial Banking	R.O.C	Irving Yang	Male	2018/04/01	0	0	0	0	0	0	Master of Science in Investment Management ,The City University, London	N/A	N/A	N/A	N/A
Head of Retail Banking	R.O.C	Kate Lin	Female	2015/08/31	0	0	0	0	0	0	Mass Communication, Fu Jen Catholic University	N/A	N/A	N/A	N/A
Head of Global Banking	R.O.C	Sheila Chuang	Female	2016/12/02	0	0	0	0	0	0	Master of Business Administration, Rutgers University, USA	N/A	N/A	N/A	N/A
Head of Human Resources Department	R.O.C	Wei-Chih Chen	Female	2010/02/12	0	0	0	0	0	0	Master of Business Administration, Lehigh University, USA	N/A	N/A	N/A	N/A
Head of Compliance	R.O.C	Gladys Huang	Female	2016/05/01	0	0	0	0	0	0	LLB, Law School, National Taiwan University	N/A	N/A	N/A	N/A
Chief Financial Officer	Australia	Rangus Hok Hoi Tse	Male	2016/03/01	0	0	0	0	0	0	Master of Business Administration, Australian Graduate School of Management	N/A	N/A	N/A	N/A
Chief Risk Officer	R.O.C	Etta Lin	Female	2015/12/01	0	0	0	0	0	0	Master of Business Administration, Kellogg School of Management, Northwestern University, USA	N/A	N/A	N/A	N/A
Chief Information Officer	R.O.C	Wen Shu	Female	2014/08/01	0	0	0	0	0	0	Master of Business Administration, University of Florida, USA	N/A	N/A	N/A	N/A
Head of Wealth Management	Hong Kong	Cindy Man Yee Fu	Female	2013/10/21	0	0	0	0	0	0	Arts in Psychology and Economics, The University of Manitoba, Canada	N/A	N/A	N/A	N/A
Head of Corporate Affairs and Brand & Marketing Department	R.O.C	Gillian Chen	Female	2018/04/02	0	0	0	0	0	0	Master of Arts (Asian Studies), St. John's University, N.Y., USA	N/A	N/A	N/A	N/A
Head of Legal	R.O.C	Erick Chao Yin	Male	2015/12/02	0	0	0	0	0	0	LL.M., New York University, USA	N/A	N/A	N/A	N/A
Head of Company Secretariat	R.O.C	Cathy Li	Female	2008/05/22	0	0	0	0	0	0	Banking and Financial Law, LL.M., Boston University, USA	N/A	N/A	N/A	N/A
Offshore Banking Unit Manager	R.O.C	Sheila Chuang	Female	2016/04/22	0	0	0	0	0	0	Master of Business Administration, Rutgers University, USA	N/A	N/A	N/A	N/A
Head of Securities	R.O.C	Michelle Lai	Female	2015/05/28	0	0	0	0	0	0	Master of Business Administration, National Taiwan University	N/A	N/A	N/A	N/A
Head of Trust	R.O.C	Hubert Wang	Male	2013/07/26	0	0	0	0	0	0	Master of Information Management, Chang Gung University	N/A	N/A	N/A	N/A
Head of Bancasurance	R.O.C	Amos Chao	Male	2016/10/01	0	0	0	0	0	0	Master of Information Management, Long Island University, USA	N/A	N/A	N/A	N/A
Branch Manager, Guangfu Branch	R.O.C	Nuan Lin	Female	2013/01/24	0	0	0	0	0	0	MA in Insurance, Feng Chia University	N/A	N/A	N/A	N/A
Branch Manager, Zhongzheng Branch	R.O.C	Rita Shu-Hui Wu	Female	2015/05/27	0	0	0	0	0	0	Dept. of Industry Management, Oriental Institute of Technology	N/A	N/A	N/A	N/A
Branch Manager, Zhudong Branch	R.O.C	Johnson Chin-Jen Ho	Male	2016/06/28	0	0	0	0	0	0	Dept. of Accounting and Statistics, Tamsui Oxford College	N/A	N/A	N/A	N/A
Branch Manager, Hukou Branch	R.O.C	Jr-Lian Li	Female	2016/06/28	0	0	0	0	0	0	Dept. of Electronic Engineering, Ta Hwa College of Technology	N/A	N/A	N/A	N/A
Branch Manager, Sanyi Branch	R.O.C	David Jar-Fu Day	Male	2018/02/13	0	0	0	0	0	0	Dept. of Business Administration, Feng Chia University	N/A	N/A	N/A	N/A

Title (Note 1)	Nationality	Name	Gender	Date	Shareh	nolding	Shareh of spo mir	use &	Shareh in oth nar	ner's	Education & Work Experience (Note 2)	Also serve concurrently	seco	nd-degre	pouse or withing ee relative of to each other
,				appointed	Shares	%	Shares	%	Shares	%		as	Title	Name	Relationship
Branch Manager, Guanxi Branch	R.O.C	Sayuri Chiu-Ying Hsieh	Female	2016/06/28	0	0	0	0	0	0	Dept. of Industrial Engineering and Management, Van Nung Institute of Technology & Commerce	N/A	N/A	N/A	N/A
Branch Manager, Xinfeng Branch	R.O.C	Peter Pin-Nien Chang	Male	2016/06/28	0	0	0	0	0	0	Dept. of Business Administration, National Chung-Hsing University	N/A	N/A	N/A	N/A
Branch Manager, Xinxing Branch	R.O.C	Jack Shou-Hui Chao	Male	2013/01/24	0	0	0	0	0	0	Dept. of Secretary, Shih Chien College	N/A	N/A	N/A	N/A
Branch Manager, Xinshe Branch	R.O.C	Ben Pang-Yuan Liu	Male	2017/03/24	0	0	0	0	0	0	Dept. of Finance Taxation, Feng Chia University	N/A	N/A	N/A	N/A
Branch Manager, Science Park Branch	R.O.C	Claire Hui-Chi Cheng	Female	2017/03/24	0	0	0	0	0	0	Graduate School of Business Administration, Chung Hua University	N/A	N/A	N/A	N/A
Branch Manager, North Hsinchu Branch	R.O.C	Serena Mei-Hui Chen	Female	2013/01/24	0	0	0	0	0	0	Dept. of Information, Open Jr. College under Taichung College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Sanmin Branch	R.O.C	Lillian Meng-Hua Chen	Female	2017/08/29	0	0	0	0	0	0	Dept. of Business Administration, Chihlee College of Business	N/A	N/A	N/A	N/A
Branch Manager, Zhongli Branch	R.O.C	Eric Chi-Cheng Huang	Male	2015/01/30	0	0	0	0	0	0	Dept. of Accounting and Statistics, National Taipei College of Business	N/A	N/A	N/A	N/A
Branch Manager, Yangmei Branch	R.O.C	Yoyo Liang	Female	2016/01/28	0	0	0	0	0	0	Dept. of Banking and Insurance, Hsing Wu Junior College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Xinwu Branch	R.O.C	Jason Tsai	Male	2015/01/30	0	0	0	0	0	0	Dept. of Statistics, Tamkang University	N/A	N/A	N/A	N/A
Branch Manager, Longtan Branch	R.O.C	Sally Pei-Chin Chung	Female	2016/01/28	0	0	0	0	0	0	Dept. of Industrial Engineering and Management, Nan Tai College	N/A	N/A	N/A	N/A
Branch Manager, Neili Branch	R.O.C	Bonny Hsiu-Ling Liu	Female	2016/06/28	0	0	0	0	0	0	Dept. of International Trade, Takming Junior College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Bade Branch	R.O.C	Anita Yang	Female	2016/08/29	0	0	0	0	0	0	Associate degree in Business Management, Taoyuan Innovation Institute of Technology	N/A	N/A	N/A	N/A
Branch Manager, Xinming Branch	R.O.C	Tommy Cheng-Lung Yu	Male	2015/01/30	0	0	0	0	0	0	Dept. of Economics, Fu Jen Catholic University	N/A	N/A	N/A	N/A
Branch Manager, Guishan Branch	R.O.C	Daisy Tang	Female	2016/03/31	0	0	0	0	0	0	Master of Business Administration, University of Michigan, USA	N/A	N/A	N/A	N/A
Branch Manager, Nankan Branch	R.O.C	Sunny Hsiu-Ju Chiu	Female	2016/08/29	0	0	0	0	0	0	Dept. of Accounting and Statistics, Ta Tung Junior College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Dashulin Branch	R.O.C	Eric Cheng	Male	2017/06/28	0	0	0	0	0	0	Dept. of Statistics, Fu Jen Catholic University	N/A	N/A	N/A	N/A
Branch Manager, Longgang Branch	R.O.C	Angel Su-Yueh Kang	Female	2015/01/30	0	0	0	0	0	0	Dept. of Accounting, Hsing Wu Junior College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Shanziding Branch	R.O.C	Marie Mei-Tsun Chen	Female	2015/11/24	0	0	0	0	0	0	Dept. of Accounting, Open Jr. College under National Taipei College of Business	N/A	N/A	N/A	N/A
Branch Manager, Puxin Branch	R.O.C	Rita Chih-Fen Yang	Female	2016/08/29	0	0	0	0	0	0	Dept. of Applied Business, National Open College of Continuing Education Affiliated to National Taichung University of Science and Technology	N/A	N/A	N/A	N/A
Branch Manager, Huanbei Branch	R.O.C	Tony Wei-Lung Tu	Male	2015/11/24	0	0	0	0	0	0	Dept. of Economics, Chinese Culture University	N/A	N/A	N/A	N/A
Branch Manager, Pingzhen Branch	R.O.C	Jerdon Chin-Fu Teng	Male	2016/06/28	0	0	0	0	0	0	Dept. of International Trade, Tamsui Oxford College	N/A	N/A	N/A	N/A
Branch Manager, Miaoli Branch	R.O.C	Sandy Hui-O Su	Female	2015/11/24	0	0	0	0	0	0	Dept. of Accounting, Open Jr. College under Taichung College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Zhunan Branch	R.O.C	Linda Shih-Ling Lai	Female	2015/11/24	0	0	0	0	0	0	Dept. of Accounting, Ling Tung College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Toufen Branch	R.O.C	Geoff Kuo-Chi Hsu	Male	2013/07/26	0	0	0	0	0	0	General Executive Master's Program of Business Administration, Feng Chia University	N/A	N/A	N/A	N/A

Title (Note 1)	Nationality	Name	Gender	Date appointed	Shareh	olding	Sharel of spo mi	•	Shareho in oth nan	er's	Education & Work Experience (Note 2)	Also serve concurrently	seco	nd-degre	pouse or within ee relative of to each other
				арроппец	Shares	%	Shares	%	Shares	%		as	Title	Name	Relationship
Branch Manager, Yuanli Branch	R.O.C	Jerry Wen-Chung Su	Male	2017/03/24	0	0	0	0	0	0	Dept. of Business Administration, Feng Chia university	N/A	N/A	N/A	N/A
Branch Manager, Gongguan Branch	R.O.C	Tom Chun-Te Tu	Male	2017/03/24	0	0	0	0	0	0	Dept. of Business Administration, Minghsin University of Science and Technology	N/A	N/A	N/A	N/A
Branch Manager, Houlong Branch	R.O.C	David Tsang-Yuan Lin	Male	2015/11/24	0	0	0	0	0	0	Dept. of International Trade, Takming Junior College of Commerce	N/A	N/A	N/A	N/A
Branch Manager, Zhubei Branch	R.O.C	Vilan Shu-Ching Chiu	Female	2018/02/13	0	0	0	0	0	0	Dept. of Finance, Yu Da College of Business	N/A	N/A	N/A	N/A
Branch Manager, East Neili Branch	R.O.C	Leo Yao-Mo Huang	Male	2015/01/30	0	0	0	0	0	0	Dept. of Finance and Tax Administration, Tamsui Oxford College	N/A	N/A	N/A	N/A
Branch Manager, Gongxi Branch	R.O.C	Rachel Li-Ying Chou	Female	2016/03/31	0	0	0	0	0	0	Dept. of Finance and Tax Administration, China Junior College of Industrial and Commercial Management	N/A	N/A	N/A	N/A
Branch Manager, Zhuangjing Branch	R.O.C	Emily Hsi	Female	2014/05/28	0	0	0	0	0	0	Dept. of Industrial and Business Management, Tamkang University	N/A	N/A	N/A	N/A
Branch Manager, Jianguo Branch	R.O.C	Linda Wu	Female	2017/06/28	0	0	0	0	0	0	EMBA, Taiwan University	N/A	N/A	N/A	N/A
Branch Manager, Banqiao Branch	R.O.C	Jerry Chen	Male	2016/08/29	0	0	0	0	0	0	Master of Banking and Finance, Tamkang University	N/A	N/A	N/A	N/A
Branch Manager, Neihu Branch	R.O.C	Rita Tai	Female	2011/06/21	0	0	0	0	0	0	Dept. of Healthcare Management, Yuanpei College	N/A	N/A	N/A	N/A
Branch Manager, Wenxin Branch	R.O.C	Stephen Huang	Male	2016/08/29	0	0	0	0	0	0	Master in International Business, Cheng Chi University	N/A	N/A	N/A	N/A
Branch Manager, Fengyuan Branch	R.O.C	James Yi-Hau Liou	Male	2016/08/29	0	0	0	0	0	0	Dept. of Finance, Southern Taiwan University of Science and Technology	N/A	N/A	N/A	N/A
Branch Manager, Tainan Branch	R.O.C	Lillian Huang	Female	2014/08/28	0	0	0	0	0	0	Dept. of Banking and Insurance, Shih Chien College of Home Economics	N/A	N/A	N/A	N/A
Branch Manager, Jiuru Branch	R.O.C	Stanley Kuo	Male	2016/12/02	0	0	0	0	0	0	Dept. of Business Administration, Tamkang University	N/A	N/A	N/A	N/A
Branch Manager, Dongning Branch (Note 3)	R.O.C	Roy Hsu	Male	2018/02/01	0	0	0	0	0	0	Master in Finance, National Chengchi University	N/A	N/A	N/A	N/A
Acting Branch Manager, Chiayi Branch (Note 3)	R.O.C	Roy Hsu	Male	2018/02/01	0	0	0	0	0	0	Master in Finance, National Chengchi University	N/A	N/A	N/A	N/A
Branch Manager, Donghai Branch	R.O.C	Roger Liao	Male	2016/06/28	0	0	0	0	0	0	Dept. of Technology, Chin-Yi University	N/A	N/A	N/A	N/A
Branch Manager, East Tainan Branch	R.O.C	Lawrence Yu-Ren Lin	Male	2017/01/23	0	0	0	0	0	0	Dept. of Banking & Insurance, Feng Chia University	N/A	N/A	N/A	N/A
Branch Manager, Beitun Branch	R.O.C	Leo Chang	Male	2018/03/22	0	0	0	0	0	0	Dept. of Finance Management, Chung Hua University	N/A	N/A	N/A	N/A
Branch Manager, Tianmu Branch	R.O.C	Monica Hsieh	Female	2015/11/24	0	0	0	0	0	0	Dept. of Economics, Shih Hsin University	N/A	N/A	N/A	N/A
Branch Manager, Nantun Branch	R.O.C	James Chien	Male	2018/03/22	0	0	0	0	0	0	Dept. of Chinese Literature, National Cheng Kung University	N/A	N/A	N/A	N/A
Branch Manager, Xitun Branch	R.O.C	Jessica Chiu	Female	2016/12/02	0	0	0	0	0	0	Overseas Chinese University	N/A	N/A	N/A	N/A
Branch Manager, Zhongqing Branch	R.O.C	Sunny Hsien-Tsung Kuo	Male	2013/05/31	0	0	0	0	0	0	Dept. of Business Administration, Minghsin Industrial and Commercial Junior College	N/A	N/A	N/A	N/A
Branch Manager, Changhua Branch	R.O.C	Gordon Yan	Male	2014/11/21	0	0	0	0	0	0	Dept. of Business Administration, National Taiwan University of Science and Technology	N/A	N/A	N/A	N/A
Branch Manager, Sanduo Branch	R.O.C	Irene Chiu	Female	2016/06/28	0	0	0	0	0	0	Master of Science in Finance, University of Leicester, UK	N/A	N/A	N/A	N/A

Title (Note 1)	Nationality	Name	Gender	Date	Shareh	nolding	of sp	holding ouse & nor	Shareh in oth na	ner's	Education & Work Experience (Note 2)	Also serve	Managers are spouse or within second-degree relative of consanguinity to each other		
				appointed	Shares	%	Shares	%	Shares	%		as	Title	Name	Relationship
Branch Manager, North Kaohsiung Branch	R.O.C	Yu-Cheng Lin	Male	2014/05/28	0	0	0	0	0	0	Dept. of Business Administration, Sun Yat-sen University	N/A	N/A	N/A	N/A
Branch Manager, Fuxing Branch	R.O.C	Jamie Chiung-Chen Chiu	Female	2016/05/07	0	0	0	0	0	0	Dept. of Business Administration, Van Nung Institute of Technology & Commerce	N/A	N/A	N/A	N/A
Branch Manager, East Taipei Branch	R.O.C	Mandy Chiu	Female	2015/01/30	0	0	0	0	0	0	Master in Finance, Chaoyang University of Technology	N/A	N/A	N/A	N/A
Branch Manager, Nanjing Branch	R.O.C	Sam Yao	Male	2014/05/28	0	0	0	0	0	0	Dept. of Information Management, Tamkang University	N/A	N/A	N/A	N/A
Branch Manager, Dunhua Branch	R.O.C	Edward Wang	Male	2015/11/24	0	0	0	0	0	0	Dept. of Finance, Ming Chuang University	N/A	N/A	N/A	N/A
Branch Manager, Guting Branch	R.O.C	Sean Chin-Hsiang Chang	Male	2018/01/02	0	0	0	0	0	0	Dept. of Economics, Soochow University	N/A	N/A	N/A	N/A
Acting Branch Manager, Ren'ai Branch (Note 4)	R.O.C	Ivan Lan	Male	2018/01/02	0	0	0	0	0	0	Dept. of Business Administration, Chung Yuan Christian University	N/A	N/A	N/A	N/A
Branch Manager, Main Branch	R.O.C	Vincent Sha	Male	2014/07/24	0	0	0	0	0	0	Dept. of Tourism Industry, Chinese Culture University	N/A	N/A	N/A	N/A
Branch Manager, Zhongshan Branch (Note 4)	R.O.C	Ivan Lan	Male	2016/03/31	0	0	0	0	0	0	Dept. of Economics, Soochow University	N/A	N/A	N/A	N/A
Branch Manager, Dazhi Branch	R.O.C	Coco Su	Female	2016/12/02	0	0	0	0	0	0	Master of Business Administration, Yuan Ze University	N/A	N/A	N/A	N/A
Branch Manager, Jinshan Branch	R.O.C	Charles Huang	Male	2016/01/28	0	0	0	0	0	0	Master in Finance, National Chengchi University	N/A	N/A	N/A	N/A
Branch Manager, Kaohsiung Branch	R.O.C	Jennifer Huang	Female	2014/01/21	0	0	0	0	0	0	Dept. of Accounting, Chinese Culture University	N/A	N/A	N/A	N/A
Branch Manager, Taichung Branch	R.O.C	Gavin Liao	Male	2016/08/29	0	0	0	0	0	0	Master Program in International Economics, National Chung Cheng University	N/A	N/A	N/A	N/A
Acting Branch Manager, Xinyi Branch	R.O.C	Harrison Wei-Tsung Ho	Male	2018/02/01	0	0	0	0	0	0	Dept. of French, Tamkang University	N/A	N/A	N/A	N/A

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

Note 2: Experiences relevant to the current job positions.

Note 3: Branch Manager of Dongning Branch temporarily acts for Branch Manager of Chiayi Branch, effective on 1 February, 2018.

Note 4: Branch Manager of Zhongshan Branch temporarily acts for Branch Manager of Ren'ai Branch, effective on 2 January, 2018.

Unit: NTD'000

(III) Remuneration Paid to Directors (including INEDs), Supervisors and Executive Officers in 2017

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

(1) Directors' Remuneration (including INEDs)

					Director's Re	muner	ation					Re	levant Remune	ration I	Received by D	irectors v	who Are Al	so Emplo	yees		otal of	
		Remu	uneration (A)		eration pay/ ension (B)	appi dire	muneration ropriated to ectors from ernings (C)	fron	sts incurred n performing duties (D)	as a pe	of (A, B,C, D) ercentage (%) profit after tax		es, bonus and l allowance (E)		aration pay/ ension (F)	Emp	Employees' remuneration (G All companincluded if consolidate financial statement		on (G)	(A, B,C, a perce	D, E, F, G) as entage (%) of ofit after tax	Remuneration
Title	Name	The Bank	All companies included in consolidated			The Bank			All companies included in consolidated	The Bank	All companies included in consolidated	The Bank	All companies included in consolidated						The Bank		ded in lidated ncial	All companies The included in Bank consolidates
			financial statements		financial statements		financial statements		financial statements		financial statements		financial statements		financial statements		Stock dividend	Cash dividend	Stock dividend	financial statements		
Chairman	Standard Chartered Bank Representative : Benjamin Pi-Cheng Hung																					
Director	Standard Chartered Bank Representative : Yuen Tung Anthony Lin (Note1)																					
Director	Standard Chartered Bank Representative : John Ming Kiu Tan (Note 2)																					
Director	Standard Chartered Bank Representative : Wei-Chih Chen																					
Director	Standard Chartered Bank Representative : Rangus Hok Hoi Tse																					
Director	Standard Chartered Bank Representative : Norman Lyle	7,138	7,138	-	-	-	-	-	-	0.33%	0.33%	71,372	71,372	-	-	-	-	-	-	3.58%	3.58%	-
Director	Standard Chartered Bank Representative : Wayne Robert Porritt (Note 3)																					
Director	Standard Chartered Bank Representative : Gregory John Powell (Note 4)																					
INED	Standard Chartered Bank Representative : Nei-Ping Yin																					
INED	Standard Chartered Bank Representative : Man-Jung Chan																					
INED	Standard Chartered Bank Representative : Ban-Ren Chen (Note 5)																					

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

Note 1: Director Yuen Tung Anthony Lin was took office on 24 March 2017.

Note 3: Director Wayne Robert Porritt was discharged from office on 16 June 2017.

Note 5: Director Ban-Ren Chen was took office on 25 March 2017.

Note 2: Director John Ming Kiu Tan was discharged from office on 25 March 2017.

Note 4: Director Gregory John Powell was took office on 30 August 2017.

Note 6: Directors' expense for driver salary totaled NTD 1,687 (thousand) in 2017.

(2) Directors' Remuneration Bracket

Unit: NTD'000

		Name & No. of Directors												
Range of Remuneration Paid to	Di	rector's Remuneration	Remuneration Recei	ved by Directors who Are Also Employees										
Directors of the Bank		Total of (A+B+C+D)	Tot	al of (A+B+C+D+E+F+G)										
	The Bank	All companies included in consolidated financial statements	The Bank	All companies included in consolidated financial statements										
Less than 2,000	Norman Lyle, Man-jung Chan, Ban-Ren Chen	Norman Lyle, Man-jung Chan, Ban-Ren Chen	Norman Lyle, Man-jung Chan, Ban-Ren Chen	Norman Lyle, Man-jung Chan, Ban-Ren Chen										
2,000 (inclusive) – 5,000	Nei-Ping Yin	Nei-Ping Yin	Nei-Ping Yin	Nei-Ping Yin										
5,000 (inclusive) – 10,000			Wei-Chih Chen	Wei-Chih Chen										
10,000 (inclusive) – 15,000			John Ming Kiu Tan	John Ming Kiu Tan										
15,000 (inclusive) – 30,000			Rangus Hok Hoi Tse	Rangus Hok Hoi Tse										
30,000 (inclusive) – 50,000			Yuen Tung Anthony Lin	Yuen Tung Anthony Lin										
50,000 (inclusive) – 100,000														
100,000 above														
Total	4	4	8	8										

- 2. Supervisors' Remuneration and Remuneration Bracket: Not Applicable
- 3. Executive Officers' Remuneration and Remuneration Bracket
- (1) Executive Officers' Remuneration

Unit: NTD'000

		Sala	ry (A)	Separation pa	ay/ Pension (B)	Bonus & Spec	al Allowance (C)	Employ	rees' Bonus Distribu	ited from remunera	tions (D)	Total of (A, B, C, D) as a percentage (%) of net profit after tax		Remuneration
Title	Name	The Bank	All companies included in consolidated	The Bank	All companies included in consolidated	d The Bank	All companies included in consolidated financial statements	The Bank		All companies included in consolidated financial statements		The Bank	All companies included in consolidated	from investment companies other than subsidiaries
			financial statements		financial statements			Cash dividend	Stock dividend	Cash dividend	Stock dividend		financial statements	
Chief Executive Officer (Note 1)	John Ming Kiu Tan													
Chief Executive Officer (Note 2)	Yuen Tung Anthony Lin													
Chief Auditor	Vicki Yang													
Head of Commercial Banking (Note 3)	Irving Yang													
Head of Global Banking (Note 4)	Sheila Chuang	_												
Head of Retail Bank	Kate Lin	75,671	75,671	-	-	60,291	60,291	-	-	-	-	6.19%	6.19%	-
Head of Human Resources	Wei Chih Chen													
Head of Compliance	Gladys Huang													
Chief Financial Officer	Rangus Hok Hoi Tse													
Chief Risk Officer	Etta Lin													
Chief Information Office	Wen Shu													

- Note 1: Chief Executive Officer John Ming Kiu Tan was discharged from office on 28 February 2017.
- Note 2: Chief Executive Officer Yuen Tung Anthony Lin was took office on 1 March 2017.
- Note 3: Irving Yang was took office as Acting Head of Commercial Banking on 1 November 2017 and then as Head of Commercial Banking on 1 April 2018.
- Note 4: Sheila Chuang was discharged from office as Head of Commercial Banking on 1 November 2017.
- Note 5: Executive Officers' expense for driver salary totaled NTD 4,438 (thousand) in 2017.

(2) Executive Officers' Remuneration Bracket

Unit: NTD'000

Para de la Companya d	Name & No. of I	Executive Officers
Range of Remuneration Paid to Executive Officers of the Bank	The Bank	All companies included in consolidated financial statements
Less than 2,000	Irving Yang	Irving Yang
2,000 (inclusive) - 5,000		
5,000 (inclusive) - 10,000	Vicki Yang, Wei Chih Chen, Gladys Huang, Etta Lin	Vicki Yang, Wei Chih Chen, Gladys Huang, Etta Lin
10,000 (inclusive) - 15,000	John Ming Kiu Tan, Kate Lin, Wen Shu	John Ming Kiu Tan, Kate Lin, Wen Shu
15,000 (inclusive) – 30,000	Sheila Chuang, Rangus Hok Hoi Tse	Sheila Chuang, Rangus Hok Hoi Tse
30,000 (inclusive) - 50,000	Yuen Tung Anthony Lin	Yuen Tung Anthony Lin
50,000 (inclusive) - 100,000		
100,000 above		
Total	11	11

4. Remuneration Distributed to Managers: None

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

	2017	2016
Directors	3.58%	42.88%
Supervisors	-	-
Executive Officers and Chief Auditor	6.19%	75.43%

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

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

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

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

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

III. Corporate Governance Practices

(I) Practices of Board of Directors

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

Title	Name	No. of Attendance in Person (B)	No. of Attendance by Proxy	Actual Attendance Ratio (%) (B/A) (Note)	Remarks
Chairman	Standard Chartered Bank Representative : Benjamin Pi-Cheng Hung	6	0	100%	
Director	Standard Chartered Bank Representative : Yuen Tung Anthony Lin	5	0	100%	Took office on 24 March 2017, the 9th Session of 14th Term of the Board meeting
Director	Standard Chartered Bank Representative : Norman Lyle	5	1	83%	
Director	Standard Chartered Bank Representative : Gregory John Powell	2	0	100%	Took office on 30 August 2017
Director	Standard Chartered Bank Representative : Wei-Chih Chen	5	1	83%	
Director	Standard Chartered Bank Representative : Rangus Hok Hoi Tse	6	0	100%	
Director	Standard Chartered Bank Representative : John Ming Kiu Tan	2	0	100%	Stepped down on 25 March 2017
Director	Standard Chartered Bank Representative : Wayne Robert Porritt	2	0	100%	Stepped down on 16 June 2017
INED	Standard Chartered Bank Representative : Nei-Ping Yin	6	0	100%	
INED	Standard Chartered Bank Representative : Man-Jung Chan	6	0	100%	
INED	Standard Chartered Bank Representative : Ban-Ren Chen	4	0	100%	Took office on 25 March 2017

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

Other matters to be noted:

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

Term and Session	Name	Content of Motion	Reasons for Avoidance	Participation in the Voting
23 January 2017, 14th Term 8th Session	Benjamin Pi-Cheng Hung Wayne Robert Porritt	Approval for related party transaction of foreign bond agency business with standard chartered bank ("SCB"), singapore branch of standard chartered bank ("SCBSG"), and standard chartered bank (Hong Kong) limited ("SCBHK")	For SCBHK case, it is proposed that Mr. Benjamin Hung, Chairman of SCBHK, and Mr. Wayne Porritt, the Chief Risk Officer of Greater China and North Asia region, to excuse from the discussion on and vote for this item to avoid any potential conflict of interest issue.	The related party did not exercise the voting right to the proposal, and the other Directors unanimously resolved that the proposal be approved.
23 January 2017, 14th Term 8th Session	Benjamin Pi-Cheng Hung Wayne Robert Porritt	Approval for related party transaction of underwriting senior note issuance with standard chartered plc ("SCPLC"), standard chartered bank ("SCB"), new york branch of standard chartered bank ("SCBNY"), singapore branch of standard chartered bank ("SCBSG"), and standard chartered bank (Hong Kong) limited ("SCBHK")	For SCBHK case, it is proposed that Mr. Benjamin Hung, Chairman of SCBHK, and Mr. Wayne Porritt, the Chief Risk Officer of Greater China and North Asia region, to excuse from the discussion on and vote for this item to avoid any potential conflict of interest issue.	The related party did not exercise the voting right to the proposal, and the other Directors unanimously resolved that the proposal be approved.
28 June 2017, 14th Term 10th Session	Benjamin Pi-Cheng Hung	Approval of related party transaction of underwriting senior note issuance	For SCBHK case, it is proposed that Mr. Benjamin Hung, Chairman of SCBHK to rescue from the discussion on and vote for this item to avoid any potential conflict of interest issue.	The related party did not exercise the voting right to the proposal, and the other Directors unanimously resolved that the proposal be approved.
28 June 2017, 14th Term 10th Session	Benjamin Pi-Cheng Hung	Approval of related party transaction of providing information and advisory services on offshore financial derivatives and foreign bond agency	For SCBHK case, it is proposed that Mr. Benjamin Hung, Chairman of SCBHK to rescue from the discussion on and vote for this item to avoid any potential conflict of interest issue.	The related party did not exercise the voting right to the proposal, and the other Directors unanimously resolved that the proposal be approved.

3. Goals to enhance the function of the Board of Directors (e.g. establishment of the Audit Committee, improvement of information transparency, etc.) and evaluation of the execution status in the current and most recent years: With the aim to achieve information transparency, required documentation will be provided to the Board to ensure the directors have sufficient information prior to the Board meeting. The CEO also continues to lead the country Executive Committee members to present business reports of their respective functions in quarterly main Board meetings and also report on the status of country economies, political and regulatory development of the country for the Board's reference. An audit committee was approved by the Board to establish on 24 November 2015. In accordance with the Terms of Reference of Audit Committee, there were 7 Audit Committee meetings held in 2017.

(II) Practices of Audit Committee Meetings

7 meetings (A) were convened by the Audit Committee in 2017. Attendance of Independent Non Executive Directors in the meetings is specified as follows:

Title	Name	No. of Attendance in Person (B)	Actual Attendance Ratio (%) (B/A) (Note)	Remarks
INED	Standard Chartered Bank Representative : Norman Yin	7	100%	
INED	Standard Chartered Bank Representative : Man-Jung Chan	7	100%	
INED	Standard Chartered Bank Representative : Ban-Ren Chen	4	100%	Took office on 25 March 2017

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

Other matters to be noted:

- 1. Please specify the date, term, content of the motion, Audit Committee resolutions and the Bank's response to the Audit Committee's opinions if any of the following conditions is met:
 - (1) Matters specified in Article 14.5 of the Securities and Exchange Act : None
 - (2) Other resolutions not consented by Audit Committee but have been approved by at least two-thirds of the Board: None
- 2. Avoidance of conflict of interest by independent directors: Information specifying the independent directors' names, content of the motion, reasons for avoidance, and participation in the voting: None
- 3. Communication with the Chief Auditor and accountants (including communication methods and results pertaining to material matters of the Bank's financial and business conditions)
 - INEDs are invited to attend meetings held by the Board of Directors and express their opinions, if appropriate; discuss issues of business operations with senior management of the Bank, especially CFO and Chief Internal Auditor, to ensure full control of the Bank's business and financial conditions, and hold discussion with accountants over the Bank's financial statements. Based on Article 19 of "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries", the Bank submitted internal audit reports to the INEDs every two weeks for their review and replied to any questions arising from the reports.

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

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

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

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

Assessment Item Yes No Description Descr				Execution Status	Reasons of Discrepancies		
shareholders' equity 1. Does the Bank establish internal operating procedures for handling shareholders' recommendations, queries, disputes or flitgation issues and are the procedures being followed accordingly? 2. Is the Bank the ultimate controller of the major shareholders? 3. Does the Bank establish the risk control mechanism and firewalls between the Bank and its affiliated enterprises? 4. Except for the remuneration and audit committee, does the Bank so the Band of Directors for special butter, and audit committee, does the Bank so the Bank of Directors? 1. Except for the remuneration and audit committee, does the Bank so t	Assessment Item	Yes	No	Description	Corporate Governance Practices and the "Corporate Governance Best Practice Principles		
1. Does the Bank establish internal operating procedures for handling shareholders' recommendations, queries, disputes or litigation issues and are the procedures being followed accordingly? 2. Is the Bank the ultimate controller of the major shareholders? 3. Does the Bank establish the risk control mechanism and firewalls between the Bank and its affiliated enterprises? 4. The Bank is a subsidiary solely owned by Standard Chartered Bank, whose shareholders is raised to the Bank address shareholders' recommendations and queries with prudence. No internal procedure is stipulated for this purpose. 2. The Bank is a subsidiary solely owned by Standard Chartered Bank, whose shareholding is 100% owned by Standard Chartered Holdings Limited. 3. In terms of transactions with related party, any credit extension to the stakeholders and affiliates of the Bank and its affiliated enterprises? 4. The Bank is a subsidiary solely owned by Standard Chartered Holdings Limited. 5. The Bank is a subsidiary solely owned by Standard Chartered Holdings Limited. 6. In terms of transactions with related party, any credit extension to the stakeholders and affiliates of the Bank is conducted pursuant to Article 45 of the Bank is conducted pursuant to Article 45 of the Financial Holding Company Act. 6. Except for the remuneration and audit committee, does the Bank set up other functional committee, does the Bank set up other functional committees voluntarily? 5. Except for the part functional committees of the Bank is admitted to be exercised by the Bank set up other functional committees of the Bank is admitted to be exercised by the Bank is a delegated its authority, obligation and responsibility to the Executive Committee for their day-to-day management, operation and control of the Bank's businesses. The Board of Directors may, during the adjournment of the Board meeting, request the Executive Committee (chaired by the Chief Executive Officer) to effectively supervise and review the Bank's business operations, report the Ban	· ·						
internal operating procedures for handling shareholders' recommendations, queries, disputes or litigation issues and are the procedures being followed accordingly? 2. Is the Bank the ultimate controller of the major shareholders? 3. Does the Bank establish the risk control mechanism and firewalls between the Bank and its affiliated enterprises? 4. In terms of transactions with related party, any credit extension is conducted pursuant to Articles 32, 33, 33-1 to 33-5 of the Bank and responsibilities of the Board of Directors 1. Except for the remuneration and committee, does the Bank set up other functional committees voluntarily? 4. Except for the authority required to be exercised by the Board of Directors may, during the adjournment of the Board of Directors may, during the adjournment of the Board of Directors may, during the adjournment of the Board of Directors may, during the adjournment of the Board meeting, request the Eank's businesse performance at the Board meeting, and sealed in foreign and equalate reporting procedures to ensure necessary actions will be taken	' '	V		1. The Bank is owned by a sole shareholder -	No discrepancy		
disputes or litigation matters with the shareholder. Any recommendations, queries, disputes or litigation issues and are the procedures being followed accordingly? 2. Is the Bank the ultimate controller of the major shareholders? 3. Does the Bank establish the risk control mechanism and firewalls between the Bank and its affiliated enterprises? 4. Is affiliated enterprises? 4. Composition and responsibilities of the Bank and audit committee, does the Bank set up other functional committees voluntarily? 5. Except for the remuneration and audit committee, does the Bank set up other functional committees voluntarily? 6. Except for the authority required to be exercised by the Bank set up other functional committees voluntarily? 6. Except for the authority required to be exercised by the Bank set up other functional committees voluntarily? 6. Except for the authority required to the Bank set up other functional committees voluntarily? 7. Except for the authority required to be exercised by the Bank set up other functional committees voluntarily? 8. Does the Bank set up other functional committees voluntarily? 8. Does the Bank set up other functional committees voluntarily? 9. The Bank is a subsidiary solely owned by Standard Chartered Holdings Limited. 9. No discrepancy 10. Except for the authority required to be exercised by the Board of Directors under the law, the Board of Directors has delegated its authority, obligation and responsibility to the Executive Committee for their day-to-day management, operation and control of the Bank's businesses. The Board of Directors may, during the adjournment of the Board meeting, request the Executive Committee (chaired by the Chief Executive Officer) to effectively supervise and review the Bank's business operations, report the Bank's business operations, report the Bank's business performance at the Board meetings, and secalate information through adequate reporting procedures to ens				3	, , , , , , , , , , , , , , , , , , , ,		
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disputes or litigation issues and are the procedures being followed accordingly? 2. Is the Bank the ultimate controller of the major shareholders? 3. Does the Bank establish the risk control mechanism and firewalls between the Bank and its affiliated enterprises? (II) Composition and responsibilities of the Board of Directors 1. Except for the remuneration and audit committee, does the Bank set up other functional committees voluntarily? A possible state of the Board of Directors and Executive Committee on a monthly basis. Any non-credit extension is conducted pursuant to Articles 32, 33, 33-1 to 33-5 of the Banking Act and reported to the ALCO Committee on a monthly basis. Any non-credit extension is conducted pursuant to Articles 45 of the Financial Holding Company Act. (II) Composition and responsibilities of the Board of Directors 1. Except for the remuneration and audit committee, does the Bank set up other functional committees voluntarily? 1. Except for the authority required to be exercised by the Board of Directors has delegated its authority, obligation and responsibility to the Executive Committee for their day-to-day management, operation and control of the Bank's businesses. The Board of Directors may, during the adjournment of the Board meeting, request the Executive Committee (chaired by the Chief Executive Officer) to effectively supervise and review the Bank's business operations, report the Bank's business performance at the Board meetings, and escalate information through adequate reporting procedures to ensure necessary actions will be taken							
and are the procedures being followed accordingly? Consideration. The Chairman, Chief Executive Officer and Executive Committee of the Bank address shareholder's recommendations and queries with prudence. No internal procedure is stipulated for this purpose. 2. Is the Bank the ultimate controller of the major shareholders? 3. Does the Bank establish the risk control mechanism and firewalls between the Bank and its affiliated enterprises? 3. In terms of transactions with related party, any credit extension to the stakeholders and affiliates of the Bank is conducted pursuant to Articles 32, 33, 33-1 to 33-5 of the Banking Act and reported to the ALCO Committee on a monthly basis. Any non-credit extension is conducted pursuant to Article 45 of the Financial Holding Company Act. (II) Composition and responsibilities of the Bank set up other functional committee, does the Bank set up other functional committees voluntarily? 1. Except for the authority required to be exercised by the Board of Directors has delegated its authority, obligation and responsibility to the Executive Committee for their day-to-day management, operation and control of the Bank's businesses. The Board of Directors may, during the adjournment of the Board meeting, request the Executive Officer) to effectively supervise and review the Bank's business operations, report the Bank's business performance at the Board meetings, and escalate information through adequate reporting procedures to ensure necessary actions will be taken	•						
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risk control mechanism and firewalls between the Bank and its affiliated enterprises? Composition and responsibilities of the Bank and its affiliated enterprises?		\ \/			No discrepancy		
ALCO Committee on a monthly basis. Any non-credit extension is conducted pursuant to Article 45 of the Financial Holding Company Act. (II) Composition and responsibilities of the Board of Directors 1. Except for the remuneration and audit committee, does the Bank set up other functional committees voluntarily? 1. Except for the authority required to be exercised by the Board of Directors under the law, the Board of Directors has delegated its authority, obligation and responsibility to the Executive Committee for their day-to-day management, operation and control of the Bank's businesses. The Board of Directors may, during the adjournment of the Board meeting, request the Executive Committee (chaired by the Chief Executive Officer) to effectively supervise and review the Bank's business operations, report the Bank's business performance at the Board meetings, and escalate information through adequate reporting procedures to ensure necessary actions will be taken	risk control mechanism and firewalls between the Bank and	·		extension to the stakeholders and affiliates of the Bank is conducted pursuant to Articles 32, 33,	The discrepancy		
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and audit committee, does the Bank set up other functional committees voluntarily? the Board of Directors under the law, the Board of Directors has delegated its authority, obligation and responsibility to the Executive Committee for their day-to-day management, operation and control of the Bank's businesses. The Board of Directors may, during the adjournment of the Board meeting, request the Executive Committee (chaired by the Chief Executive Officer) to effectively supervise and review the Bank's business operations, report the Bank's business performance at the Board meetings, and escalate information through adequate reporting procedures to ensure necessary actions will be taken	of the Board of Directors						
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responsibility to the Executive Committee for their day-to-day management, operation and control of the Bank's businesses. The Board of Directors may, during the adjournment of the Board meeting, request the Executive Committee (chaired by the Chief Executive Officer) to effectively supervise and review the Bank's business operations, report the Bank's business performance at the Board meetings, and escalate information through adequate reporting procedures to ensure necessary actions will be taken	and audit committee, does the			the Board of Directors under the law, the Board of			
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may, during the adjournment of the Board meeting, request the Executive Committee (chaired by the Chief Executive Officer) to effectively supervise and review the Bank's business operations, report the Bank's business performance at the Board meetings, and escalate information through adequate reporting procedures to ensure necessary actions will be taken				day-to-day management, operation and control			
request the Executive Committee (chaired by the Chief Executive Officer) to effectively supervise and review the Bank's business operations, report the Bank's business performance at the Board meetings, and escalate information through adequate reporting procedures to ensure necessary actions will be taken				of the Bank's businesses. The Board of Directors			
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Bank's business performance at the Board meetings, and escalate information through adequate reporting procedures to ensure necessary actions will be taken				Chief Executive Officer) to effectively supervise and			
and escalate information through adequate reporting procedures to ensure necessary actions will be taken				review the Bank's business operations, report the			
and escalate information through adequate reporting procedures to ensure necessary actions will be taken				Bank's business performance at the Board meetings,			
procedures to ensure necessary actions will be taken							

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

			Execution Status	Reasons of Discrepancies
Assessment Item	Yes	No	Description	Between the Bank's Corporate Governance Practices and the "Corporate Governance Best Practice Principles for Banks"
(V) Information disclosure 1. Does the Bank establish a website where information regarding financial/business statements and corporate governance is disclosed? 2. Are there any other disclosure channels of the Bank (e.g.	V		1. The Bank's website (including English website) is set up by responsible departments including the Information Technology and Operations, Customer Service and other related departments for purpose of information collection and disclosure. The Bank's Chief Executive Officer also serves as the Bank's spokesman. Refer to the annual report for more details about the corporate governance of the Bank. 2. Same as above.	No discrepancy
set up an English website, assign designated personnel to collect and disclose the Bank's information, implement spokesperson system, or publish investors' conference on the website)?				
(VI) Is there other information essential to understand the corporate governance of the Bank (e.g. employee welfare, employee care, investor relations, stakeholder rights, training records of directors and	V		To protect consumer rights and enhance customer services, the Bank has relevant policy and mechanism in place to conform to the Consumer Protection Act as well as to protect consumer rights in the course of product/service offerings. In addition, the Bank has established processes to immediately handle customer complaints and takes customer	No discrepancy
supervisors, risk management policies and implementation of risk measurement criteria, implementation of customers' policies, liability insurance purchased by the Bank for directors and supervisors,			opinions into consideration during product/service design. A 24-hour customer hotline is provided to ensure customers' requirements and disputes are effectively taken care of. To provide a smooth customer complaints channel, a customer complaints hotline is posted on the Bank's official website for reference. Furthermore, a customer service email	
donations to political parties, stakeholders and charity groups, etc.)			box is published on the website to collect customer feedbacks and respond consumer disputes. Any customer complaint will be responded in line with the Bank's standard process, regardless a complaint is through telephone, teller counter, letter, fax, media and/or official letter from relevant regulator(s). The Bank's business units also develop internal guidelines by embedding the Treating Customer Fairly ("TCF") strategy and ensure full implementation of guidelines in accordance with relevant regulations.	

Assessment Item			Execution Status	Reasons of Discrepancies Between the Bank's Corporate Governance Practices and the "Corporate Governance Best Practice Principles for Banks"
	Yes	No	Description	
			The Bank's Directors (including INEDs) regularly	
			participate in internal and external Corporate	
			Governance trainings covering topics related to	
			financial, risk management, business and other	
			courses. The Directors (including INEDs) are	
			responsible for instructing the employees at all levels	
			to strengthen their professional and legal knowledge.	
			The Bank purchases the liability insurance for the	
			Directors (including INEDs) on annual basis.	
			The Bank has set up a capital adequacy and risk	
			management section in the official website. The	
			content of this section covers the Bank's capital	
			adequacy management, credit risk management,	
			market risk management, operational risk	
			management, interest rate risk management in the	
			banking book, liquidity risk management and other	
			relevant information.	
			Pursuant to Article 16-1, Chapter 3 of the "Corporate	
			Governance Best-Practice Principles for Banks", our	
			donations to political parties, stakeholders and charity	
			groups required to be disclosed are as follows,	
			1. Taiwan Association for the Employment Rights of	
			People with Disabilities (Seeing is Believing Visually	
			Impaired Employment Platform).	
			2. Small & Medium Enterprise Guarantee Fund,	
			Taiwan.	

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

included in the evaluation.): Not Applicable

report issued by the Corporate Governance Center of Taiwan Stock Exchange Corporation. (No need to specify if the Bank is not

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

Assessment Items	Execution Status		
	Yes	No	Description
(I) Implement Corporate Governance 1. Does the Bank have the corporate social responsibility policy or system in place and carry out review of its effectiveness?	V	NO	1. Our Commitment — Here for good The core value of the Bank's culture is sustainability, which focuses on building the Bank into a sustainable business, creating shareholder value, providing customers with comprehensive services, contributing to local economy, and being positive force in its communities. These are exactly the materialization of our brand promise — Here for good. Our significant achievements of sustainability through investing in communities in 2017: Supported by three NGOs that including Parent's Association for the Visually Impaired, Eden Social Welfare Foundation, and Technology Development Association for Disabled. "Standard Chartered Seeing is Believing VI Employment Platform" was successfully established to demonstrate the joint efforts among public and private sectors as well as the nonprofits to support job placements of the visually impaired. From May 2013 up to end of 2017, the project has successfully matched job placements for 407 visually impaired people. Through Taipei Standard Chartered Charity Marathon, the Bank contributed over NTD 50 million (including Group matching) to support "Seeing is Believing" global project and visually impaired employment project in Taiwan. Each employee is entitled to 3 paid days of volunteering leave every year. As we encourage all staff to join the community service activities of their enthusiasm, department based volunteering activities are also welcome in conjunction with family day to call upon deeper coherence to the Bank's culture and the community. In 2017, we have contributed 2762.5 days of employee volunteering service in the
Does the Bank hold corporate social responsibility trainings on a regular basis?	V		local communities. 2. New Joiners are required to attend "Right Start Live" when on boarding to know about SCB's brand promises – Here for good and core values. They will also be introduced of code of conduct in working environment through case studies and our volunteer activities such as Standard Chartered Marathon. Also, there will be Labor Health and Safety training for them on the same day. Frontline sales and services employees will have half day compliance training in their Day1 Readiness training curriculum, which includes topics about anti-money laundering, know your customers and how to prevent mis-selling. All new joiners will also be assigned with e-learning courses including "Group Code of Conduct", "Anti-Money Laundering and Counter Terrorist Financing", "Understanding Sanctions", "Safety, Security & Environment', "Occupational Safety and Health Training", "Gender Equality in Employment Law" and so on to assist employees to be aware of social responsibility. Furthermore, the Bank communicates the importance of Sponsorship and Donation Policy internally every year, provides "Rejecting Bribery & Corruption" e-learning course to all employees and organizes workshops to ensure compliance with approval process by all departments to minimize reputational risks.

Assessment Items	Execution Status		
	Yes	No	Description
3. Does the bank set up a designated unit supervised by senior management to promote corporate social responsibility of the Bank and report the execution status to the Board of Directors? 4. Does the Bank establish a reasonable remuneration policy that links to employee performance evaluation system and CSR policy, and set up an effective reward and punishment system?	Yes	No V	3. "Here for good" is our core value and brand promise with an aim to be the best international bank. The Bank is committed to human resources development, corporate governance, sustainable products and services, financial crime prevention, risk and crisis management, environmental protection, diversity and inclusion, as well as community participation, etc. The Bank ensures responsible departments will fulfill our corporate social responsibility by following the Group's sustainability guideline and international standards. 4. The Bank applies a consistent Performance Evaluation and Remuneration Standard ("PERS") to all employees which clearly defines performance management framework that ensures employees have clear objectives and receive ongoing feedback. Remuneration outcomes relate to the performance of the individual, the business they work in and the Group. The Bank aims to ensure everyone is aligned to deliver long-term sustainable growth in the interests of shareholders. At an individual level, employees are assessed annually in relation to what they have achieved and how they have achieved it, based on the values and behaviours they have demonstrated. This assessment feeds into decision-making in relation to individual variable remuneration. Employees' performance is assessed against financial and non-financial objectives, including a mandatory compliance performance objective. In addition to performance assessments, consideration of how the employee has behaved and lived the values in their day to day role also factors in to the assessments. The approach puts more focus on risk and control issues. Assessing 'how' an employee has achieved an objective, 'what' has been achieved, as well as 'how' an employee has demonstrated risk and control behaviours are the key components of our performance assessment process and remuneration decisions. The Bank has the ability to apply ex-post risk adjustments through the following mechanisms: (1) Performance adjustment of deferred variable remuneration through
			performance measures. (2) In year adjustment of variable remuneration awards, where an employee has been determined as accountable for a risk, control and/or conduct issue or event. (3) The application of malus and claw-back in relation to material risk and control events. This can be applied to variable remuneration awards for up to 7 years post grant.
(II) Develop Sustainable environment 1. Does the Bank strive to improve the utilization rate of various resources and use renewable materials that have minimal impact to the environment?	V		1. Standard Chartered Group's success in managing our environmental impact has been certified by the Leadership in Energy and Environmental Design (LEED) rating, an equivalent green building rating scheme. In Taiwan, the Bank upholds sustainable development ideals by setting environmental management targets and reducing our carbon footprint through energy savings projects and waste sorting and recycling initiatives. Furthermore, together with supplier partners, we enhance the space efficiency and regularly monitor the lighting, air quality, and indoor greenery to help ensure the health, safety, and comfort of the working environment. In addition, the Bank actively encourages our employees to participate in volunteer services to protect the environment and care for vulnerable groups in society as part of our corporate social responsibility.

Assessment Items	Execution Status		
	Yes	No	Description
 Does the Bank establish an adequate environmental management system based on characteristics of the industry? Does the Bank investigate greenhouse gas inventory and set up strategies for energy saving, emission reduction and greenhouse gas mitigation to cope with climate change which would have business impact to the Bank? 			2. The Group operates in many countries vulnerable to environmental challenges, including the effects of climate change. Rather than simply continuing current business practices, the Bank works to inspire and encourage our employees and customers to minimize their environmental footprint. This strategy is supported by senior management on the Group EcoNet, our environment coordinators' network. 3. In 2017, the Bank has not only continuously adopted several practices to reduce carbon dioxide emissions and save energy, but also took active part in the world-renowned environmental protection activities. Employees were encouraged to reduce CO2 emissions and save energy both at homes and offices. As a result, the use of energy and water by approximately -5% and -7% respectively year-on-year. These practices include: (1) Taskforces to monitor the conventional lighting of branches and main offices and replace them with LED or energy-saving lighting; (2) Taskforces to monitor the old energy-consumption air conditioners and replace them with more efficient facilities that meet global environmental standards; (3) Newly renovated branches and offices are equipped with air conditioners, Lighting and Power & Water supply facilities that met the environmental protection standards and energy savings certification; (4) Implement limited hours on air-conditioning in main offices to lower energy consumption after office hours; (5) Promote one-hour lights-out campaign during the lunch time of main offices; (6) Continuously monitor the usage of electricity and water in main offices and look into any abnormality of utility usage and provide countermeasures thereof; (7) Reduce the operation hours of signage lighting; (8) Encourage staff to use the stairs instead of taking elevator; (9) Install water-saving facilities in main branches and offices; (10) Actively participate in global environment activities such as the "Earth Hour" and increase environmental awareness amongst our staff; (11) Continue to sponsor public park

Assessment Items	Execution Status		
	Yes	No	Description
(III) Safeguard Public Welfare	\/		1. The Deals complied with demostic labor laws to guarantee applicates a labor laws to guarantee
Does the Bank establish management policies and procedures in accordance	V		The Bank complies with domestic labor laws to guarantee employees' legitimate rights and interests, treat all employees with fairness, and ensure a human labor's freedom of assembly and association as well as the rights of collective bargaining. We
with related laws and international human rights treaties?			care about the disadvantaged minority, prohibit hiring child labor and preventing any kind of forced labor. We are committed to ensure equal opportunity in employment and prohibit the discrimination against any job applicant or employee on the basis of
			race, class, language, thought, religion, political party, place of origin, place of birth, gender, gender orientation, age, marital status, appearance, facial features, disability, or past membership in any labor union. All above are fulfilled in details and practices
			of the Bank's Collective Bargaining Agreement, HR policies and procedures, as well as Fair Accountability and Diversity & Inclusion policy.
Does the Bank establish an employee	V		The Bank sets employee grievance policy and procedure, and announced to all employees. The main purpose is to provide employees with the means to resolve
grievance system and communication channel for proper handling of			grievances connected directly with their employment. It is aimed at encouraging open and honest communication. This will increase the likelihood that Employee concerns can be resolved quickly and internally, with a view to encouraging high Staff morale
related issues?			and engagement, decreasing staff attrition, and avoiding legal claims. All grievances will be handled fairly and in accordance with the applicable grievance procedure. A
			decision regarding the grievance will be notified to the employee in writing within a reasonable period.
Does the Bank provide a safe and healthy workplace	V		Based on the local health and safety regulations and SCB Group standards, the following health and safety trainings are provided to employees:
for employees and conduct periodical health and safety trainings?			 New hires are required to receive 3 hours of health and safety training; All employees are required to receive 3 hours of health and safety refresher training every 3 years;
			To assist health and safety personnel to obtain required certificates and receive regular refresher trainings;
			Other necessary trainings in relation to emergency response;
			 Based on the Rules for Labor Health Protection, health care rooms are established and professional medical personnel are engaged to provide health care services
			including: (1) Health education, health promotion and guidance;
			(1) Prevention of occupational disease and injury, health consultation and first aid;
			(3) Analysis, management, and storage of physical examination records; (4) Regular provision of health information;
			(5) Health seminars by medical doctors;
			(6) Breast feeding room for female employees;
4. Does the Bank conduct	V		(7) Door-to-Door Health Service to all employees.4. The Bank complies with domestic labor laws to communicate with employees
regular communications with employees and have adequate process/method			regularly, such as quarterly Labor-Management Meeting and Bi-Weekly Meeting with the Bank union. All meeting minutes are posted on the Bank's intranet site. The Bank and employees both agreed to maintain harmonious employer-
in place to notify changes in operations that may have major impact to			employee relationships and promote the rights of all employees through sustainable development in the spirit of "live-and-let-live", share of interests and client-oriented services. The Bank keeps employees informed of major changes in operations that
employees?			may have major impact to them through reasonable channels, including the channels listed above.

Accessment Home			Execution Status	
Assessment Items	Yes	No	Description	
5. Does the Bank establish effective career development plan for employees?	V		5. We provide different professional trainings for different needs of business or support functions. Frontline sales and services new joiners need to attend Day 1 Readiness training. Based on different job roles, the training programs are designed with different training durations. New managers will receive a nine-month New Manager Program. There are also leadership programs designed for managers from different levels. For those ambitious and high potential talents, the Bank also provides related trainings to help them pursuit and develop their career paths.	
6. Does the Bank have relevant policy and procedures in place to protect consumer rights pertaining to product research, procurement, operations and services?	V		6. The Bank has entered into agreement with our vendors for customer disputes resolution, which covers terms and conditions to define the response timeline, handling process and remedy plan. In regards to the consumer rights protection and customer services, the Bank has its policy and procedure in place to address customer feedbacks on a timely manner. Also, customer opinions are incorporated into the product/service design. A 24-hr customer hotline is provided to ensure customer requirements and disputes are effectively taken care of. To ensure a smooth customer complaints channel, a customer complaints hotline is posted on the Bank's website for reference. In addition, a customer service email is provided on the website to collect customer feedbacks and respond consumer disputes. Any customer complaint, whether it is through telephone, teller counter, letter, fax, media and/or official letter from relevant regulator, will be addressed in compliance with the Bank's standard process for handling customer complaints. To efficiently process customer complaints, an e-form system is set up for tracking customer complaints and results. In addition to reply and log reasons, corrective actions and precautions on system by following the Customer Complaints DOI, reports of disputable cases are compiled and analyzed on weekly and monthly basis. Disputes with greater recurrence rate are monitored of their corrective actions on continuous effort. Where any inconsiderate service is identified through the customer complaints channel or satisfactory survey, for instance, a product or process design fails to meet customer expectation, a customer is not served by our staff based on standard process, a problem is not adequately addressed and so on, all relevant departments will be informed and corrective actions	
 7. Does the Bank adhere to relevant regulations and international guidelines to promote and label its products and services? 8. Prior to engaging with a vendor, does the Bank conduct an assessment on corporate social responsibility records of the vendor? 	V		 and precautions will be carried out immediately to protect customers' rights and interests. 7. Prior to providing financial products or services to our customers, the Bank has explained to the customers key features of the financial products or services and key contractual terms, and disclosed the associated risks pursuant to Financial Consumer Protection Act and other relevant laws and regulations. 8. The Bank's brand promise "Here for good" fully demonstrates our mission as well as over 150 years of business model. The Bank is committed to ensure that its operate with high standards of social, ethical and environmental considerations in all aspects of its business. As a responsible corporate citizen, the Bank expect its suppliers uphold consistent standards as we do in aspects of ethics, human rights, environments, health & safety, labor and environmental protection. The Bank also has an obligation to ensure that our suppliers promote conservation or protection of the environment as part of their business operations. To implement the concept of environmental protection, Standard Chartered Bank built into the selection process to develop specifications and recommendations for environmentally friendly products as the preferred specification to review the efforts made by a supplier on the more environmentally sensitive products and the implementation of its corporate social 	

Assessment Items			Execution Status
Assessment items	Yes	No	Description
9. In case the major supplier/vendor involves in violation of the corporate social responsibility policy and has inverse influence to the environment and society, does the Bank's contract cover termination clause with the major supplier/vendor	V		responsibility system. The above has been incorporated as one of the selection criteria of suppliers, so that sourcing decisions will be made, to the extent practicable, to use a more environmentally friendly product or service. 9. SCB Supplier Charter is stated in tender document to supplier during tender process, SCB Supplier Charter is a formal position statement that details what SCB expects from its suppliers and those within the suppliers' sphere of influence. It outlines SCB values and brand promise and covers 5 areas: Ethics, Human Rights, Environment, Health and Safety Standards, and Environmental Protection.
at any time? (IV) Reinforce Information Disclosure - Does the Bank disclose reliable and relevant corporate social responsibility information on its website and MOPS (market observation post system)?	V		The Bank continues to disclose the Bank's sustainability achievements through the annual reports. In addition, starting from March 2011, the Bank is required to disclose donations to political parties, stakeholders and charity groups on the Bank's website in accordance with Article 16.1, Chapter 3 of the Corporate Governance Best-Practice Principles for Banks.

- (V) In the event the Bank has developed its own Corporate Social Responsibility Best Practice Principles pursuant to the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies, please specify the practices and differences between the two Principles: Not Applicable
- (VI) Other important information that helps to understand the best practices of corporate social responsibility: None
- (VII) Please specify, if appropriate, any Corporate Social Responsibility Report already met the verification criteria of a certification institution:

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

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

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

Accessed Hom	Execution Status			
Assessment Item	Yes	No	Description	
(III) Implement Speak Up System				
1. Does the Bank establish a concrete	V		1. The bank has established the "Speaking Up Policy" and "Speaking Up	
speak-up and reward system			Procedures" to provide staff with a secure, confidential way to report	
and set up a convenient reporting			concern about misconduct when existing escalation process to line	
channel with designated personnel			management are not appropriate. The Compliance Department is	
for handling speak-up cases?			accountable for ensuring that this Policy and its governance and assurance	
			processes have been implemented. The Shared Investigative Services of	
			Legal Department must ensure that adequate processes are in place to	
			enable Staff to Speak Up confidentially and to define how Speaking Up	
			disclosures should be investigated and managed.	
2. Does the Bank have standard	V		2. Every reasonable effort must be made to maintain the confidentiality of the	
procedure and confidentiality			Staff member raising the concern. Speaking Up disclosures and details of	
mechanism in place to handle			any information and documentation stemming from the disclosure must only	
investigated cases?			be passed to those who 'need to know'.	
3. Does the Bank establish a process	V		3. Shared Investigative Services must ensure that all Speaking Up disclosures	
to protect the discloser from unfair			are recorded, reviewed and where appropriate, independent investigated.	
treatment for the speak-up?				
(IV) Reinforce Information Disclosure -	V		The Bank has adopted the concept of Ethical Corporate Management and	
Does the Bank disclose the ethical			incorporated into internal guidelines in order to comply with the relevant	
corporate management on the			regulatory requirements. In addition, the implementation result is revealed in	
official website and MOPS and its			annual report and official website which is deemed to be effective. The Bank	
implementation status?			has disclosed regulatory required information on both official website as well	
			as MOPS, including annual report, important financial information and financial	
			statements, etc.	
(V) In the event the Bank has developed its	own Eth	nical Co	rporate Management Best Practice Principles pursuant to the "Ethical Corporate	
			-Listed Companies", please specify the practices and differences between the	
two Principles : Not Applicable				
(VI) Other important information that helps t	n under	stand th	ne best practices of the Bank's ethical corporate management (e.g. if the Bank is	
currently reviewing its own ethical corpo				

(VIII) Corporate Governance Principles and Inquiry of Relevant Regulations

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

(IX) Other Material Information

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

(X) Implementation of Internal Control System

1. Internal Control System Statement

Internal Control System Statement Standard Chartered Bank (Tajwan) Limited

On behalf of Standard Chartered Bank (Taiwan) Limited (the "Company"), we hereby certify that, from 1 January to 31 December 2017, the Company has duly complied with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" in establishing an internal control system and implementing risk management procedures. The Company has been audited by an independent audit department that reports to the Board of Directors and Audit Committee regularly. With respect to the securities business, the Company has conducted an evaluation on the effectiveness of the design and implementation of its internal control system in accordance with the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets", promulgated by the Securities and Futures Bureau of the Financial Supervisory Commission ("FSC"). After prudent evaluation, except for the items listed in the attached schedule, the Company's departments/units have been found to implement effective internal control and compliance systems during the year to which this Statement relates. This Statement shall become a major part of the annual report and prospectus of the Company and be made public. Any false representation or concealment in this Statement shall be subjected to legal consequences as stipulated in Articles 20, 32, 171 and 174 of the Securities & Exchange Act.

This Statement is submitted to the FSC by

Chairman:

(Signature)

President:

(Signature)

Chief Internal Auditor

(Signature)

Head of Compliance :

(Signature)

Issues and Corrective Actions for the Company's Internal Control System

As of 31 December 2017

Issues for Improvement	Corrective Actions	Target Completion Date
The deficiencies of the Company in the Know Your Customer ("KYC") process upon mutual fund subscriptions, including absence of independent confirmation with clients whose Customer Investment Profiles ("CIP") results undergo significant changes; failure to detect inconsistency of information provided by clients between current and previous CIPs, and violation of internal rules by front-line sales by assisting clients in taking CIP as well as collecting pre-signed blank documents for trust transactions. It is therefore considered that the Company's sound operations could be undermined, and an Order for Correction is issued as per the Banking Act. (The official letter dated 20 December 2017 (No. 10650005270) by the Financial Supervisory Commission)	1. The Company has put in place reinforcements on top of existing controls for the protection of financial consumers. In addition to further confirmation on client information upon CIP renewal, a caring and monitoring control has been implemented on 15th May 2017, where if information provided by clients does not make sense, they will be contacted via phone calls, SMS, or mails for confirmation purposes. Results of such review and monitoring will be reported to the Business Operational Risk Forum ("BORF") on a monthly basis. 2. Control mechanisms for front-line sales are in place. In addition to the existing sampling of sales' phone recording, a monthly exception sales report is established for line managers to review. Further socialisation of the prohibition for sales to collect pre-signed blank forms or assist clients to complete CIP is also made. Any violations will be dealt with in accordance with the Company's Fair Accountability and Disciplinary Process.	Completed
The Company self-reported a material incident in relation to customer complaints received by Call Centre in June 2017 that e-coupons given by the Company could not be redeemed. The preliminary investigation by the Company found that one Branch Relationship Manager ("RM") queried eCoupon numbers through the Company's banking client maintenance system, CEMS, and collected the numbers for him and his family to redeem in convenience stores.	1. RMs' access to CEMS has been restricted and the fuzzy search function has been disabled. Furthermore, a proactive detection mechanism has been established where every marketing campaign with eCoupon as fulfillment has to set up monitoring indicators for redemption status and suspicious redemption behaviours. Also, relevant Departmental Operating Instruction ("DOI") has been updated and taken effect on 1st January 2018. 2. To avoid recurrence of similar incidents, case sharing sessions have been conducted to reinforce staffs' compliance awareness.	Completed
The Company was found that it did not appropriately establish criteria to take into consideration limits granted by other banks when approving clients' derivative lines, a violation of Article 20 of Regulations Governing Internal Operating Systems and Procedures for Banks Conducting Financial Derivatives Business. Furthermore, the limit approval process for some clients were found with inadequate assessment and insufficient supporting documents, coupled with improper sales process. It is therefore considered that the Company's sound operations could be undermined, and an Order for Correction is issued as per the Banking Act. (The official letter dated 21 February 2018 (No. 10702018940) by the Financial Supervisory Commission)	 The Company's internal procedure for "Controlling Limits to Derivatives Products" will be revised by March 2018. The deficient cases noted were related to complaints on RMB Target Redemption Forward ("TRF") deals booked between 2012 and 2015. The Company has enhanced relevant control mechanisms such as the credit approval process and requirements of supporting documents. Furthermore, relevant guidelines such as "Do's and Don'ts Guideline for Derivatives" and "Sales Process (Conversational Manner) Guidelines" have been implemented to prohibit non-qualified RMs from involving in selling derivative products. The Company has settled over 50% of its outstanding TRF complaint cases as of the end of December 2017, and will continue to handle the remaining cases in a proactive manner. 	March 2018

Internal Control System Statement Standard Chartered Bank (Taiwan) Limited

The Company has self evaluated the implementation of its internal control system from 1 January to 31 December 2017, hereby certifying the following:

- Being aware that the establishment, implementation and maintenance of an internal control system is
 the responsibility of its Board of Directors and executive management team, the Company has
 established such system accordingly to reasonably assure soundness of its operations, reliability of its
 financial reports, and compliance of applicable laws and regulations.
- 2. Any internal control system could have its inherent restraints. No matter how robust its design could be, an effective internal control system could only offer reasonable assurance to the achievement of the above mentioned three objectives. The effectiveness of an internal control system could also vary as external environments evolve. However, the Company's internal control system has built in a self monitoring mechanism. Once a deficiency is identified, the Company will take corrective actions immediately.
- 3. The Company bases its judgment concerning the design and implementation effectiveness of its internal control system on the criteria provided in the Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies ("the Regulations") promulgated by the Financial Supervisory Commission ("FSC"), including control environment, evaluation of risk, control operation, information and communication, and supervision.
- The Company has followed the above criteria to review the design and implementation effectiveness of its internal control system.
- 5. Based on the review, the Company takes the view that its internal control system (including soundness of its operations, reliability of its financial reports, and compliance of applicable laws and regulations) is designed and implemented effectively to reasonably assure the achievement of the above mentioned objectives.
- This Statement shall become a major part of the annual report and prospectus of the Company and be made public. Any false representation or concealment in this Statement shall be subjected to legal consequences as stipulated in Articles 20, 32, 171 and 174 of the Securities & Exchange Act.
- This Statement has been approved by the Company's Board of Directors on 16 March 2018, in which all of the directors present agreed to the Statement.

This Statement is submitted to the FSC by

Chairman:

(Signature)

President:

(Signature)

Chief Internal Auditor :

(Signature)

Head of Compliance :

(Signature)

Date: 16 March 2018

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

On behalf of Standard Chartered Bank (Taiwan) Limited (the "Company"), we hereby certify that, from 1 January 2017 to 31 December 2017, the Company has duly complied with relevant regulations governing anti-money laundering and countering the financing of terrorism in establishing an internal control system, implementing risk management, designating an independent and objective internal unit to conduct audit, and submitting the audit report periodically to the Company's Board of Directors and Audit Committee. Following prudent evaluation, it is found that each unit of the Company has effectively implemented internal controls for anti-money laundering and countering the financing of terrorism during the year.

This Statement is submitted to the Financial Supervisory Commission by:

Chairman:

(Signature)

President:

(Signature)

Chief Internal Auditor

(Signature)

Head of Financial Crime Compliance:

(Signature)

Date: 16 March 2018

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



安侯建業解合會計師重務形 KPMG

台北市11049信義路5段7號68樓(台北101大樓) 68F., TAIPEI 101 TOWER, No. 7, Sec. 5, Xinyi Road, Taipei City 11049, Taiwan (R.O.C.) Telephone 電話 + 886 (2) 8101 6666 Fax 傳真 + 886 (2) 8101 6667 Internet 網址 kpmg.com/tw

Independent Auditors' Report on Internal Control

Standard Chartered Bank (Taiwan) Limited:

We have performed the procedures agreed with the Standard Chartered Bank (Taiwan) Limited ("the Bank") with respect to the accuracy of the report submitted to the authority, the execution status of internal control and regulatory compliance, and the appropriateness of policies for loan loss reserves for the years ended December 31, 2017. Above procedures are determined by the Bank as a final decision. Therefore, we don't express our opinions on the procedures which is sufficient or not. The service was provided in accordance with Statements on Auditing Standards No. 34 "Engagements to Perform Agree-Upon Procedures Regarding Financial Information". The purpose was to assist the Bank in assessing its compliance with the "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries" ("the Regulation") issued by the Financial Supervisory Commission. The aforementioned compliance with the regulation is the responsibility of the management of the Bank. Please refer to the appendix for the procedures applied, period tested, number of samples selected, and audit findings.

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

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

KPMG

March 16, 2018

KPM 67



安侯建業解合會計師重務的 KPMG

台北市11049信義路5段7號68樓(台北101大樓) 68F., TAIPEI 101 TOWER, No. 7, Sec. 5, Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)

Independent Auditors' Report on Internal Control

Standard Chartered Bank (Taiwan) Limited:

We have audited the design and implementation of internal control system (include the financial reports submitted to the competent authority in accordance with the financial reporting internal control system) and compliance system of the insurance agent department of Standard Chartered Bank (Taiwan) Limited for the year end December 31, 2017. Establishing and maintaining an adequate internal control system are the responsibilities of the Bank's management. Our responsibility is to express an opinion on the internal control system mentioned above for the insurance agent department of Standard Chartered Bank (Taiwan) Limited based on our audits.

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

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

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

KPMG

March 16, 2018

KPMG

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

Disclosure	Case & Amount
Indictment by prosecutors against the person in charge or employees because of a crime committed on duty	The Bank's ex-employee illegally collected customers' personal data by accessing to an internal system which the ex-employee was not authorized to reviewing certain information therein. The Bank filed a criminal claim against said ex-employee. The Hsin-Chu District Prosecutors Office indicted said ex-employee in May 2016 and the Hsin-Chu District Court judged said ex-employee guilty in September 2016. Then the case was concluded.
Penalty fine imposed by Financial Supervisory Commission ("FSC") due to violation of the laws and regulations	The Bank had failed to file large amount cash transaction reports, which violated Paragraph 3 of Article 7 of Anti-Money Laundering Act, and a fine of NTD 400,000 was imposed on the Bank. (6 January 2017)
3. Penalty imposed by FSC due to violation of Article 61-1 of the Banking Act	 Control deficiencies had been identified from the Bank's conducting of derivatives business. We failed to implement appropriate risk controls while conducting high risk derivatives transactions. This is in violation of Paragraph 1 of Article 61-1 of the Banking Act. (29 January 2016) The Bank had failed to conduct Know Your Customer operation process, which violated Paragraph 1 of Article 61-1 of the Banking Act. (6 March 2017) The deficiencies of the Bank in the Know Your Customer ("KYC") process upon mutual fund subscriptions, which violated Paragraph 1 of Article 61-1 of the Banking Act. (20 December 2017) The Bank was found that it did not appropriately establish criteria to take into consideration limits granted by other banks when approving clients' derivative lines. This is in violation of Paragraph 1 of Article 61-1 of the Banking Act. (21 February 2018)
4. Any material frauds or contingencies (fraud, theft, misappropriation and robbery of assets, false transaction, forged documents and marketable securities, kickbacks, natural disaster loss, loss from external factors, hacker attack, data theft, and disclosure of confidential information and customer data and such major incidents) or security accidents resulting from the failure to abide by security instructions of financial institutions, or the incidents which resulted in loss over NTD50million, individually or totally, in the respective year.	None

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

Date	Type of Meeting	Major Resolution	Execution Status
2017/01/23	Monthly Meeting of Board of Directors	1. APPROVAL FOR RELATED PARTY TRANSACTION OF FOREIGN BOND AGENCY BUSINESS WITH STANDARD CHARTERED BANK, LONDON, SINGAPORE BRANCH OF STANDARD CHARTERED BANK, STANDARD CHARTERED BANK (HONG KONG) LIMITED 2. APPROVAL FOR RELATED PARTY TRANSACTION OF UNDERWRITING SENIOR NOTE ISSUANCE WITH STANDARD CHARTERED PLC, STANDARD CHARTERED BANK, NEW YORK BRANCH OF STANDARD CHARTERED BANK, SINGAPORE BRANCH OF STANDARD CHARTERED BANK, AND STANDARD CHARTERED BANK (HONG KONG) LIMITED 3. APPROVAL OF 2016 TOTAL VARIABLE COMPENSATION PAYMENT	Approve to execute as per resolution Approve to execute as per resolution Approve to execute as per resolution
2017/03/24	Quarterly Meeting of Board of Directors	1. DIRECTORATE 2. 2016 ANNUAL FINANCIAL STATEMENTS, BUSINESS REPORT AND PROFIT ALLOCATION/ LOSS OFF-SETTING STATEMENT OF THE COMPANY 3. APPROVAL OF 2016 INTERNAL CONTROL SYSTEM STATEMENT 4. UPDATE ON NEW TAIWAN DOLLAR NONDELIVERABLE FORWARD ("NDF") INCIDENT REPORT 5. APPROVAL OF THE OUTSOURCING ACTIVITIES WITH RELATED PARTIES 6. APPROVAL OF UPDATED DIVESTMENT STRATEGY OF NON-CORE PROPERTIES 7. APPROVAL OF APPOINTMENT OF ANTI-MONEY LAUNDERING COMPLIANCE OFFICER OF THE COMPANY 8. DIRECTORATE	Approve to execute as per resolution Approve to execute as per resolution
2017/06/28	Quarterly Meeting of Board of Directors	 DIRECTORATE APPROVAL FOR 2016 ANNUAL REPORT 2016 ANNUAL FINANCIAL STATEMENTS, BUSINESS REPORT AND PROFIT ALLOCATION STATEMENT OF THE COMPANY AMENDMENT TO DELEGATION OF AUTHORITY OF THE COMPANY APPROVAL FOR RELATED PARTY TRANSACTION OF UNDERWRITING SENIOR NOTE ISSUANCE APPROVAL OF APPLICATION OF PROVIDING INFORMATION AND ADVISORY SERVICES ON OFFSHORE FINANCIAL DERIVATIVES APPROVAL FOR RELATED PARTY TRANSACTION OF PROVIDING INFORMATION AND ADVISORY SERVICES ON OFFSHORE FINANCIAL DERIVATIVES AND FOREIGN BOND AGENCY 	 Approve to execute as per resolution

Date	Type of Meeting	Major Resolution	Execution Status
		8. AMENDMENT TO INTERNAL CONTROL SYSTEM OF SECURITIES DEPARTMENT OF THE COMPANY 9. APPROVAL OF CONTRACT RENEWAL OF MULTIFUNCTIONAL DEVICES AND RELATED SERVICES 10. APPROVAL OF OFFSHORE OUTSOURCING APPLICATION OF RETAIL BANKING NAME AND TRANSACTION SCREENING TO RELATED PARTY 11. AMENDMENT TO GOVERNANCE FRAMEWORK OF PERFORMANCE EVALUATION AND REMUNERATION STANDARD 12. REVIEW ON REMUNERATION OF INDEPENDENT NON-EXECUTIVE DIRECTOR	8. Approve to execute as per resolution 9. Approve to execute as per resolution 10. Approve to execute as per resolution 11. Approve to execute as per resolution 12. Approve to execute as per resolution
2017/08/29	Quarterly Meeting of Board of Directors	DIRECTORATE 2. 2017 SEMI-ANNUAL FINANCIAL STATEMENTS OF THE COMPANY 3. APPROVAL FOR RELATED PARTY TRANSACTION	Approve to execute as per resolution Approve to execute as per resolution Approve to execute as per resolution
2017/10/17	Ad-hoc Meeting of Board of Directors	APPROVAL OF TANDEM UPGRADE PLAN APPROVAL FOR RELATED PARTY TRANSACTION	Approve to execute as per resolution Approve to execute as per resolution
2017/11/20	Quarterly Meeting of Board of Directors	 5 YEAR STRATEGY FOR THE COMPANY APPROVAL OF 2018 ANNUAL BUDGET OF THE COMPANY APPROVAL OF 2017 REMUNERATION OF THE CERTIFIED PUBLIC ACCOUNTANT ("CPA") OF THE COMPANY APPROVAL OF RELATED PARTY TRANSACTION OF EXTENDING THE GROUP ADVISORY AND SERVICES CHARGING AGREEMENT APPROVAL OF OUTSOURCING TO PEER TO PEER ("P2P") COMPANY FOR FACILITATING PERSONAL LOAN APPLICATION PROCESS APPROVAL OF 2018 OCCASIO PLAN AMENDMENT TO DELEGATION OF AUTHORITY OF THE COMPANY APPROVAL FOR TAIWAN OPTIMISATION PROJECT FIT-OUT CONTRACT 	Approve to execute as per resolution Approve to execute as per resolution
2018/01/15	Monthly Meeting of Board of Directors	1. APPROVAL OF KEY AUDIT MATTERS FOR 2017 FINANCIAL STATEMENTS 2. APPLICATION OF DEBIT CARD MOBILE PAYMENT 3. APPROVAL FOR RELATED PARTY TRANSACTION OF UNDERWRITING SENIOR NOTE ISSUANCE WITH SCB GROUP ENTITIES 4. APPROVAL OF 2017 TOTAL VARIABLE COMPENSATION PAYMENT	Approve to execute as per resolution



Date Type	of Meeting	Major Resolution	Execution Status
2018/03/16 Quarte	rly Meeting of of Directors	1. 2017 ANNUAL FINANCIAL STATEMENTS, BUSINESS REPORT AND PROFIT ALLOCATION/ LOSS OFF-SETTING STATEMENT OF THE COMPANY 2. APPROVAL OF THE IMPLEMENTATION PLAN ON ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARD 16 3. APPROVAL OF EMERGENCY MEASURES FOR OPERATIONAL CRISIS OF THE COMPANY 4. APPROVAL OF 2017 INTERNAL CONTROL STATEMENT OF THE COMPANY (BANKING, SECURITIES, BANCA, & FCC) 5. APPROVAL OF APPLICATION FOR OFFSHORE BANKING BRANCH ENGAGING IN BUYING AND SELLING OF FOREIGN CURRENCY DENOMINATED SECURITIES BUSINESS UNDER FINANCIAL MARKETS 6. APPROVAL OF THE OUTSOURCING ACTIVITIES WITH RELATED PARTIES 7. APPROVAL OF APPOINTMENT OF SENIOR EXECUTIVE OFFICER OF THE COMPANY- HEAD OF COMMERCIAL BANKING	1. Approve to execute as per resolution 2. Approve to execute as per resolution 3. Approve to execute as per resolution 4. Approve to execute as per resolution 5. Approve to execute as per resolution 6. Approve to execute as per resolution 7. Approve to execute as per resolution

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

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

Title	Name	Date appointed	Date resigned	Reason
Chief Executive Officer	John Ming Kiu Tan	2014/03/26	2017/02/28	Discharged
Financial Controller	Phoenix Chen	2007/07/01	2017/08/31	Discharged

IV. Information on CPA Charges

(I) CPA Charges and Fee Brackets

Name of CPA Firm	Name	of CPA	Audit Period
KPMG	Yung-Sheng Wang (Victor Wang)	Yuan-Sheng Yin (Jason Yin)	Fiscal Year 2017

Unit: NTD'000

Bracke	ıt	CPA Charge	Audit Fee	Non-audit Fee	Total
1	Less than 2,000				
2	2,000 (inclusive) - 4,000				
3	4,000 (inclusive) - 6,000			5,030	5,030
4	6,000 (inclusive) - 8,000				
5	8,000 (inclusive) - 10,000				
6	Over 10,000 (inclusive)		12,300		12,300
Total			12,300	5,030	17,330

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

Unit: NTD'000

Name of	Name of			No	n-audit Fee)			
CPA Firm	CPA	Audit Fee	System Design	Business Registration	Human Resources	Others	Sub-total	Audit Period	Remark
KPMG		12,300				5,030	5,030	2017/01/01 - 2017/12/31	Non-audit Fee: 1. Internal Control 2. Anti Money Laundering and Counter Terrorism 3. Personal Data Protection 4. Capital Adequacy Ratio

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

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

The auditing fee was less NTD2,870 (thousand) than the fee charged for the previous year. It was mainly due to process streamline, branches and channels optimisation as well as experienced CPA audit team with enhanced efficiency. In addition, the proportion of non-audit related to internal control was increased.

V. Information on Change of CPA: None

- VI. Name, Title, and Service Period of the Bank's Chairman, President or Executive Officer(s) in Charge of Financial and Accounting Affairs Who Has Served a Position in an Independent Auditing Firm to Which the CPAs belong or Its Affiliate(s) during the Past Year: None
- VII. Disclosure of Changes in Shareholdings (Share Transfer and Pledge) Held by Directors, Supervisors, Executive Officers, and other Individuals Pursuant to Article 11 of the Regulations Governing a Same Person or Same Concerned Party Holding the Issued Shares with Voting Rights over a Particular Ratio of a Bank: None

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

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

Unit : Share

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





Upper left / Standard Chartered Taiwan's senior management celebrated the New Year, wishing everyone good wealth, prosperity and great fortune.

Upper right / The six-star SCB iWealth Centre offers prestigious service to high

Bottom / Ineffable sunset at Tainan salt fields (Photo by Mr. Erick YIN)

Fund Raising

66 Capital and Shares

70 Issuance of Financial Debentures

74 Preferred Stocks, Overseas Depository Receipts, Employee Stock Options, and Restricted Stock Awards

74 Acquisitions or Assignment Involving Other Financial Institutions

75 Capital Utilization Plan and Execution Status

I. Capital and Shares

(I) Source of Capital

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

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

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

Authorized Capital

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

(II) Shareholder Structure

						As of 15 May 2018
Shareholder	Government Agencies	Financial Institutions	Other Legal Entities	Domestic Individuals	Foreign Institutions and Individuals	Total
Number of Shareholders	-	-	-	-	1	1
Number of Shares	-	-	-	-	2,910,571,976	2,910,571,976
Shareholding (%)	-	-	-	-	100	100

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

(III) Distribution of Equity Holdings

As of 15 May 2018

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

Note: Par Value NTD 10

(IV) List of Major Shareholders

		As of 15 May 2018
Shares Name of Major Shareholders	Shares	Shareholding (%)
Standard Chartered Bank (100% shareholding)	2,910,571,976	100

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

Item		Year	30 April 2018 (Note 3)	2017	2016
	Highest		-	-	-
Market Value Per Share (Note 1)	Lowest		-	-	-
,	Average		-	-	-
Net Worth Per Share	Before Appropr	iation	15.47	15.06	14.34
Net Worth Per Share	After Appropria	tion	-	(Note 2)	14.26
Earnings Per Share	Weighted Average Shares (thousand shares)		2,910,572	2,910,572	2,910,572
	Earnings Per Share		0.42	0.75	0.06
	Cash Dividends		-	(Note 2)	0.07
Dividends Per Share	Free-Gratis	Retained Earnings	-	-	-
Dividends Per Share	Dividends	Capital Reserve	-	-	-
	Accumulative Dividends Undistributed		-	-	-
	Price/Earnings	Ratio	-	-	-
Return Analysis (Note 1)	Price/Dividend	Ratio	-	-	-
	Cash Dividend	Yield(%)	-	-	-

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

Note 2: The 2017 earnings appropriation of the Bank is yet approved the Board of Directors.

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

(VI) Dividend Policy and Enforcement

Refer to Dividend policy and appropriation of earnings in Financial Statements of Appendix 1 on page 40.

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

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

- 1. The ratio or range of remuneration to employees, directors, and supervisors as set forth in the Bank's Articles of Association: Refer to Dividend policy and appropriation of earnings in Financial Statements of Appendix 1 on page 40.
- 2. Proposal for the distribution of employees' remuneration resolved by the Board of Directors: Refer to Employee benefits expense in Financial Statements of Appendix 1 on page 47.
- 3. Earnings in the previous year allocated to the remuneration to employees, directors and supervisors: Refer to Dividend policy and appropriation of earnings in Financial Statements of Appendix 1 on page 40.

(IX) Share Buyback History: None

II. Issuance of Financial Debentures

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



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

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

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

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



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

- III. Preferred Stocks, Overseas Depository Receipts, Employee Stock Options, and Restricted Stock Awards: None
- IV. Acquisitions or Assignment Involving Other Financial Institutions: None

V. Capital Utilization Plan and Execution Status

(I) Capital Utilization Plan

There is no new issue of debentures in 2017 and 2016.

(II) Execution Status of the Capital Utilization Plan

- 1. There is no new issue of debentures in 2017 and 2016.
- 2. The Bank's medium and long-term loans and capital adequacy ratios.

Unit: NTD'000; %

	31 December 2017	31 December 2016	31 December 2015
Medium and Long Term Loan	214,073,575	210,887,646	240,866,469
Increase / (Decrease)	3,185,929	(29,978,823)	(19,071,490)
Capital Adequacy Ratio	16.19%	15.11%	14.37%
Increase / (Decrease)	1.08%	0.74%	0.46%





Upper left / Standard Chartered's senior economists shared insight into the global economic outlook at the "Global Research Briefing" event.

Upper center / Standard Chartered Taiwan's Retail Banking and Wealth Management

outperformed peer competitors and honourably received four grand awards from the Wealth Magazine in 2017. (Photo by Wealth Magazine)

Upper right / Standard Chartered's Wealth Management Team offers customer-oriented

advisory services. (Photo by Wealth Magazine)

Bottom / National historic monument - Taipei North Gate (Photo by Mr. Erick YIN)

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I. Scope of Business

(I) Primary Business of Respective Business Division

1. Retail Banking

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

2. Commercial Banking

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

3. Corporate & Institutional Banking

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

(II) Ratio of Major Businesses and Changes

1. Ratio of Major Businesses to Total Assets

(1) Deposits

Unit: NTD'000

	31 December 2017		31 Decen	31 December 2016	
	Amount	Ratio (%)	Amount	Ratio (%)	Growth Rate (%)
Savings Deposits	163,756,003	32.40	174,453,344	35.42	(6.13)
Time Deposits	132,260,271	26.17	126,412,106	25.66	4.63
Demand Deposits	206,692,694	40.90	189,010,368	38.37	9.36
Checking Account	2,533,695	0.50	2,626,583	0.53	(3.54)
Remittance	167,597	0.03	104,532	0.02	60.33
Total	505,410,260	100.00	492,606,933	100.00	2.60

(2) Loans

Unit: NTD'000

	31 December 2017		31 December 2016		Growth Rate
	Amount	Ratio (%)	Amount	Ratio (%)	(%)
Bill Negotiation/Discount	410,590	0.15	682,626	0.25	(39.85)
Short-term Loan and Overdraft	44,664,250	16.70	47,384,080	17.39	(5.74)
Short-term Secured Loan	7,836,299	2.93	12,324,192	4.52	(36.42)
Medium-term Loan	39,023,197	14.58	31,478,466	11.55	23.97
Medium-term Secured Loan	4,044,137	1.51	5,928,623	2.18	(31.79)
Long-term Loan	6,756,665	2.53	7,047,005	2.59	(4.12)
Long-term Secured Loan	164,249,576	61.40	166,433,552	61.09	(1.31)
Non-accrual Loans	523,957	0.20	1,158,416	0.43	(54.77)
Total	267,508,671	100.00	272,436,960	100.00	(1.81)

2. Growth and Changes of Major Businesses

Unit: NTD'000

Item		31 December 2017	31 December 2016	Increase (Decrease)	Growth Rate (%)
Deposits and Remittance		505,410,260	492,606,933	12,803,327	2.60
Loan and Bills Discounted		267,508,671	272,436,960	(4,928,289)	(1.81)
Guarantees		3,271,993	2,712,222	559,771	20.64
Consumer Banking	No. of Credit Cards Issued	3,383,095	3,340,907	42,188	1.26

Unit: NTD'000

Item		2017	2016	Increase (Decrease)	Growth Rate (%)
Sales Volume of Non-discretionary Money Trust Investing in Domestic & Foreign Securities		63,208,561	45,093,329	18,115,232	40.17
Foreign Exchange (USD'000)	International Exchange	250,616,678	213,935,983	36,680,695	17.15
	Import	1,318,683	1,014,163	304,520	30.03
	Export	6,060,278	6,625,012	(564,734)	(8.52)
	Total	257,995,639	221,575,158	36,420,481	16.44

(III) Business Plan for 2017

1. Retail Banking

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

2. Commercial Banking

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

3. Corporate & Institutional Banking

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

(IV) Market Analysis

1. Domestic Economic and Financial Conditions

Taiwan's real GDP growth further rebounded to 2.9% in 2017, which was two times of the 1.4% growth recorded in 2016. Notably, exports recovered strongly and grew 13% from a year ago, demonstrating the fastest increase since 2010. Total trade surplus, as a result, reached a record high of USD58bn. Again, the local high-tech sector remained outperformed, riding on steady global demand for the latest mobile devices as well as recovery in global commodity prices. Strong equity market, stable job market and improved residential housing market sentiment further provided vigorous support to consumer

spending. Indeed, market sentiment as well as risk appetite remained firm despite concern over policy reversal from major global central banks and fear over rising trade tension between the US and China.

In 2018, we believe overall growth prospect is bright, though there are challenges ahead. Taiwan economy will benefit from relatively optimistic global outlook. We expect the Central Bank of Republic of China (Taiwan) to hike interest rates for the first time since 2011 in response to continued economic recovery and rising inflation risk in 2018. Notably, growth prospects should improve as the unfavorable base effect fades and the inventory adjustment cycle runs its course. Consumer spending will remain a strong pillar of growth given benign labor-market conditions, the government proposal to raise public-sector wages by around 3%, and improving residential housing-market sentiment. The Forward-looking Infrastructure Program recently approved by lawmakers should be able to bring additional support for growth in 2018.

Despite the rather optimistic global outlook, there is no time for complacency. In addition to geopolitical and political risks, one also needs to keep a close eye on three other key risks in 2018. We expect major central banks' QE tapering or exit policies will likely start to impact the economies, particularly in the second half of 2018. Also, global trade may not perform as strongly since temporary factors that propped up 2017 exports are likely to fade. Additionally, stretched debt leverage – especially among emerging economies that are vulnerable to shifting global risk sentiment – cannot be ignored.

2. Market Outlook and Growth Potential

Looking forward in 2018, the Bank will continue to focus on executing our refined strategy for growing franchise in three client businesses and providing clients with complete financial solutions. By leveraging the Group's network, it enables the Bank to explore more cross border business opportunities, including to promote the Taiwan government's "New Southbound Policy" as well as to become client's most trustworthy partner. In addition, we realized how new technologies have quickly changed the way we do business and the way we operate. By applying new technologies in our day-to-day operations will help to enhance customer experience and improve the Bank's operational efficiency. We have already taken certain initiatives in 2017 to drive productivity, which will continue to be our top priority in 2018.

(1) Retail Banking:

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

(2) Commercial Banking:

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

(3) Corporate & Institutional Banking:

Taiwan is a key part of the Bank's Greater China strategy. With China and ASEAN countries being major trading partners of Taiwan and our unique position, the Bank will focus on our strategic priorities to capture network opportunities, capitalise our product edge of Financial Institution and manage risk weighted assets, along with client's overseas expansion.

3. Strength, Weakness and Countermeasure of Future Development

(1) Favorable factor:

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

(2) Adverse factor:

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

(3) Countermeasure:

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

(V) Financial Instruments and Summary of Business Development

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

- (1) Financial Supervisory Commission R.O.C. (Taiwan) approved the Bank's application of providing information and advisory services on offshore financial derivatives on 29 August 2017. The Bank has commenced the business in November 2017.
- (2) Central Bank of the Republic of China (Taiwan) provided its consent to the Bank for engaging in foreign securities proprietary trading business for non-owned capital investment or hedging purpose on 10 November 2017.

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

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

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

(VI) Short and Long-term Business Development Plans

1. Short-Term Plan

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

2. Long-Term Plan

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

II. Employee Analysis

(I) Employee Profile

	Year	As of 15 May 2018	2017	2016
G G	Female	2,061	2,088	2,168
Gender	Male	969	981	1,001
er	Total	3,030	3,069	3,169
Aver	age Age	40.06	39.79	39.04
Aver	age Year of Service	9.48	9.26	8.79
Lev	Doctorate	0.03%	0.03%	0.06%
el of	Master	16.17%	15.87%	15.62%
Level of Education (%)	University/College	77.63%	77.84%	77.31%
ation	Senior High School	5.81%	5.93%	6.60%
(%)	Below Senior High School	0.36%	0.33%	0.41%
	Securities Investment Trust and Consulting Professional	122	126	121
	Proficiency Test for Trust Operations Personnel	1,106	1,123	1,190
	Examination on Investment Trust and Consulting Regulations (including Self-disciplinary Rules)	609	615	648
	Qualification Certificate for Trust Business Professionals - Business Personnel	1,125	1,144	1,208
	Qualification Certificate for Trust Business Professionals - Managerial Personnel	305	314	335
Cer	Proficiency Test for Stock Affair Personnel	10	10	10
tific	Securities Specialist	171	171	170
Certificates and Licenses	Senior Securities Specialist	135	139	141
anc	Futures Specialist	144	145	154
Lic	Proficiency Test for Financial Planning Personnel	291	300	313
ens	Investment-orientated Insurance Product Specialist	488	499	519
es Held	Business Personnel for Foreign Currency Non-investment Type Insurance Products	871	894	922
by	Personal Insurance Agent Registration Certificate	2,044	2,093	2,249
Em	Property Insurance Agent Registration Certificate	1,048	1,071	1,178
ıployees	Property Insurance Representative	122	125	123
ees	Proficiency Test for Bond Specialist	7	7	8
	Basic Proficiency Test for International Banking Personnel	101	104	109
	Securities Dealer	1	1	1
	Basic Proficiency Test for Bank Lending Personnel	224	228	239
	Advanced Proficiency Test for Bank Lending Personnel	6	7	9
	Basic Proficiency Test on Bank Internal Controls	804	818	850
	Certified Internal Auditor Certificate	3	4	4
	Financial Markets and Professional Ethics Examination	876	891	933

(II) Employee Education and Training

Year	2017	2016
Total Count of Learners	93,478	88,736
Average Learning Days	5.5	5.8

Note: Trainings include offline and online courses.

III. Corporate Responsibilities and Ethics

Our Commitment - Here for good

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

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



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

Our significant achievements of sustainability through investing in communities in 2017

Standard Chartered Seeing is Believing

1. VI Employment Platform

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

Supported by three NGOs that including Parent's Association for the Visually Impaired, Taiwan Association for the Employment Rights of people with disabilities, and Technology Development Association for Disabled. "Standard Chartered Seeing is Believing VI Employment Platform" was successfully established to demonstrate the joint efforts among public and private sectors as well as the nonprofits to support job placements of the visually impaired. To date, the project has successfully placed 407 visually impaired workers into jobs as of the end of 2017.

2. 2018 Taipei Standard Chartered Charity Marathon

Through the race, the Bank contributed over NTD 50m (including Group matching) to support "Seeing is Believing" global project and visually impaired employment project in Taiwan. Every year around 3,000 Standard Chartered employees and their families participated in the charity marathon either by running or volunteering. And there were nearly 200 of visually impaired runners signed up for the run which made this event to have the largest participation of visually impaired people. In addition, visually-impaired workers were recruited to provide services for runners in the event which demonstrated their capabilities.

3. One Hour Donation

The Bank encourages employees to donate their one hour salary in Seeing is Believing programme for avoidable blindness in developing countries. There were 597 employees donated their one hour (or above) salary to participate for this good cause.

Employee Volunteering

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

Employee volunteering has been embedded in the Bank's culture. In 2017, we have contributed employee volunteering service in the local communities through servicing the senior citizens and the disadvantaged, acting as the VI guide runners and environmental volunteering.

The Highlights of Employee Volunteering Activities in 2017

- Leverage our network and invited client and external stakeholders together pay attention to Ai-HengTraining Centre for Mental Development and assisting promote Man Fair Sheltered Workshop.
- Participated Angel Heart Day which organised by Angel Heart Family Social Welfare Foundation; to raise the awareness and create a more friendly environment for children with disabilities and their families. This is the 5th consecutive year that our employees volunteered their time at Angel Heart Day.
- For the third consecutive year participated Syin-Lu Social Welfare Foundation for second hand clothes donation to support mentally retarded children on their employment.
- Employees from HR function leverage their core competency and help people to strengthen their competency and inspire them
 per their career development; covered some fairly specific topics about work culture, communication skill. Especially like interview
 skills.
- 153 employees from MiaoLi area together collect invoices and donate to Hwashan Social Warfare Foundation.
- In 2017, we have contributed 2762.5 days of employee volunteering service in the local communities.

Other Community Investment Programme

To further enhance our commitment to local market and to corporate social responsibility, the Bank began a 5-year "Junior Golfer Sponsorship Programme" with Golf Association of ROC since 2012; which also made us the first bank sponsor junior golf programme in Taiwan. The intention was to enhance the junior golfers' mental maturity and stability through participating in competitions and aimed to foster those junior golfers to achieve their dreams. The programme benefited many talented amateurs such as Chieh-Po Lee and Ssu-Chia Cheng; an estimated more than a thousand of junior golfers will benefit from this sponsorship annually.

Sustainable Environment

With the climate change issue getting more concerned by the international community following the COP21 conference, Standard Chartered, as being an international commercial bank, is committed to the implementation of various environmental energy saving

and carbon reduction measures in order to achieve the goal of business sustainability. In Taiwan, the Bank continues to promote various energy-saving and carbon-reduction activities, actively participate in global environmental activities while encouraging staff to embed the energy-saving and carbon-reduction habits into their work as well as daily lives. As a result, the trend of using of energy water is about -5% and -7%, respectively. Here are some examples of what we have achieved:

1. Efficient monitoring of energy data

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

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

Unit: kWh/m²/year

EUI Result	EUI Result 2019 Target 2017 EU		2016 EUI	2017 versus 2016 Annual Comparison
Standard Chartered	230	150	158	(5%)

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

Unit: kL/m²/year

WUI Result 2019 Target		2017 WUI	2016 WUI	2017 versus 2016 Annual Comparison
Standard Chartered	0.50	0.88	0.95	(7%)

2. Replacement of energy-saving facilities

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

3. Green behavior promotion

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

4. Participation of environmental conservation activities

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

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Awards in 2017

- Honourably received big four awards from Wealth Magazine's 2017 wealth management survey, including "Best Wealth Management International Bank", "Best Relationship Management Team International Bank", "Best Service International Bank", and "Most Recommended by Client International Bank".
- Awarded as the "2017 Best Service Provider Liquidity Management" and the "2017 Best Supply Chain Solutions" by The Asset;
 and won The Asset Country Awards 2017 Best Formosa Bond.
- Awarded as "2017 Investor Solutions Formosa FRN" and "2017 Global Deal of the Year" awards from mtn-i.
- Received "Best Formosa Dealer in 2017" award from CMD (Collaborative Market Data); Standard Chartered Taiwan received the awards from CMD for the consecutive 2 years in 2016 and 2017.
- Awarded as "Best Taiwan Capital Markets Deal" from IFR Asia.

On CSR perspective:

- Seeing Is Believing Visually Impaired Employment Platform initiated by Standard Chartered and supported by NGO partners and government agencied was awarded Innovative Practice by 2017 Zero Project Awards organised by Essl Foundation.
- 2017 TCSA Taiwan Corporate Sustainability Awards 'The Most Prestigious Sustainability Awards-Top Three Foreign Corporate' and 'Corporate Sustainability Awards Social Participation, Financial Industry Category'.
- Standard Chartered Taiwan won the Inaugural British Chamber of Commerce in Taipei Better Business Award for Corporate Social Responsibility.
- Standard Chartered Taiwan third time awarded "Golden Award" and "Long-term Sponsorship Award" and "iSport" by Sports Administration, Ministry of Education.

- Non-supervisory Staff Information
 Information Technology
 Labor-Management Relations
- tions Overview Labor-Management Relati

IV. Non-supervisory Staff Information

The number of non-supervisory employees, and their average welfare and benefits expense in 2017 compared to those of in the previous year are provided in the table below:

Item	2017	2016	Increase / (Decrease)
No. of Non-supervisory Staff	1,082	1,140	(58)
Average Welfare and Benefits Expense of Non-supervisory Staff (NTD)	814,958	859,531	(44,573)

V. Information Technology

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

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

(II) Future Development or Procurement Plan

In order to uplift the utilization of information system, we aim to complete the core banking system upgrade in in the first half year of 2018. The Bank's computer operating system will be upgraded to Windows 10 in 2 years.

In response to Microsoft's strategy for product support lifecycle, the Bank plans to complete OS upgrade by the end of 2018.

(III) Emergency Support and Security Protection Measures

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

VI. Labor-Management Relations

(I) Employee Welfare and Benefits

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

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

(II) Retirement Policy

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

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

To exemplify our brand promise to be "Here for good", the Bank signed the second Collective Bargaining Agreement (CBA) with the SCB Union on 22 September 2015. Our harmony and trustworthy partnership between labor and management is highly esteemed not only a unique model of leading by example among all the foreign banks in Taiwan, but also a global standard of demonstrating a great collaborative strategy leading to win-wins with all employees benefited. By upholding the spirits of coexistence, co-prosperity, cobenefit, and customer centricity, together we will pursue business sustainability, maintain harmonic labor-management relationship and commit to protect employees' rights and interests. There was no fine imposed on the Bank due to breach of Labor Standard Act in 2017.

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

During 2017 and until the printing date of this annual report, there was one litigation relating to labor dispute. Followed the court judgment the Bank resumed his employment.

VII. Important Contracts

Contract Type	Vendor	Contract Start and End Date	Services	Restriction
Insurance Agent and Sales Agreement	PCA Life Assurance Co. Ltd.	2017/12/26 ~ 2018/12/26 (Note 1)	PCA Life has signed the Agency and Cooperation Agreement for the Distribution of Insurance Products with Standard Chartered Bank (Taiwan) Limited	None
Insurance Distribution Agreement	PCA Life Assurance Co. Ltd.	2017/2 ~ 2029/7	PCA Life has signed the Taiwan cooperation agreement with Standard Chartered Bank (Taiwan) Limited	Unless otherwise provided in this Agreement, the Bank will exclusively sell the insurance products of PCA Life.
Insurance Sales Agreement	Fubon Life Insurance Co., LTD.	2017/12/18 ~ 2018/12/18 (Note 1)	Fubon life has signed the insurance product promotion tripartite contract with Standard Chartered Life Insurance Agency Co., Ltd. And Standard Chartered Bank (Taiwan) Limited (Note 2)	None
Insurance Agent and Sales Agreement	Fubon insurance Co., LTD.	2018/1/26 ~ 2019/1/26 (Note 1)	Fubon Insurance has signed the Agency and Cooperation Agreement for the Distribution of Insurance Products with Standard Chartered Bank (Taiwan) Limited	None
Insurance Agent and Sales Agreement	MSIG Mingtai Insurance Co., Ltd.	2018/1/6 ~ 2019/1/6 (Note 1)	MSIG Insurance has signed the Agency and Cooperation Agreement for the Distribution of Insurance Products with Standard Chartered Bank (Taiwan) Limited	None
Insurance Agent and Sales Agreement	Insurance Company of North America, Taiwan Branch	2018/2/6 ~ 2019/2/6 (Note 1)	Insurance Company of North America, Taiwan Branch, has signed the Agency and Cooperation Agreement for the Distribution of Insurance Products with Standard Chartered Bank (Taiwan) Limited	None
Facilities Management and Property Project Management Agreement	CBRE Property Services Limited Taiwan Branch	2015/9 ~ 2019/6	Facilities Management and Property Project Management Services	None
Telecom (Voice & Data) Integrated Services	Taiwan Fixed Network Co. Ltd.	2015/10 ~ 2019/9	Provide Telecom (Voice & Data) Integrated Services	None
Media Placement Services	Carat Media Taiwan Ltd.	2017/1 ~ 2018/12	Provide media placement services	None
Gift Coupon Purchase Contract	Giotto International Inc.	2017/1~ 2019/3	Supply gift coupon purchase service	None
Security Guards Service Agreement	ISS Security Ltd.	2016/8/1 ~ 2018/7/31	Branches/building security guards	None
Outsourcing	Standard Chartered Bank, London	2012/10/16 ~ 2019/12/31	I. IT system development, monitoring, and maintenance Back office data process for foreign exchange, derivatives and fixed income products	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation
Contract	Standard Chartered Bank, Singapore Branch	2016/4/15 ~ 2018/10/31	Back office data process for foreign exchange, derivatives and fixed income products	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation



Contract Type	Vendor	Contract Start and End Date	Services	Restriction	
	Standard Chartered Global Business Services Sdn. Bhd. (Note 3)	2016/4/1 ~ 2021/3/21	1. IT system development, monitoring, and maintenance 2. Back office data process for trade, loan, and derivatives	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation	
	Standard Chartered Global Business Services Private Limited India (Note 4)	2013/11/1 ~ 2021/9/30	1. IT system development, monitoring, and maintenance 2. Back office data process for trade, retail banking finance, financial reports preparation and analysis, and derivatives.	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation	
	Atos Information Technology HK Ltd	2015/1/1 ~ 2020/12/31	Data Center management and maintenance service	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation	
	Acer Cybercenter Service Inc.	2015/1/1 ~ 2021/5/31	IT system development, monitoring, and maintenance	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing	
	High Performance Information Co., Ltd.	2014/7/1 ~ 2020/3/31		of Financial Institution Operation	
	Leebao Security Company Limited	2016/10/1 ~ 2021/9/30	ATM monitoring	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation	
Outsourcing Contract	Xpedite Systems Ltd	2016/11/1 ~ 2018/12/31	Bank statements and reports delivery service to global clients	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation	
	Leebao Security Company Limited	2016/1/1 ~ 2020/12/31	Delivery services for marketable securities, checks, forms, and cash	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation	
	Taiwan Security Co., Ltd.	2016/12/1 ~ 2018/11/30			
	Transnational Logistics Solutions (Taiwan Branch)	2015/11/16 ~ 2019/3/31			
	Yuen Foong Paper Co., Ltd.	2015/1/1 ~ 2020/12/31	Check printing and delivery	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation	
	Gemalto Pte Ltd.	2015/04/30 ~ 2020/10/31	Credit card embossing service	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation	
	Fuco Tech Co., Ltd.	2015/1/1 ~ 2020/12/31	Bank statements printing and delivery	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation	
	Fuji Xerox Document Management Solutions	2016/7/1 ~ 2019/6/30	Data processing, including the data entry, processing, and output of information system	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation	

Contract Type	Vendor	Contract Start and End Date	Services	Restriction	
	Hi-Life International Co., Ltd.	2016/6/1 ~ 2020/5/31	Credit card payment collection	Regulations Governing Internal Operating Systems and	
	Taiwan Familymart Co., Ltd.	2016/6/1 ~ 2020/5/31		Procedures for the Outsourcing of Financial Institution Operation	
	President Chain Store Corp.	2016/6/1 ~ 2020/5/31		·	
	China Credit Information Service, Ltd.	2016/2/29 ~ 2020/3/1	Credit analysis report for lending customers	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation	
	Plenty Asset Management Co., Ltd.	2017/1/1 ~ 2018/7/15	Debt Collection	Regulations Governing Internal Operating Systems and	
	Yu Bon Credit Management and Consultant	2017/1/1 ~ 2018/7/15		Procedures for the Outsourcing of Financial Institution Operation	
	Lian Li Asset Management Corp., Ltd.	2017/1/1 ~ 2018/7/15			
	Gold Partners (Asia) Asset Management Co., Ltd.	2017/1/1 ~ 2018/7/15			
	Crown Van Lines Co., Ltd.	2017/1/1 ~ 2019/12/31	Document Storage	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation	
Outsourcing Contract	Mitake Information Incorporation	2013/7/1 ~ 2020/6/30	SMS message delivery	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation	
	HONDA Appraisers Joint Firm	2013/7/1 ~ 2018/12/31	Appraisal services	Regulations Governing Internal Operating Systems and	
	Great Eastern Real Estate Appraisers Joint Firm	2016/1/1 ~ 2018/12/31		Procedures for the Outsourcing of Financial Institution Operation	
	Belle Yeh Real Estate Appraisers Joint Firm	2016/1/1 ~ 2018/12/31		, i	
	Euro-Asia Real Estate Appraisers Joint Firm	2016/1/1 ~ 2018/12/31			
	DTZ Debenham Tie Leung Real Estate Appraisers Joint Firm	2016/1/1 ~ 2018/12/31			
	Hwan Yu Real Estate Appraisers Joint Firm	2016/1/1 ~ 2018/12/31			
	China Property Appraising Center Co., Ltd.	2016/3/1 ~ 2020/3/1			
	Euro-Asia International Asset Service Co.	2016/2/15 ~ 2019/2/15			
	CA, Inc	2017/9/27 ~ 2020/9/26	SMS message delivery	Regulations Governing Internal Operating Systems and Procedures for the Outsourcing of Financial Institution Operation	

Note 1: This agreement shall be automatically extended on a yearly basis unless terminated in written notice by either party upon expiration.

Note 2: Approved by the Bank's board of directors in June 2016 and by the Insurance Bureau in July 2016, Standard Chartered Life Insurance Agency Co., Ltd. ("SCLIA"), which are 100% owned subsidiaries, were merged into the Bank through absorption on 1 October 2016.

The Bank's shareholders' equity is not affected by the merger. After the merger, the assets, liabilities, rights and obligations of these two subsidiaries, as of the date of merger, were generally assumed by the Bank.

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

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

VIII. Information on Financial Assets Securitization

The Bank has no securitized asset.





"Taipei Standard Chartered Charity Marathon" which is the largest Upper left / marathon in Taiwan and has been held for 5 consecutive years, and successfully promotes awareness of visually impaired employment

Upper center / Taiwan's first-ever "500km VI Relay Challenge" which was the activation event of 2018 Taipei Standard Chartered Charity Marathon brought Taiwan's corporations and the public to understand the diversified capabilities of visually-impaired people.

Upper right / 40 visually-impaired runners created the record in Taiwan to complete the six-day relay race accompanied by 88 guide runners

Bottom/ Tens of thousands of fishes are jumping out of water, symbolizing

wealth and prosperity. (Photo by Mr. Erick YIN)



Financial Highlights

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

(I) Condensed Balance Sheet

					Unit : NTD'00
Year	0047	0040	0045	0044	0040 (Nata 0)
Item	2017	2016	2015	2014	2013 (Note 2)
Cash and cash equivalent, Due from the Central Bank and call loans to banks	141,654,121	116,277,971	96,710,310	126,851,984	114,413,331
Financial assets at fair value through profit or loss	15,915,189	26,530,679	29,014,134	36,411,714	20,458,887
Available-for-sale financial assets	185,135,013	157,879,248	182,784,483	201,168,244	230,156,830
Derivative financial assets for hedging	9,784	140,667	81,431	48,199	172,750
Securities purchased under resell agreements	3,356,185	3,196,000	2,499,824	2,556,376	1,950,000
Receivable-net	20,975,429	18,603,886	21,890,528	29,855,420	32,531,005
Current tax assets	289,519	284,209	239,692	127,143	111,724
Assets held for sale-net	-	-	-	-	-
Discounts and loans-net	262,812,237	267,281,457	303,239,940	337,544,264	344,157,478
Financial assets held-to-maturity	-	-	-	-	-
Investment under equity method-net	-	-	-	-	-
Restricted assets	7,460,090	14,284,345	10,372,019	15,702,585	641,400
Other financial assets-net	127,362	127,362	130,089	146,039	151,245
Property, plant and equipment-net	4,422,756	4,687,179	4,925,588	5,407,192	5,563,504
Investment property-net	-	-	-	-	-
Intangible assets-net	3,156,048	3,156,048	3,156,048	3,156,075	3,157,050
Deferred tax assets-net	1,489,054	1,767,016	2,238,372	2,318,677	2,397,891
Other assets	1,113,604	1,307,968	9,942,704	8,473,078	2,629,938
Total assets	647,916,391	615,524,035	667,225,162	769,766,990	758,493,033
Deposits from the Central Bank and banks	59,092,527	31,412,055	27,979,736	25,876,934	45,985,672
Financing from Central Bank and other banks	-	-	-	-	-
Financial liabilities at fair value through orofit or loss	7,384,904	14,882,839	17,058,968	13,462,099	7,533,988
Derivative financial liabilities for hedging	43,768	40,185	32,480	5,065	3,227
Bonds and bills sold under repurchase agreements	-	-	-	-	-
Payables	12,029,637	13,880,847	20,816,563	23,733,188	12,060,209

	Year						
Item		2017	2016	2015	2014	2013 (Note 2)	
Current tax liabilities		20,583	17,998	99,875	85,530	35,311	
Liabilities directly a		-	-	-	-	-	
Deposits and rem	ittances	505,410,260	492,606,933	497,589,001	597,519,644	576,902,709	
Bank notes payab	le	14,530,780	16,037,802	53,341,063	53,202,188	55,559,925	
Preferred stock lia	bility	-	-	-	-	-	
Other financial liab	oilities	1,264,386	1,033,273	1,158,492	3,304,529	13,120,022	
Provisions		1,587,395	1,482,568	1,791,407	1,908,858	1,915,124	
Deferred tax liabili	ties	682,519	645,744	672,273	720,274	592,787	
Other liabilities		2,032,233	1,754,631	3,405,545	5,167,178	2,378,547	
Tarabana da Parabana da Pa	Before distribution	604,078,992	573,794,875	623,945,403	724,985,487	716,087,521	
Total liabilities	After distribution	604,078,992	573,794,875	623,945,403	724,985,487	716,087,521	
Equity attributable parent company	to owners of the	43,837,399	41,729,160	43,279,759	44,781,503	42,405,512	
Common atomi	Before distribution	29,105,720	29,105,720	29,105,720	29,105,720	29,105,720	
Common stock	After distribution	29,105,720	29,105,720	29,105,720	29,105,720	29,105,720	
Capital surplus		5,794,771	5,794,771	5,794,771	5,786,031	5,786,031	
Retained	Before distribution	8,883,263	6,990,412	7,763,677	9,025,881	6,905,319	
earnings	After distribution	Note 1	6,774,952	6,729,496	6,297,801	5,837,819	
Other equity interest		53,645	(161,743)	615,591	863,871	608,442	
Treasury stock		-	-	-	-	-	
Non-controlling in	terest	-	-	-	-	-	
Total amilia	Before distribution	43,837,399	41,729,160	43,279,759	44,781,503	42,405,512	
Total equity	After distribution	Note 1	41,513,700	42,245,578	42,053,423	41,338,012	

 $\textbf{Note 1:} \ \textbf{The Annual General Meeting is not held yet}.$

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

Condensed Balance Sheet - Standalone : Not Applicable

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

Voca					Unit : NTD'000
Year	2017	2016	2015	2014	2013
Interest income	9,605,338	9,725,689	12,236,352	14,060,064	14,391,931
Less : interest expense	4,275,089	3,567,771	5,104,577	5,331,658	5,043,953
Net interest income	5,330,249	6,157,918	7,131,775	8,728,406	9,347,978
Net non-interest income	8,131,998	6,071,276	6,589,565	7,120,592	5,758,690
Net revenue	13,462,247	12,229,194	13,721,340	15,848,998	15,106,668
Less : Bad debts expense and guarantee liability provision	768,347	1,469,813	1,085,551	682,630	1,632,146
Less : Operating expenses	10,103,208	9,981,995	10,878,869	11,348,676	10,629,392
Income from continuing operation before tax	2,590,692	777,386	1,756,920	3,817,692	2,845,130
Income tax expenses	395,552	610,368	317,938	551,273	454,071
Net income from continuing operation	2,195,140	167,018	1,438,982	3,266,419	2,391,059
Income (loss) from discontinued operation	-	-	-	-	-
Net income (loss)	2,195,140	167,018	1,438,982	3,266,419	2,391,059
Other comprehensive income (net of tax)	128,559	(683,436)	(221,386)	177,522	(408,914)
Total comprehensive income	2,323,699	(516,418)	1,217,596	3,443,941	1,982,145
Net income attributable to owners of the parent company	2,195,140	167,018	1,438,982	3,266,419	2,391,059
Net income attributable to non-controlling interest	-	-	-	-	-
Total comprehensive income attributable to owners of the parent company	2,323,699	(516,418)	1,217,596	3,443,941	1,982,145
Total comprehensive income attributable to owners of the parent company	-	-	-	-	-
Earnings per share	0.75	0.06	0.49	1.12	0.82

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

(III) Name of Independent Auditors and the Audit Opinion

Year 2017		2016	2015	2014	2013
Name of CPA	Yung-Sheng Wang, Yuan-Sheng Yin	Yung-Sheng Wang, Yuan-Sheng Yin	Lin Wu, Yung-Sheng Wang	Ming-Zhi Wang, Lin Wu	Ming-Zhi Wang, Lin Wu
Audit Opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion	Unqualified opinion

II. Financial Analysis for the Past Five Years

(I) Ratio Analysis

	Year					
Iten	n	2017	2016	2015	2014	2013
Op	Ratio of loans to deposits (%)	52.95	55.32	61.92	57.22	60.57
	Ratio of non-performing loans (%)	0.37	0.63	0.35	0.29	0.56
era	Ratio of interest cost to annual average deposits (%)	0.71	0.57	0.66	0.66	0.64
Operating Capability	Ratio of interest income to annual average loans outstanding (%)	2.48	2.49	2.61	2.73	3.06
pabi	Total assets turnover (time)	0.02	0.02	0.02	0.02	0.02
Ψ	Average operating income per employee (thousand dollar)	4,387	3,859	4,069	4,296	3,901
	Average profit per employee (thousand dollar)	715	53	427	885	617
	Return on Tier 1 capital (%)	6.71	2.05	4.50	9.84	7.43
Pro	Return on assets (%)	0.35	0.03	0.20	0.43	0.32
Profitability	Return on equity (%)	5.13	0.39	3.27	7.49	5.60
oility	Net income ratio (%)	16.31	1.37	10.49	20.61	15.83
	Earnings per share (NTD)	0.75	0.06	0.49	1.12	0.82
Financial Structure	Ratio of liabilities to assets (%)	93.23	93.22	93.51	94.18	94.41
	Ratio of property and equipment to equity (%)	10.09	11.23	11.38	12.07	13.12
R G	Asset growth rate (%)	5.26	(7.75)	(13.32)	1.49	3.03
Growth Rate	Profit growth rate (%)	233.26	(55.75)	(53.98)	34.18	(23.16)
C	Cash flow ratio (%)	26.78	117.09	(41.15)	(1.54)	95.34
Cash	Cash flow adequacy ratio (%)	1,485.48	546.93	(234.89)	7.72	8.14
Flow	Ratio of cash flow from operations to cash flow from investments (%)	4,892.31	815.72	2,367.74	16.29	(4,166.46)
Ratio	o of liquidity reserve (%)	75.58	59.57	58.92	56.47	53.70
Bala	ance of secured loans of related parties (thousand dollar)	2,054,036	2,388,696	2,570,261	2,710,970	2,691,498
	al secured loans of related parties as a percentage of total as (%)	0.73	0.84	0.79	0.73	0.68
0	Market share of assets (%)	1.24	1.23	1.36	1.63	1.75
Sc	Market share of net worth (%)	1.21	1.20	1.31	1.48	1.56
Operating Scale	Market share of deposits (%)	1.30	1.32	1.39	1.78	1.83
gn	Market share of loans (%)	0.93	0.98	1.14	1.29	1.47

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

- 1. Non-performing loans (NPL) ratio significantly improved in 2017 as Loan impairment was down by 48% on account of stabilized derivatives portfolio resulting from Renminbi ("RMB") depreciation in 2016 and sustained improvement in the quality of unsecured lending portfolio.
- 2. Interest cost to annual average deposits ratio increased year-on-year mainly attributable to a series of deposit campaigns to take deposit to support business growth. The Bank dedicates to optimise deposit mix and increase management efficiency on funding cost.
- 3. Average profit per employee, profitability and profit growth rate dramatically enhanced against last year. The Bank has delivered a solid financial performance in 2017 with income before tax up 233%. Net revenue improved 10% mainly contributed by strong wealth management momentum, foreign exchange gain, property's disposal gain, while partially offset by interest margin compression as well as sluggish financial market sentiment in foreign exchange option. Operating expenses increased by 1% to support business growth and various investments, while loan impairment was down by 48% on account of improved quality of lending portfolio.

- 4. Asset growth rate made a big change from negative to positive, cash flow ratio decreased and liquidity reserve ratio increased year-on-year.
 The Bank's balance sheet remained liquid and healthy. Deposits increased in pace with mortgage business growth. The rest of the funds are used to invest in available-for-sale financial assets, such as NCD and government bonds.
- 5. Cash flow adequacy ratio increased against last year as the cash outflow of dividend repatriation in 2017 is the lowest among past 7 years due to net profit drop in 2016.
- 6. Cash flow from operations to cash flow from investments ratio increased year-on-year primarily resulted from the drop of net cash inflow from investing activities from 2015 to 2016. The derivatives collateral as at Dec-end 2015 was relatively material due to the considerable derivatives volume and market volatility.

Note: Financial ratios are computed as follows:

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

Ratio Analysis - Standalone: Not Applicable

(II) Capital Adequacy

Unit: NTD'000

		Year		5-Year Capi	tal Adequacy Ra	atio ("CAR")	
Ite	m		2017	2016	2015	2014	2013
Self	Comr	non Equity Tier 1 Capital	39,686,736	37,530,261	38,369,729	39,718,971	37,901,116
own.	Other Non-Common Equity Tier 1 Capital		-	-	-	-	-
Self-owned capital	Tier 2	Capital	9,433,516	10,119,637	10,861,100	16,734,827	18,733,607
pital	Total S	Self-Owned Capital	49,120,252	47,649,898	49,230,829	56,453,798	56,634,722
	Credit	Standardized Approach	261,584,019	273,014,017	300,942,295	356,351,785	363,987,158
	dit R	Internal Ratings-Based Approach	-	-	-	-	-
	Risk	Securitization	-	-	-	-	-
	Operational Risk	Basic Indicator Approach	24,233,455	25,574,978	28,135,608	30,051,647	31,138,609
RWA		Standardized Approach / Alternative Standardized Approach	-	-	-	-	-
D		Advanced Measurement Approaches	-	-	-	-	-
	Market Risk	Standardized Approach	17,487,767	16,826,701	13,447,757	19,491,066	19,217,874
	//arket Risk	Internal Models-Based Approach	-	-	-	-	-
	Total Risk-Weighted Assets		303,305,241	315,415,696	342,525,660	405,894,498	414,343,642
Ca	Capital Adequacy Ratio		16.19%	15.11%	14.37%	13.91%	13.67%
Tie	Tier 1 Capital Ratio		13.08%	11.90%	11.20%	9.79%	9.15%
Co	mmon E	Equity Tier 1 Capital Ratio	13.08%	11.90%	11.20%	9.79%	9.15%
Lev	verage F	Ratio	5.90%	5.41%	4.77%	4.35%	-

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

Note: The ratios are calculated as follows:

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

Capital Adequacy - Standalone : Not Applicable

III. Audit Committee's Report for 2017 Financial Statements



審計委員會審查報告書

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Audit Committee's Report

本公司董事會所編造呈送民國一〇六年年度財務報告,業經安侯建業聯合會計師事務所王勇 勝、尹元聖會計師查核竣事,經本審計委員會審查完竣,認無不符,爰依證券交易法第十四 條之四、第十四條之五、第三十六條第一項第二款及公司法第二一九條之規定繕具報告。

The board of directors have compiled and submitted the Company's 2017 audited financial statement, audited by Victor Wang and Jason Yin of KPMG. We are satisfied that they have been correctly compiled with the books and accounts of the Company and comply with applicable regulations. The Audit Committee's Report is issued in accordance with Article 14-4, 14-5, Clause 1, Item 2, Article 36 of Securities and Exchange Act and Article 219 of Company Act.

渣打國際商業銀行股份有限公司 STANDARD CHARTERED BANK (TAIWAN) LIMITED

審計委員會召集人:

Audit Committee Convener:

簽 名:

Signed:

殷乃平

Nei-Ping Yin

中華民國 107 年 3 月 16 日 16 Mar 2018 2017 CPA Audited Financial Statements of the Bank
 2017 Standalone Financial Statements and Independent Auditors' Report
 Any Financial Crunch Confronted by the Bank and Its Affiliates and the Related Impacts

渣打國際商業銀行股份有限公司 審計委員會審查報告書

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Audit Committee's Report

本公司董事會所編造民國一○六年度營業報告書及盈餘分配表,復經本審計委員會審查完 竣,經核尚無不符,爱依證券交易法第十四條之四及公司法第二一九條之規定繕具審查報告。

The Board of directors has compiled the Company's 2017 business report and profit allocation statement. The Audit Committee has reviewed said business report and profit allocation statement and believed these statements comply with applicable regulations. The Audit Committee's Report is duly issued in accordance with Article 14-4 of Securities and Exchange Act and Article 219 of Company Act.

> 渣打國際商業銀行股份有限公司 STANDARD CHARTERED BANK (TAIWAN) LIMITED

審計委員會召集人:

Audit Committee Convener:

Nei-Ping Yin

IV. 2017 CPA Audited Financial Statements of the Bank:

Refer to Appendix 1 - 2017 Financial Statements.

V. 2017 Standalone Financial Statements and Independent Auditors' Report:

Not Applicable

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





Upper left / Standard Chartered partnered with National Chengchi University and Taiwan Finance Association to debut the "SCB Fintech Campus Idea Challenge".

Upper center / Standard Chartered supports the New Southbound Policy by sharing local knowledge of taxation, economic development and investment opportunities to Taiwanese companies through the
"SCB Forum - ASEAN India Trade Corridor".

Upper right / Taichung City Mayor Mr. Chia-Lung LIN was invited to the ribboncutting ceremony for grand opening of SCB iWealth Centre in Taichung.

The Dried Persimmon Festival in Xinpu Township of Hsinchu County showcases a vast of golden persimmons, symbolizing a flourishing outlook. (Photo by Ms. Sunny HOU)

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I. Analysis of Financial Conditions

Unit: NTD'000

Year			Increase / (Decrease) Variance		
Item	2017	2016	Amount	%	
Cash and cash equivalent, Due from the Central Bank and call loans to banks	141,654,121	116,277,971	25,376,150	21.82	
Financial assets at fair value through profit or loss	15,915,189	26,530,679	(10,615,490)	(40.01)	
Available-for-sale financial assets	185,135,013	157,879,248	27,255,765	17.26	
Derivative financial assets for hedging	9,784	140,667	(130,883)	(93.04)	
Securities purchased under resell agreements	3,356,185	3,196,000	160,185	5.01	
Receivable-net	20,975,429	18, 603,886	2,371,543	12.75	
Current tax assets	289,519	284,209	5,310	1.87	
Assets held for sale-net	-	-	-	-	
Discounts and loans-net	262,812,237	267,281,457	(4,469,220)	(1.67)	
Financial assets held-to-maturity	-	-	-	-	
Investment under equity method-net	-	-	-	-	
Restricted assets	7,460,090	14,284,345	(6,824,255)	(47.77)	
Other financial assets-net	127,362	127,362	-	-	
Property, plant and equipment-net	4,422,756	4,687,179	(264,423)	(5.64)	
Investment property-net	-	-	-	-	
Intangible assets-net	3,156,048	3,156,048	-	-	
Deferred tax assets-net	1,489,054	1,767,016	(277,962)	(15.73)	
Other assets	1,113,604	1,307,968	(194,364)	(14.86)	
Total assets	647,916,391	615,524,035	32,392,356	5.26	
Deposits from the Central Bank and banks	59,092,527	31,412,055	27,680,472	88.12	
Financing from Central Bank and other banks	-	-	-	-	
Financial liabilities at fair value through profit or loss	7,384,904	14,882,839	(7,497,935)	(50.38)	
Derivative financial liabilities for hedging	43,768	40,185	3,583	8.92	
Bonds and bills sold under repurchase agreements	-	-	-	-	
Payables	12,029,637	13,880,847	(1,851,210)	(13.34)	
Current tax liabilities	20,583	17,998	2,585	14.36	
Liabilities directly associated with assets held for sale	_	-	-	-	

Year				Increase / (Decreas	se) Variance
Item			2016	Amount	%
Deposits and remitta	nces	505,410,260	492,606,933	12,803,327	2.60
Bank notes payable		14,530,780	16,037,802	(1,507,022)	(9.40)
Preferred stock liabili	ty	-	-	-	-
Other financial liabiliti	es	1,264,386	1,033,273	231,113	22.37
Provisions		1,587,395	1,482,568	104,827	7.07
Deferred tax liabilities	3	682,519	645,744	36,775	5.69
Other liabilities		2,032,233	1,754,631	277,602	15.82
Total liabilities	Before distribution	604,078,992	573,794,875	30,284,117	5.28
rotal liabilities	After distribution	604,078,992	573,794,875	30,284,117	5.28
Equity attributable to	owners of the parent company	43,837,399	41,729,160	2,108,239	5.05
Common stools	Before distribution	29,105,720	29,105,720	-	-
Common stock	After distribution	29,105,720	29,105,720	-	-
Capital surplus		5,794,771	5,794,771	-	-
Datained comings	Before distribution	8,883,263	6,990,412	1,892,851	27.08
Retained earnings	After distribution	Note	6,774,952	-	-
Other equity interest		53,645	(161,743)	215,388	133.17
Treasury stock		-	-	-	-
Non-controlling interest		-	-	-	-
Total equity	Before distribution	43,837,399	41,729,160	2,108,239	5.05
Total equity	After distribution	Note	41,513,700	-	-

Note: The Annual General Meeting is not held yet.

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

The Bank's balance sheet remained liquid and healthy with the capital adequacy ratio at 16.2%. Deposits increased in pace with mortgage business growth. The Bank dedicates to optimise deposit mix and increase management efficiency on funding cost. While overall customer loans outstanding was slightly lower than that of in 2016 by 2%, customer assets turned around in the second half of 2017. The momentum in mortgage expects to continue through 2018 in light of prospect of real estate market.

Analysis of Financial Conditions - Standalone: Not Applicable.

II. Analysis of Financial Results

Unit: NTD'000

Year			Increase / (Decre	ase) Variance
Item	2017	2016	Amount	%
Interest income	9,605,338	9,725,689	(120,351)	(1.24)
Less : interest expense	4,275,089	3,567,771	707,318	19.83
Net interest income	5,330,249	6,157,918	(827,669)	(13.44)
Net non-interest income	8,131,998	6,071,276	2,060,722	33.94
Net revenue	13,462,247	12,229,194	1,233,053	10.08
Less : Bad debts expense and guarantee liability provision	768,347	1,469,813	(701,466)	(47.72)
Less : Operating expenses	10,103,208	9,981,995	121,213	1.21
Income from continuing operation before tax	2,590,692	777,386	1,813,306	233.26
Income tax expense	395,552	610,368	(214,816)	(35.19)
Net income from continuing operation	2,195,140	167,018	2,028,122	1,214.31
Income (loss) from discontinued operation	-	-	-	-
Net income (loss)	2,195,140	167,018	2,028,122	1,214.31
Other comprehensive income (net of tax)	128,559	(683,436)	811,995	118.81
Total comprehensive income	2,323,699	(516,418)	2,840,117	549.96
Net income attributable to owners of the parent company	2,195,140	167,018	2,028,122	1,214.31
Net income attributable to non-controlling interest	-	-	-	-
Total comprehensive income attributable to owners of the parent company	2,323,699	(516,418)	2,840,117	549.96
Total comprehensive income attributable to owners of the parent company	-	-	-	-
Earnings per share	0.75	0.06	0.69	1,150.00

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

Net revenue improved 10% mainly contributed by strong wealth management momentum, foreign exchange gain, property's disposal gain, while partially offset by interest margin compression as well as sluggish financial market sentiment in foreign exchange option.

Operating expenses increased by 1% to support business growth and various investments. Through process streamline, branch and channel optimisation as well as productivity and efficiency enhancement, the Bank was able to utilize the savings from costs for talent development and system/infrastructure upgrade.

As a result, the cost-to-income ratio improved from 82% to 75%. Loan impairment was down by 48% on account of stabilized derivatives portfolio resulting from Renminbi ("RMB") depreciation in 2016 and sustained improvement in the quality of unsecured lending portfolio. Income before tax was up 233%, leading the Bank's after income tax return on equity significantly increased from 0.4% to 5.1%.

Analysis of Financial Results - Standalone : Not Applicable.

Cash Flows • Impact on the Bank's Financial Structure and Business from Substantial Capital
Expenditure in the Most Recent Year • Reinvestment Policy for 2017, Main Reasons for
Investment Gain or Loss, and the Improvement and Investment Plan for the Next Year

III. Cash Flows

(I) Liquidity Analysis for the Past Two Years

Year			
Item	2017	2016	Increase / (Decrease) Variance
Cash flow ratio (%)	26.78	117.09	(90.31)
Net Cash flow adequacy ratio (%)	1,485.48	546.93	938.55
Ratio of cash flow from operations to cash flow from investments (%)	4,892.31	815.72	4,076.59

Reasons for the material changes in liquidity: Please refer to Financial Analysis for the Past Five Years from Chapter VI – Financial Highlights.

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

(II) Liquidity Analysis for the Next Year

					Unit: NTD'000
Cash Balance at	Net Operating	Net Investing and Financing Cash	Cash Surplus	Remedy plan in case of Cash Deficiency	
the Start of the Period (1)	Cash Flow for the Whole Year (2)	Flow for the Whole Year (3)	(Deficit) (1)+(2)+(3)	Investment Plan	Financing Plan
26,535,866	(13,138,738)	1,591,312	14,988,440	None	None

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

(I) Major Capital Expenditures in the Most Recent Year

Through branch optimization and renovation, the Bank can uplift operation efficiency and provide customers with higher quality environment and convenient services through facilities upgrade and branch remodeling. Since 2015, Group decided to invest in Taiwan retail banking markets. After the investments in the 1st iWealth Centre in Taipei in 2016, the Bank launched another iWealth Centre in Taichung. The Bank aims to take this successful model to further expand the market for Taiwan's priority wealth management customers.

In addition, the Bank dedicates to optimise working environment. The "flexible working environment" has been introduced to respective functions and departments to make the office a better place to work. There is greater knowledge sharing and collaboration between different teams, and wide variety of workspaces to work from based on the type of activities. The work environment looks brighter and more spacious.

Unit: NTD'000

Project Item		Capital Expenditures
	Changhua Branch	29,241
Branch relocation and renovation	Puxin Branch	11,159
Branch relocation and renovation	Taichung Branch	20,387
	Nankan Branch	10,440
	Hung Tai Building	7,586
Working environment optimization	Bade Building	11,283
	Sanmin Building	9,329

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

V. Reinvestment Policy for 2017, Main Reasons for Investment Gain or Loss, and the Improvement and Investment Plan for the Next Year:

VI. Risk Management

(I) Qualitative and Quantitative Information of All Risks

- 1. Credit Risk Management Structure and Capital Requirement
 - (1) Credit Risk Management Structure

Description	Disclosure			
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 profit consistently and sustainably and is thus a central part of the financial and operational management of the Bank.			
	Strategy & Goal			
	Through our risk management framework we manage enterprise-wide risks, with the			
	objective of optimizing risk-adjusted returns while remaining within our risk appetite. Under this framework, we use a set of principles that describe the risk management culture we wish to sustain:			
	Balancing risk and reward: risk is taken in support of the requirements of ous takeholders, in line with our strategy and within our risk appetite;			
	 Responsibility: it is the responsibility of all employees to ensure that risk-taking is disciplined and focused. We take account of our social, environmental and ethical responsibilities in taking risk to produce a return; 			
	 Accountability: risk is taken only within agreed authorities and where there i appropriate infrastructure and resource. All risk-taking must be transparent controlled and reported; 			
	Anticipation: we seek to anticipate future risks and maximize awareness of all risks and			
	Competitive advantage: we seek competitive advantage through efficient an effective risk management and control. Policies and Procedures			
	The credit policies and procedures are considered and approved by the Board, whice also oversees the delegation of credit approval and loan impairment provisionin 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 an adapted to reflect the different risk environments and portfolio characteristics.			
2. Credit risk management organization and structure	Ultimate responsibility for the effective management of risk rests with the Bank' Board. The Executive Risk Committee, through its authority delegated by the Boar			
and off dotal o	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.			

Description	Disclosure		
	The Risk function is independent of the origination, trading and sales functions to ensure that the necessary balance in risk/return decisions is not compromised. The Board and Executive Committee receive regular reports on risk management and are authorized to investigate or seek any information relating to an activity within its term of reference. Internal Audit is an independent function that reports to the Board. It provides assurance that policies and procedures are being complied with. The findings and recommended corrective actions from the audits are reported to all relevant management and governance bodies.		
The scope and characteristics of credit risk report and evaluation system	Risk measurement plays a central role, along with judgment and experience, in informing risk-taking and portfolio management decisions. Various risk measurement systems are available to the Risk function to enable them to assess and manage the credit portfolio. These include systems to calculate probability of default (PD), loss given default (LGD) and exposure at default (EAD) on a transaction, counterparty and portfolio basis. A number of internal risk management reports are produced on a regular basis, providing information such as, individual counterparty, counterparty group, portfolio exposure, credit grade migration, the status of accounts or portfolios showing signs of weakness or financial deterioration, models performance and updates on credit markets. The Bank regularly monitors credit exposures, portfolio performance, and external trends which may impact risk management outcomes. Internal risk management reports are presented to Executive Risk Committee, containing information on key environmental, political and economic trends across major portfolios and countries; portfolio delinquency and loan impairment performance.		
4. Policies for credit risk hedge and mitigation, as well as the strategy and procedure for maintaining efficiency in risk hedge and mitigation tools	Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, netting agreements, credit insurance, credit derivatives and other guarantees. The reliance that can be placed on these mitigants is carefully assessed in light of potential issues such as legal certainty and enforceability, market valuation correlation and counterparty risk of the guarantor. Risk mitigation policies determine the eligibility of collateral types. Collateral types which are eligible for risk mitigation include: cash, residential, commercial and industrial property; fixed assets such as motor vehicles, aircraft, plant and machinery; marketable securities; commodities; bank guarantees and letters of credit. The Bank also enters into collateralized reverse repurchase agreements.		

Description	Disclosure
	Where guarantees or credit derivatives are used as Credit Risk Mitigation (CRM), the
	creditworthiness is assessed and established using the credit approval process in
	addition to that of the obligor or main counterparty.
	Collateral is valued in accordance with the CRM, which prescribes the frequency of
	valuation for different collateral types, based on the level of price volatility of each type
	of collateral and the nature of the underlying product or risk exposure. Collateral held
	against impaired loans is maintained at fair value.
	Certain credit exposures, e.g. non-recourse receivable service, are mitigated using
	credit default insurance.
	Bilateral and multilateral netting agreements are used to reduce counterparty credit
	risk. Counterparty credit exposures are generally netted using bilateral netting
	documentation in legally approved jurisdictions, Delivery vs. Payment or Payment vs.
	Payment systems.
5. Method used for regulatory capital	Standardized Approach
calculation	

(2) Required Capital for Credit Risk under Standardized Approach

31 March 2018 Unit : NTD'000

Exposure Type	Exposure after Risk Mitigation	Required Capital (Note)
Sovereign	201,597,709	-
Non-central government public sector entities	-	-
Banks (including multilateral development banks)	126,043,209	3,103,819
Corporations (including security and insurance companies)	101,309,702	7,212,681
Retail	58,764,060	3,535,850
Residential mortgage	132,282,250	5,777,417
Equity security investment	44,068	3,525
Other assets	11,196,816	647,432
Total	631,237,814	20,280,724

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

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

Not applicable.

The Bank has no securitization assets.

3. Operational Risk Management Structure and Capital Requirement

(1) Operational Risk Management Structure

Description	Disclosure				
Strategy and procedure of operational risk management	Operational risk is defined as the potential for loss resulting from failure of processes, people, or systems or external events, including legal risk. Operational risk management approach serves to continually improve the Bank's ability to anticipate all material risks and to increase our ability to demonstrate, with a high degree of confidence, that those material risks are well controlled. According to Operational risk framework, operational risks are managed through risk identification, assessment, control, acceptance, and monitoring approaches. Responsibility for the management of operational risk rests with businesses and functions. The Framework sets out the respective responsibilities of the 3 Lines of Defense.				
2. Operational risk management organization and structure	Governance over operational risk management is achieved through a defined structure of committees. The Risk Committee is designed to oversee and to challenge the effectiveness of risk management and control. It is also authorized to take certain risk acceptance and control decisions which are outside the authority of individual managers. The Risk Committee delegates the authority to Country Operational Risk Committee ("CORC") to determine the Bank's approach to the management of operational risk in accordance with the Risk Management Framework, and has the responsibility to ensure its effective application. The CORC oversees the management of operational risks across the Bank, supported by business and country level committees. The CORC is responsible for ensuring the effectiveness of the Taiwan's Operational Risk Framework and committee structure and that it is implemented consistently. The Bank also receives strong support from SCB regional and group business and risk management functions.				
3. The scope and characteristics of operational risk report and evaluation system	According to nature and activities of operational risk, the effectiveness of operational risk management is controlled and monitored by different expertise of second line control owners accordingly. The following risk subtype and activities fall within the scope of operational risk, including external rules and regulations, liability, legal enforceability, damage or loss of physical assets, safety & security, internal fraud or dishonesty, external fraud, information security, processing failure, model, people management, vendor management, data quality management, business contingency management, financial management, and corporate authorities & structure.				

Description	Disclosure
	The on-going effectiveness of operational risk controls is ensured through an assurance approach that comprises the responsibility of three lines of defences. It is based on the responsibility that businesses and functions have to adhere to control requirements and to periodically test adherence through control sample testing performed on controls embedded within critical processes.
4. Policies for operational risk hedge/ mitigation, as well as the strategy and procedure for maintaining efficiency in risk hedge/mitigation tools	The operational risk management procedures and processes are built based on Risk Management Framework, and they are integral components of the Operational Risk Management Framework. Operational risks are managed through an end to end process of risk identification, assessment, control, acceptance, and monitoring. This process is performed at all levels across the Bank and is the foundation of the management approach. The identified risks are assessed against operational risk
	matrices to determine their significance and mitigation actions to reduce the exposure to acceptable levels. Risk mitigation plans are overseen by the appropriate operational risk forum(s) and/or CORC.
5. Method used for regulatory capital calculation	Basic Indicator Approach.

(2) Required Capital for Operational Risk

Unit: NTD'000

Year	Gross Operating Profit	Required Capital
2015	13,244,982	
2016	12,199,425	
2017	13,329,121	
Total	38,773,528	1,938,676

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

4. Market Risk Management Structure and Capital Requirement

(1) Market Risk Management Structure

Description	Disclosure				
Strategy and procedure of market risk management	The Bank recognizes market risk as the risk of loss resulting from changes in market prices and rates. The Bank is exposed to market risk arising principally from customer-driven transactions. The objective of the Bank's market risk policies and processes is to obtain the best balance of risk and return while meeting customers' requirements.				
2. Market risk management organization and structure	Market and Liquidity Risk Taiwan followed the regulatory requirement of the Taiwan Financial Supervisory Commission to develop the market risk management policies and procedures, which include the banking books and trading books. The objective of the Bank's limits is annually reviewed by Market and Liquidity Risk Taiwan and is in line with Group Market Risk Committee guidance. The policies and procedures are presented to the Board for approval. Market risk limits are proposed by the business within the terms of the agreed policy. Limits are presented to the Risk Committee for approval with its authority delegated by the Board. Limits for derivatives require approval from the Board. Market and Liquidity Risk Taiwan monitors exposures against these limits on a daily basis. Related market risk management results are reported to the Risk Committee at a minimum on a quarterly basis. Taiwan's market risk is managed locally by the Bank, which also receives strong support from SCB group and market risk management functions based outside of Taiwan.				
3. The scope and characteristics of market risk report and evaluation system	The scope of market risk report covers market exposures in both trading book and banking book. The primary categories of market risk for the Bank are interest rate risk and currency exchange rate risk linked to trading products in financial markets, as the Bank has not held any positions relating to commodities price risk and equity price risk. The Bank measures the risk of losses arising from future potential adverse movements in market rates, prices and volatilities using a Value at Risk (VaR) methodology. VaR, in general, is a quantitative measure of market risk which applies recent historical market conditions to estimate the potential future loss in market value that will not be exceeded in a set time period at a set statistical confidence level. The table below lists the market risk (such as exchange rate or interest rate) of financial instruments of the Bank. Market risk represents potential losses that the Bank may suffer in one day when unfavorable changes occur on the Bank's position at a 97.5% confidence interval under a certain price probability distribution.				
	in one day when unfavorable changes occur on the Bank's position at a 97.				

	2017				2016		
	Average	Maximum	Minimum	Average	Maximum	Minimum	
Foreign exchange VaR	5,579	13,231	1,755	4,860	11,533	1,145	
Interest rate VaR	51,660	64,065	38,593	50,710	66,716	26,394	
Risk rate VaR	52,028	65,311	38,816	51,038	67,165	26,959	

Description	Disclosure
	Losses beyond the confidence interval are not captured by a VaR calculation, which therefore gives no indication of the size of unexpected losses in these situations. Market and Liquidity Risk Taiwan complements the VaR measurement by stress testing of market risk exposures to highlight the potential risk that may arise from extreme market events that are rare but plausible. Stress testing is an integral part of the market risk management framework and considers both historical market events and forward looking scenarios. Stress testing is applied to trading and banking books, respectively.
4. Policies for market risk hedge/mitigation, as well as the strategy and procedure for maintaining efficiency in risk hedge/mitigation tools	Market Risk is mitigated by the Bank's standard process as risk is measured, monitored, reported and controlled on a portfolio basis. Market risk policies, procedures and limits are annually reviewed by Market and Liquidity Risk Taiwan. The policies and procedures cover both trading and non-trading books and are presented to Board for approval.
	All products used in risk mitigation must be authorized products in their own right with appropriate Product Programs. Any product a business uses for risk mitigation must be explicitly referenced in the Market Risk limit for the business
5. Method used for regulatory capital calculation	Standardized Approach / Delta-Plus for Options

(2) Required Capital for Market Risk

31 March 2018

Unit: NTD'000

	Item	Required Capital
Standardized Approach	Interest Rate Risk	1,482,251
	Foreign Exchange Risk	205,023
	Equity Position Risk	-
	Commodities Risk	-
Internal Model-Based Approach		-
Total		1,687,274

Unit: NTD'000

Unit: USD'000

5. Liquidity risk

(1) Maturity analysis of assets and liabilities

Structure Analysis of Maturity Date - New Taiwan Dollars

31 March 2018

Remaining period to expiration

	Total	1~10 days	11~30 days	31~90 days	91~180 days	181days~1 year	Over 1 year
Capital Provided	800,256,865	107,464,142	69,667,422	171,622,490	108,381,567	132,985,270	210,135,974
Capital Used	880,506,704	50,714,140	94,942,475	225,344,539	139,981,357	96,781,618	272,742,575
Gap	(80,249,839)	56,750,002	(25,275,053)	(53,722,049)	(31,599,790)	36,203,652	(62,606,601)

Structure Analysis of Maturity Date - US Dollars

31 March 2018

Remaining period to expiration

•	Total	1~30 days	31~90 days	91~180 days	181days~1 year	Over 1 year
Capital Provided	22,201,911	7,138,555	7,347,007	4,434,328	2,606,694	675,327
Capital Used	23,133,178	7,952,985	7,795,233	3,126,489	2,610,450	1,648,021
Gap	(931,267)	(814,430)	(448,226)	1,307,839	(3,756)	(972,694)

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

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

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

- 1. In response to the implementation of International Financial Reporting Standard 9 ("IFRS 9") starting from 1 January 2018, the Bank has complied with the regulatory requirements. To evaluate impairment loss attributed from credit risk, lending and discounted note, the Bank has taken it into consideration and factored in bad debt provision, guarantee liability provision and undrawn commitment provision.
- 2. FSC released the "Regulations Governing the Capital Adequacy and Capital Category of Banks" on 9 January 2018. The domestic banks are required to establish procedure for disclosure of capital adequacy and relevant risk management information. The Bank will adopt and comply with the regulatory requirements.
- 3. According to the letter from the FSC on 19 December 2017, Taiwan will adopt the International Financial Reporting Standard 16 ("IFRS 16") in Leases starting from 1 January 2019. The Bank formed a task force of IFRS16 in Q1 2018 to propose the implementation plan and timeline to the Board. Going forward, the implementation progress will be reported to the Board on a quarterly basis for tracking.
- 4. In response to the Global trend of Information transparency, the Ministry of Finance issued the "Regulations Governing the Implementation of the Common Standard on Reporting and Due Diligence for Financial Institutions". The purpose is to establish an international standard approach to enhance the effectiveness of cross border cooperation. The Bank will fully comply with the regulatory requirements accordingly.

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

In response to the age of Fintech, the Bank understands the innovations on technology and customer behavior change well and continues to work on banking system enhancement to fulfill customers' needs and provide more efficient financial service. The Bank has launched online CASA system in 2017 which enables customers to apply deposit accounts through online system. The upgraded system has not only simplified the process, but also saved our customers' time with more convenient services. In addition, customer data protection is the top priority of the Bank. We keep on adopting new technologies to uplift the overall service level and investing resources to strengthen the security over systems with high level standards.

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

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

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

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

(V) Anticipated Benefits, Potential Risks and Responsive Actions for M&A: None

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

In order to provide customers with higher quality environment and services, grow market shares, as well as to strengthen the Bank's competitiveness, Puxing branch, Taichung Branch, Changhua branch and No. 88 Branch (renamed to be Guting Branch) were relocated between 2017 and 15 May 2018, the printing date of Annual Report.

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

To ride on the trend of digital banking development and enhance branch network operational efficiency, 5 branches (Taoyuan branch, Xinpu branch, Dayuan branch, Daxi branch, Guanyin branch) were closed during this period. As of 15 May 2018, the printing date of the Annual Report, the Bank has a total 69 branches in Taiwan, excluding OBU. Before the branch closures, the Bank took proactive approach in dealing with clients' rights and obligations by sending out notification letters, posting announcements in branches and on official website to fully inform our clients while continuously provide outstanding services to minimize the impact to the customers.

(VII) Business Concentration Risk and Responsive Actions Thereof

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

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

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

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

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

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

(X) Litigation and Non-litigation Matters

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

(XI) Other Critical Risks and Responsive Actions Thereof: None

VII. Emergency Response Mechanism

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

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

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

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

VIII. Other Important Matters: None





Upper left / Standard Chartered Taiwan's Wealth Management and Retail

Banking outperformed foreign banks and received four grand

awards from the Wealth Magazine's 2017 wealth management

survey.

Upper center / Standard Chartered was crowned the 2017 Taiwan Corporate

Sustainability Awards (TCSA) - "The Most Prestigious Sustainability

Awards - Top Three Foreign Corporate" and "Corporate

Sustainability Awards - Social Participation". The Bank was the only foreign bank receiving these two renowned awards.

Upper right / Standard Chartered is a long-term sponsor to Taiwan's sports and charity events, and is honoured to be granted two grand "Sports Promoter Awards" by the Ministry of Education.

Bottom / New Year blessing at Dajia Jenn Lann Temple prays for favourable weathers, prosperous country and contented people throughout the year. (Photo by Ms. Jane LU)



Special Notes

130 Information on Affiliated Enterprises

133 Private Placement of Securities and Bank Debentures

133 Shares Held or Disposed of by the Subsidiaries

133 Other Supplementary Notes

I. Information on Affiliated Enterprises

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

Not applicable.

(II) Consolidated Financial Statements of Affiliated Enterprises:

Not applicable.

(III) Affiliation Reports

Declaration

The 2017 Affiliation Reports of Standard Chartered Bank (Taiwan) Limited for the period between 1 January 2017 and 31 December 2017 have been prepared in conformity with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises". No material discrepancy was found in the Reports as compared to the relevant information disclosed in the Notes to the Financial Statements for the same period.

Standard Chartered Bank (Taiwan) Limited



Chairman: Benjamin Pi-Cheng Hung



16 March 2018



安侯建業群合會計師重務府 KPMG

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Independent Auditors' Review of the Affiliation Report

Standard Chartered Bank (Taiwan) Limited

We have conducted the review of the 2017 Affiliation Report of Standard Chartered Bank (Taiwan) Limited (the 'Bank') in accordance with articles promulgated on dated 30 November, 1999 in the letter of Ref. No. (88)-Tai-Tsai-Zheng-(VI)-04448 issued by the Securities and Futures Bureau, Financial Supervisory Commission R.O.C (formerly known as Securities and Exchange Commission, Ministry of Finance Securities). This review opinion is to verity if the 2017 Affiliation Report of the Bank are in compliance with "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" and if the information disclosed in the 2017 Affiliation Report has material inconsistency corresponding to those in the Notes to the Financial Statements audited by KPMG on dated 16 March, 2018.

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



Taipei, Taiwan (Republic of China) March 16, 2018

Notes to Readers

The Affiliation Report is the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language Affiliation Report, the Chinese version shall prevail.

1. Relationship with the Holding Company

Unit: Share; %

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

Note: INED, Independent Non-Executive Director

2. The transactions with controlling entity

(1) Purchase & sale transaction: None.

(2) Property transaction: None.

(3) Working capital financing: Not applicable.

(4) Asset lease: None.

 $\hbox{(5) Other significant transactions:}\\$

For the year ended 31 December 2017, the Bank's transactions with Standard Chartered Bank ("SCB") were including follows:

- a) The fair value for the foreign exchange and derivative transactions was loss NTD 171,068 thousand. The premium receivables and payable resulting from option contracts were 10,707 thousand and 3,468 thousand, respectively.
- b) The deposit with banks was NTD 822,476 thousand and the service charge from the deposits was NTD 326 thousand.
- c) The call loans to banks was NTD 23,281,273 thousand, the interest income from call loans to banks was NTD 105,846 thousand and the interest receivables resulting from the call loans to banks was NTD 2,910 thousand.
- d) The interest expense for overdrafts on banks was NTD 20 thousand.

- e) The call loans from banks Interest expense was NTD 25,712 thousand.
- f) The securities purchased under resell agreement and debt instruments acquired was NTD 238,185 thousand, the interest income totaled NTD 1,421 thousand and the interest receivables resulting from the securities purchased under resell agreement and debt instruments acquired was NTD 162 thousand.
- g) The issuance of financial debentures payable to SCB was NTD 5,969,557 thousand, the interest payable totaled NTD 10,447 thousand and the interest expense incurred from the above transactions was NTD 277,770 thousand.
- h) The operational and advisory service fees, consulting and technical support service fees and wholesale banking business service fees were NTD 1,042,050 thousand, NTD 530,087 thousand, and NTD 128,997 thousand, respectively. And related expense payables to SCB were NTD 8,144,014 thousand.
- i) The group insurance expenses for entering the group insurance amounted to NTD 23,600 thousand.
- j) The related cost of the executive share option scheme amounted to NTD 26,038 thousand. The accounts payable to SCB for the share-based payment scheme costs amounted to NTD 45,183 thousand, the prepaid fee to SCB for the share-based payment scheme costs amounted to NTD 832 thousand.
- k) The technical support service fees was NTD 5,074 thousand and the technical support service fees payable was NTD 139 thousand.
- I) The consultant service income, origination income, and trading income was NTD 199,646 thousand. The origination income and trading income receivables was NTD 136,636 thousand.
- m) The consultant service fees and origination fees was NTD 11,928 thousand. The consultant service fees, origination fees, and trading fees payable was NTD 12,414 thousand, respectively.
- 3. Endorsements & guarantees of the Company to the controlling entity: Not Applicable.
- 4. Other material transactions which were significant to Financial and Business: None.
- II. Private Placement of Securities and Bank Debentures: None.
- III. Shares Held or Disposed of by the Subsidiaries: None.
- IV. Other Supplementary Notes: None.





"Human" is the corner stone of Standard Chartered's corporate culture that will lead Standard Chartered Bank towards future development. Bottom / A corner of the Yehliu Geological Park (Photo by Mr. Erick YIN)



Appendix

136 Appendix 1 : 2017 CPA Audited Financial Statements of the Bank

240 Appendix 2: Directory of Branches and Offices

Appendix 1: 2017 CPA Audited Financial Statements of the Bank

Stock Code:2807

STANDARD CHARTERED BANK (TAIWAN) LIMITED

FINANCIAL STATEMENTS

December 31, 2017 and 2016 (With Independent Auditor's Report Thereon)



安使建業群合會計師重務的 **KPMG**

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Independent Auditors' Report

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

Opinion

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

In our opinion, the financial statements referred to the first paragraph present fairly, in all material respects, the financial position of the Bank as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years ended December 31, 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 Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), International Financial Reporting Interpretations Committee ("IFRICs"), and the Standing Interpretations Committee ("SICs") endorsed by the FSC (hereinafter referred to as "the IFRSs endorsed by the FSC").

Basis for Opinion

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

Key Audit Matters

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

- 1. Impairment of loans and 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.



Despite the overall growth in export trades, industry competition continues having influence on revenue and profitability of wholesale banking clients, which adds uncertainty to the recoverability on 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 notes 6 (6), (7) and (10) for further description of impairment loss of loans and advances.

2) Procedures performed:

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

The risk is that the valuation of financial instruments may be misstated due to the application of valuation techniques which often involve the exercise of judgment and the use of assumptions and estimates. Of the financial instruments that are held at fair value through profit and loss or as available-for-sale in the Bank's balance sheet, majority were qualified as being measured using level 1 or 2 inputs in the fair value hierarchy as of December 31, 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 (37) for further description of valuation of financial instruments.

2) Procedures performed:

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

- Testing, for a selection of pricing inputs used, that they were externally sourced and were correctly input into pricing models.
- Understanding the Bank's valuation model and valuation methodology for financial instrument.



- Valuing a selection of debt securities and derivative positions independently, using appointed 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 notes 6(22) and 11 for further description of the recognition of deferred tax assets.

2) Procedures performed:

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

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

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

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

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



- 5. Disclosures on related party transactions
- 1) Risk and descriptions of the key audit matter:

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

KPMG

Taipei, Taiwan (Republic of China) March 16, 2018

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 December 31, 2017 and 2016

(expressed in thousands of New Taiwan Dollars)

		December 31, 2017	210	December 31, 2016	9			December 31, 2017	Decembe	December 31, 2016	
11000	Assets Cash and cash equivalents (notes 6(1) and 7)	Amount \$ 26,535,866	% ₄	Amount 14,168,772	% 2		Liabilities and equity Liabilities:	Amount %	Amount	t %	
11500	Due from the Central Bank and call loans to banks					21000	Deposits from the Central Bank and banks (notes 6(14) and 7)	\$ 59,092,527 9	31,41	31,412,055	2
	(notes 6(2) and 7)	115,118,255	18	102,109,199	17	22000	Financial liabilities at fair value through profit or loss (notes 6(3) and 7)	7,384,904	14,88	14,882,839	2
12000	Financial assets at fair value through profit or loss					22300	Derivative financial liabilities for hedging—net (notes 6(4) and 7)	43,768 -	4	40,185 -	
	(notes 6(3) and 7)	15,915,189	2	26,530,679	4	23000	Payables (note 6(15))	3,676,343	3,67	3,673,461	_
12300	Derivative financial assets for hedging—net (notes 6(4) and 7)	9,784	,	140,667	,	23100	Related parties payable (note 7)	8,353,294	10,20	10,207,386	2
12500	Securities purchased under resell agreements and debt instruments (notes 6(5) and 7)	3,356,185	-	3,196,000	_	23200	Current tax liabilities (note 6(22))	20,583 -		- 866,71	
13000	Receivables – net (notes 6(6), (10) and 7)	20,975,429	3	18,603,886	3	23500	Deposits and remittances (notes 6(4), (16) and 7)	505,410,260 79	492,60	492,606,933 80	0
13200	Current tax assets (note 6(22))	289,519		284,209	,	24000	Financial debentures – net (notes 6(4), (17) and 7)	14,530,780 2	16,03	16,037,802	~
13500	Discounts and loans – net (notes 6(4), (7), (10) and 7)	262,812,237	4	267,281,457	43	25500	Other financial liabilities (note 6(18))	1,264,386 -	1,03	1,033,273 -	
14000	Available-for-sale financial assets—net (notes 6(4), (8) and 7)	185,135,013	29	157,879,248	26	25600	Provisions (notes 6(10), (19) and (21))	1,587,395	1,48	1,482,568 -	
15500	Other financial assets—net (notes 6(9), (10), 8 and 13(2))	7,587,452	_	14,411,707	2	29300	Deferred tax liabilities (note 6(22))	682,519 -	99	- 645,744	
18500	Property and equipment—net (notes 6(11) and 13(1))	4,422,756	_	4,687,179	_	29500	Other liabilities (note 6(20))	2,032,233	1,75	1,754,631	
19000	Intangible assets—net (note 6(12))	3,156,048		3,156,048	_		Total liabilities	604,078,992 93	573,75	573,794,875 93	mI.
19300	Deferred tax assets (note 6(22))	1,489,054	,	1,767,016	,		Equity:				
19500	Other assets – net (notes 6(13), 7 and 8)	1,113,604	,	1,307,968	,	31101	Common stock (note 6(24))	29,105,720 5	29,10	29,105,720	νı
						31500	Capital surplus (note 6(24))	5,794,771	5,75	5,794,771	-1
							Retained earnings:				
						32001	Legal reserve (note 6(24))	6,431,895	6,38	6,381,790	_
						32003	Special reserve (note 6(24))	343,057 -	34	342,222 -	
						32005	Unappropriated earnings (note 6(24))	2,108,311	26	266,400	
								8,883,263	6,99	6,990,412	-1
						32500	Other equity interest (note 6(24))	53,645	(16	(161,743)	
			İ		ı		Total equity	43,837,399	41,72	41,729,160	7
	Total assets	\$ 647,916,391	100	615,524,035	100		Total liabilities and equity	\$ 647,916,391 100	615,52	615,524,035 100	01

Standard Chartered Bank (Taiwan) Limited **Statements of Comprehensive Income**

For the years ended December 31, 2017 and 2016 (expressed in thousands of New Taiwan Dollars)

		_	2017		2016		Change
41000	Interest income (notes 6(27) and 7)	\$	9,605,338	% 72	9,725,689	%	% (1)
51000	Less: Interest expense (notes 6(27) and 7)	Ψ	4,275,089	32	3,567,771	29	20
31000	Net interest income	-	5,330,249	40	6,157,918	51	(13)
	Net non-interest income		3,330,247	40	0,137,710	31	(13)
49100	Net service fee income (notes 6(28) and 7)		4,457,844	33	4,011,253	33	11
49200	Gain on financial assets or liabilities at fair value through profit or		4,437,044	33	4,011,233	33	11
49200	loss (notes 6(29) and 7)		1,460,296	11	2,304,690	19	(37)
49300	Realized gain on available-for-sale financial assets (note 6(30))		9,061	11	59,642	19	(85)
49600	Foreign exchange gain (loss)		ŕ	15		(3)	742
			2,042,932		(318,235)		
49800	Net other non-interest income (notes 6(4), (9), (31) and 7)		168,261	1	14,412	-	1,068
49700	Impairment losses on assets (notes 6(11) and (32))	_	(6,396)		(486)	-	(1,216)
50000	Net revenue	_	13,462,247	100	12,229,194	100	10
58200	Bad debt expense and guarantee liability provision (notes 6(10) and (33))	_	768,347	6	1,469,813	12	(48)
	Operating expenses:			• •			
58500	Employee benefits expenses (notes 6(21), (25), (34) and 7)		5,087,087	38	5,049,033	41	1
59000	Depreciation and amortization expenses (notes 6(11) and (35))		153,182	1	200,986	2	(24)
59500	Other general and administrative expenses (notes 6(36) and 7)	_	4,862,939	36	4,731,976	39	3
	Total operating expenses	_	10,103,208	75	9,981,995	82	1
	Income before tax		2,590,692	19	777,386	6	233
61003	Less: income tax expense (note 6(22))	_	395,552	3	610,368	5	(35)
	Net income	_	2,195,140	16	167,018	<u>1</u>	1,214
65000	Other comprehensive income:						
65200	Items that may not to be reclassified subsequently to profit or loss:						
65201	Remeasurements of defined benefit plan (note 6(21))		(104,614)	(1)	113,130	1	(192)
65220	Income tax benefit related to items that may not to be reclassified						
	subsequently to profit or loss (note 6(22))	_	17,785		(19,232)		192
	Total items that may not to be reclassified subsequently to	_	(86,829)	(1)	93,898	1	(192)
	profit or loss						
65300	Items that may be reclassified subsequently to profit or loss:						
65302	Change in fair value of available-for-sale financial assets						
	recognized		165,753	1	(812,360)	(7)	120
65303	Change in fair value of cash flow hedges recognized(note 6(24))		35,494	-	(38,425)	-	192
65320	Income tax benefit related to items that may be reclassified						
	subsequently to profit or loss (note 6(22))	_	14,141	<u> </u>	73,451	1	(81)
	Total items that may be reclassified subsequently to profit or						
	loss	_	215,388	1	(777,334)	<u>(6</u>)	128
65000	Other comprehensive income, net of tax	_	128,559		(683,436)	<u>(5</u>)	119
	Total comprehensive income	\$_	2,323,699	16	(516,418)	(4)	550
67500	Basic earnings per share (NTD) (note 6(26))	\$_	0.75		0.06		
		_		-			

Standard Chartered Bank (Taiwan) Limited Statements of Changes in Equity

(expressed in thousands of New Taiwan Dollars)

For the years ended December 31, 2017 and 2016

					_ '	Other item in stockholders' equity	kholders' equity	
					'	Unrealized		
	Share capital		F	Retained earnings	ings	gains (losses)	Gains (losses)	
				1	Jnappropriated	on available-	on effective	
	Ordinary	Capital	Legal	Special	retained	for-sale	portion of cash	Total
	share	surplus	reserve	reserve	earnings	financial assets	flow hedges	equity
Balance as January 1, 2016	\$ 29,105,720	5,794,771	5,950,095	347,706	1,465,876	624,125	(8,534)	(8,534) 43,279,759
Appropriation and distribution of retained earnings:								
Legal reserve (note 6(24))		ı	431,695	ı	(431,695)	•		,
Special reserve (note 6(24))	•		,	(5,484)	5,484			,
Cash dividends of ordinary share (note 6(24))	1	ı	ı	, 1	(1,034,181)	•		(1,034,181)
Net income		,	ı	ı	167,018			167,018
Other comprehensive income	1	1	-	-	93,898	(745,441)	(31,893)	(683,436)
Total comprehensive income		ı			260,916	(745,441)	(31,893)	(516,418)
Balance as December 31, 2016	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))	ı	ı	50,105	ı	(50,105)	1	1	1
Special reserve (note 6(24))	1	1	1	835	(835)			1
Cash dividends of ordinary share (note 6(24))		ı	1	ı	(215,460)	1		(215,460)
Net income	1	ı	1	ı	2,195,140			2,195,140
Other comprehensive income	'	,	'	-	(86,829)	185,928	29,460	128,559
Total comprehensive income	•		-	-	2,108,311	185,928	29,460	2,323,699
Balance as December 31, 2017	\$29,105,720	5,794,771	6,431,895	343,057	2,108,311	64,612	(10,967)	43,837,399

Note: For the years ended December 31, 2017 and 2016, the amounts of employee remuneration were \$259 thousand and \$78 thousand, respectively, deducted from the statements of comprehensive income from each of the periods.

See accompanying notes to financial statements

Standard Chartered Bank (Taiwan) Limited Statements of Cash Flows

For the years ended December 31, 2017 and 2016 (expressed in thousands of New Taiwan Dollars)

	 2017	2016
Cash flow used in operating activities:		
Profit before tax	\$ 2,590,692	777,386
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	153,182	200,986
Bad debt expense and guarantee liability provision	768,347	1,469,813
Interest expense	4,275,089	3,567,771
Interest income	(9,605,338)	(9,725,689)
Net change in other provisions	(1,738)	(196,173)
(Gain) loss on disposal of property and equipment	(130,460)	33,747
Impairment loss on assets	 6,396	486
Total adjustments to reconcile loss	 (4,534,522)	(4,649,059)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Due from the Central Bank and call loans to banks	(5,639,492)	20,408,145
Financial assets at fair value through profit or loss	10,615,490	2,483,455
Receivables	(1,848,294)	2,830,505
Discounts and loans	3,570,463	35,021,992
Available-for-sale financial assets	(27,088,982)	24,092,790
Other financial assets	 6,794,261	(4,235,780)
Total changes in operating assets	 (13,596,554)	80,601,107
Changes in operating liabilities:		
Deposits from the Central Bank and banks	27,680,472	3,432,319
Financial liabilities at fair value through profit or loss	(7,497,935)	(2,176,129)
Payables	(1,869,891)	(6,928,700)
Deposits and remittances	12,803,327	(4,982,068)
Other financial liabilities	231,113	(125,219)
Other liabilities	277,602	(1,650,914)
Total changes in operating liabilities	 31,624,688	(12,430,711)
Total changes in operating assets and liabilities	 18,028,134	68,170,396
Total adjustments	 13,493,612	63,521,337
Cash inflow generated from operations	 16,084,304	64,298,723
Interest received	9,244,444	9,975,149
Interest paid	(4,256,408)	(3,574,787)
Income taxes paid	(51,614)	(237,716)
Net cash flows from operating activities	 21,020,726	70,461,369
Cash flows from investing activities:	 21,020,720	70,401,309
Proceeds from disposal of property and equipment	383,436	102 946
Acquisition of property and equipment	,	102,846
(Increase) decrease in derivatives collateral	(148,131)	(99,656)
	(175,203)	8,852,213
Decrease (increase) in other assets	 369,567 429,669	(217,477)
Net cash flows from investing activities	 429,669	8,637,926
Cash flows used in financing activities:	1.40.027	(110.050)
Increase (Decrease) in derivative financial instruments for hedging	149,037	(119,859)
Decrease in financial debentures	(1,000,000)	(37,141,151)
Cash dividends paid	 (215,460)	(1,034,181)
Net cash flows used in financing activities	 (1,066,423)	(38,295,191)
Change in foreign exchange rate	 (487,129)	(132,122)
Net increase in cash and cash equivalents	19,896,843	40,671,982
Cash and cash equivalents at beginning of period	 96,328,538	55,656,556
Cash and cash equivalents at end of period	\$ 116,225,381	96,328,538
Components of cash and cash equivalents:		
Cash and cash equivalents reported in the balance sheets	\$ 26,535,866	14,168,772
Due from the Central Bank and call loans to banks qualifying for cash and		
cash equivalents under the definition of IAS 7	86,333,330	78,963,766
Securities purchased under resell agreements and debt instruments qualifying for cash and		
cash equivalents under the definition of IAS 7	3,356,185	3,196,000

Standard Chartered Bank (Taiwan) Limited Notes to the Financial Statements December 31, 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 December 31, 2017, the Bank comprises 71 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).

2 STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

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

(2) Approval date and Procedures of the Financial Statements

The financial statements were authorized for issuance by the Board of Directors on March 16, 2018.

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

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

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

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 " 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

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

	Effective date per
New, Revised or Amended Standards and Interpretations	IASB
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 initial application of the above IFRSs would not have any material impact on the financial statements.

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

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

per IASB
January 1, 2018
January 1, 2017
January 1, 2017
January 1, 2018
January 1, 2017
January 1, 2018
January 1, 2018
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Except for the following items, the Bank believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The potential extent and impact of signification changes are as follows:

(i) IFRS 9 "Financial Instruments"

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

Effective date

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

1) Classification- 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 reliable. 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.

Based on its assessment, the Bank does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, investments in debt securities and investments in equity securities that are managed on a fair value basis. The Bank estimated the application of IFRS 9's classification requirements on January 1, 2018 resulting in a decrease of 63,621 thousand in the other equity interest, as well as the increase of 202,942 thousand in retained earnings, respectively.

2) Impairment-Financial assets and contact 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.

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.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

The Bank believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model. The Bank estimated the application of IFRS 9's impairment requirements on January 1, 2018 resulting in the increase of 4,978 thousand in the other equity interest, as well as the decrease of 124,354 thousand in retained earnings, respectively.

3) Hedge accounting

When initially applying IFRS 9, the Bank can choose to adopt the hedge accounting requirements of IAS39 instead of the requirements in IFRS 9 as its accounting policy. The Bank has chosen to continue the application of hedge accounting requirements of IAS 39 as its accounting policy.

4) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Bank's 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.

5) Transition

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

- The Bank will 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 other equity interest as at January 1, 2018.
- The Bank choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39.
- 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.

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

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Notes to the Financial Statements

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

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

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

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

Issuance / Release

Dates	Standards or Interpretations	C
September 11, 2014	Amendments to IFRS 10 and	The amenda
	IAS 28 "Sale or Contribution	inconsistency
	of Assets Between an Investor	IFRS 10 an
	and Its Associate or Joint	dealing with
	Venture"	between an i
		venture.

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Content of amendment

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.

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.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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Dates

January 13, 2016

Standards or Interpretations

IFRS 16 "Leases"

Content of amendment

The new standard of accounting for lease is amended as follows:

- For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of-use asset during the lease term.
- A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

May 18, 2016

IFRS 17 "Insurance Contracts"

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:

- 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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Issuance / Release **Dates Standards or Interpretations Content of amendment** June 7, 2017 IFRIC 23 "Uncertainty over • In assessing whether and how an uncertain Income Tax Treatments" 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. Amendments to IAS 19 "Plan The amendments clarify that: February 7, 2018

Amendment, Curtailment or

Settlement"

- on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the remainder of the reporting period after the change to the plan; and
- the effect of the asset ceiling is disregarded when calculating past service cost and the gain or loss on settlement. Any change in that effect is recognised in other comprehensive income.

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

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(4) Summary of Significant Accounting Policies

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

1) Statement of compliance

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

2) Basis of preparation

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

- (a) Financial instruments at fair value through profit or loss (including derivative financial instruments);
- (b) Available-for-sale financial assets at fair value;
- (c) Derivative financial instruments for hedging at fair value;
- (d) Liabilities for cash-settled share-based payment arrangements at fair value; and
- (e) The defined benefit asset is recognized as plan assets, plus unrecognized past service costs and unrecognized actuarial loss, less the unrecognized actuarial gain and the present value of the defined benefit obligation.

3) Foreign currency transactions

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

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 Financial Statements

5) Financial instruments

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 asset, until the financial assets are derecognized, at which time the cumulative gain or loss previously recognized in other comprehensive income is charged to profit or loss.

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 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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the 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.

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:

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

- 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;
- 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:

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

- 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.

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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(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.

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 priorperiod 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.

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Notes to the Financial Statements

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

9) Intangible assets

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.

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Notes to the Financial Statements

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.

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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

- Post-employment benefit: The Bank pension plan comprises defined contribution plan and defined benefit plan.
 - 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.
 - A defined benefit plan is a post-employment benefit plan under which benefit is paid to an ii. 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.

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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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 losses. Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years. Deferred taxes arise due to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled, based on statutory tax rate on the reporting date or the actual legislative tax rate.

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

In accordance with the 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 distributed earnings.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

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

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

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

1) Impairment of loans and advances

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

Notes to the Financial Statements

2) Valuation of financial instruments

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

3) Recognition of deferred tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires management's subjective judgment and estimate, including the future revenue growth and profitability. Changes in the economic environment, industry trends, and relevant laws and regulations may result in adjustments to the deferred tax assets. Please refer to notes 6(22) and 11 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

	De	2017	2016
Cash on hand	\$	3,811,025	3,973,432
Checks for clearing		84,480	101,654
Deposits with other banks		12,445,306	2,364,017
Deposits with other banks—affiliates		10,195,055	7,729,669
Total	\$	26,535,866	14,168,772

December 21

December 21

Notes to the Financial Statements

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

			December 31, 2017	December 31, 2016
	Cash and cash equivalents reported in the statement of balance sheets	\$	26,535,866	14,168,772
	Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7 Securities purchased under resell agreements and debt		86,333,330	78,963,766
	instruments qualifying for cash and cash equivalents under the definition of IAS 7	_	3,356,185	3,196,000
	Cash and cash equivalents reported in the statement of cash flows	\$	116,225,381	96,328,538
2)	Due from the Central Bank and call loans to banks			
			December 31, 2017	December 31, 2016
	Required reserve — checking account	\$	9,694,604	5,250,444
	Required reserve — demand account		11,155,771	11,537,649
	Required reserve — foreign currency		208,934	225,985
	Required reserve – settlement account		1,519,654	1,518,165
	Required reserve — settlement account Call loans to banks		1,519,654 32,265,692	1,518,165 17,599,251
	•			
	Call loans to banks	_	32,265,692	17,599,251

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.

Notes to the Financial Statements

3) Financial instruments at fair value through profit or loss

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

	December 31, 2017		December 31, 2016
Interest-rate instruments			
Government bonds	\$	5,704,661	4,244,688
Corporate bonds		3,163,920	3,826,404
Financial debentures		99,992	
Subtotal		8,968,573	8,071,092
Derivative financial assets			
Interest rate swap		1,766,254	2,609,676
Interest rate option		66,646	51,038
Spot/forward/swap		3,936,287	11,254,118
Cross currency swap		489,106	1,102,504
Foreign exchange option		561,699	3,381,213
Commodity swap		126,624	61,038
Subtotal		6,946,616	18,459,587
Total	\$	15,915,189	26,530,679

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

	December 31, 2017		December 31, 2016	
Derivative financial liabilities				
Interest rate swap	\$	1,724,803	2,458,160	
Interest rate option		-	3,135	
Spot/forward/swap		4,946,649	7,222,933	
Cross currency swap		25,098	1,496,854	
Foreign exchange option		561,716	3,640,665	
Commodity swap		126,638	61,092	
Total	\$	7,384,904	14,882,839	

4) Derivative financial instruments for hedging

Derivative financial assets for hedging were as follows:

	D	ecember 31, 2017	December 31, 2016
Fair value hedge:			
Interest rate swap	\$	9,784	30,347
Cash flow hedge:			
Cross currency swap			110,320
Total	\$	9,784	140,667

Notes to the Financial Statements

Derivative financial liabilities for hedging were as follows:

	December 31, 2017	
Fair value hedge:		
Interest rate swap	\$ 1,269	-
Cash flow hedge:		
Interest rate swap	349	14,960
Cross currency swap	 42,150	25,225
Total	\$ 43,768	40,185

(a) Fair value hedge

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

Hedged items			Hedging instr	uments	
Underlying instruments	De	cember 31, 2017	Contract type	Dec	ember 31, 2017
Available-for-sale financial asse	ets:				
Government bonds	\$	945	Interest rate swap	\$	(1,269)
Financial debentures	_	(8,023)	Interest rate swap		9,784
	\$_	(7,078)		\$	8,515
Hedged items			Hedging instr	uments	
	De	cember 31	,	Dec	ember 31,
Underlying instruments		2016	Contract type		2016
Available-for-sale financial asse	ets:				
Government bonds	\$	(85)	Interest rate swap	\$	70
Financial debentures		(27,916)	Interest rate swap		30,277
	\$	(28,001)		\$	30,347

For the years ended December 31, 2017 and 2016, net losses on the hedging derivative financial instruments listed above amounted to \$20,703 thousand and \$38,893 thousand, respectively, and net gains from the hedged risk of the hedged items amounted to \$22,246 thousand and \$38,490 thousand, respectively.

Notes to the 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.

		Fair value				
Hedged items	Financial instruments designated as hedging instruments	December 31, 2017		December 31, 2016		
Discounts and loans — floating interest rate	Interest rate swap	\$	(349)	(14,960)		
Deposits and remittances – fixed interest rate	Cross currency swap		(42,150)	85,095		
Total		\$	(42,499)	70,135		

5) Securities purchased under resell agreements and debt instruments

December 31, 2017	December 31, 2016
\$ 3,356,185	3,196,000
\$ 3,388,782	3,200,000
0.33%~1.29%	0.33%~0.40%
107.1.12	106.1.12
\$3,356,710	3,196,442
	$\begin{array}{r} 2017 \\ \$ \underline{\qquad 3,356,185} \\ \$ \underline{\qquad 3,388,782} \\ \hline \underline{\qquad 0.33\% \sim 1.29\%} \\ \underline{\qquad 107.1.12} \\ \end{array}$

6) Receivables - net

	De	ecember 31, 2017	December 31, 2016
Accounts receivable factoring	\$	11,880,235	9,965,494
Credit cards accounts receivable		3,787,310	4,330,897
Financial derivatives credit default receivables		-	317,736
Accounts receivable		693,261	587,871
Interest receivable		1,814,970	1,458,049
Acceptances receivable		413,858	363,558
Accounts receivable—related parties		2,484,972	1,716,910
Unsettled trade receivable		-	47,424
Other		247,882	251,355
Subtotal		21,322,488	19,039,294
Less: allowance for bad debts—receivables		347,059	435,408
Total	\$	20,975,429	18,603,886

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

Notes to the Financial Statements

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

		December 31, 2017		
Item			Receivables	Allowance for bad debts
With objective evidence of impairment	Individual assessment of impairment Portfolio assessment	\$	196,516	196,311
Without objective evidence of impairment	of impairment Portfolio assessment		425,026	5,316
,	of impairment		20,700,946	145,432
Total	•	\$_	21,322,488	347,059
			December 3	31, 2016
Item			December 3	31, 2016 Allowance for bad debts
Item With objective evidence of impairment	Individual assessment	_		Allowance for
	of impairment	\$		Allowance for
With objective evidence of impairment	of impairment Portfolio assessment of impairment	\$	Receivables	Allowance for bad debts
	of impairment Portfolio assessment of impairment Portfolio assessment	\$	Receivables 539,404 467,482	Allowance for bad debts 411,885 6,009
With objective evidence of impairment	of impairment Portfolio assessment of impairment	\$	Receivables 539,404	Allowance for bad debts 411,885

7) Discounts and loans—net

	D	ecember 31, 2017	December 31, 2016
Bills negotiations and bills and notes discounted	\$	410,590	682,626
Short-term loans and overdrafts		44,664,250	47,384,080
Short-term secured loans		7,836,299	12,324,192
Medium-term loans		39,023,197	31,478,466
Medium-term secured loans		4,044,137	5,928,623
Long-term loans		6,756,665	7,047,005
Long-term secured loans		164,249,576	166,433,552
Overdue loans		523,957	1,158,416
Subtotal		267,508,671	272,436,960
Add: premium adjustments on discounts and loans		11,743	44,738
Less: allowance for bad debts		4,708,177	5,200,241
Total	\$	262,812,237	267,281,457

As of December 31, 2017 and 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.

Notes to the Financial Statements

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

		December 31, 2017		
Item		Disco	ounts and loans	Allowance for bad debts
With objective evidence of impairment	Individual assessment			
	of impairment	\$	2,632,019	1,777,879
	Portfolio assessment			
	of impairment		2,953,346	41,646
Without objective evidence of impairment	Portfolio assessment			
	of impairment		261,923,306	2,888,652
Total		\$	267,508,671	4,708,177
			December 3	31, 2016
			December 3	Allowance for
Item		Disco	December 3	
Item With objective evidence of impairment	Individual assessment	Disco		Allowance for
	Individual assessment of impairment	Disco		Allowance for
			ounts and loans	Allowance for bad debts
With objective evidence of impairment	of impairment		ounts and loans	Allowance for bad debts
	of impairment Portfolio assessment of impairment Portfolio assessment		3,170,046 3,394,216	Allowance for bad debts 2,112,172 53,398
With objective evidence of impairment	of impairment Portfolio assessment of impairment		3,170,046	Allowance for bad debts 2,112,172

As of December 31, 2017 and 2016, the amounts of outstanding loans with interest charges suspended amounted to \$523,957 thousand and \$1,158,416 thousand, respectively. The amounts of interest not accrued derived from the aforementioned loans were \$7,303 thousand and \$54,097 thousand, respectively.

8) Available-for-sale financial assets—net

	D	December 31, 2016	
Negotiable certificates of deposit	\$	106,966,306	86,864,209
Government bonds		78,168,707	64,613,270
Financial debentures			6,401,769
Total	\$	185,135,013	157,879,248
Marked-to-market adjustments for hedged assets included in the above balance	\$	945	(85)

Notes to the Financial Statements

9) Other financial assets—net

	December 31, 2017				December 31, 2016		
	Percentage of ownership %	Iı	rvestment cost	Book value	Percentage of ownership %	Investment cost	Book value
Financial assets carried at cost:							
Taiwan Small and Medium							
Enterprises Development Corp.	4.84	\$	29,000	29,000	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			330,303	330,303		330,303	330,303
Less: accumulated impairment		_		202,941			202,941
			330,303	127,362		330,303	127,362
Restricted assets-debt instruments		_		7,460,090			14,284,345
Overdue receivable				50,272			326,181
Less: allowance for bad debts-overdue receivable	e			50,272			326,181
			\$	7,587,452			14,411,707

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

For the years ended December 31, 2017 and 2016, the cash dividends from financial assets carried at cost recorded under net other non-interest income were \$15,669 thousand and \$17,552 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:

				2017		
		Allo	owance for bad d	lebt		
	R	eceivables	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) an	ıd					
guarantee liability provision		(162,355)	898,757	29,993	1,952	768,347
Bad debt recovery		93,105	476,280	-	-	569,385
Less: Write-off		143,425	1,444,602	281,293	-	1,869,320
Exchange rate and others		(124,326)	422,499	24,609		322,782
Ending balance	\$	347,059	4,708,177	50,272	33,210	5,138,718
				2016		

	2010					
		All	owance for bad d	lebt		_
			Discounts and	Other financial	Provision for	
	R	eceivables	loans	assets	guarantee	Total
Beginning balance	\$	302,009	4,913,028	-	30,794	5,245,831
Add: Bad debt expense and						
guarantee liability provision		206,677	936,491	326,181	464	1,469,813
Bad debt recovery		101,802	436,687	-	-	538,489
Less: Write-off		131,507	890,979	-	-	1,022,486
Exchange rate and others		43,573	194,986			238,559
Ending balance	\$	435,408	5,200,241	326,181	31,258	5,993,088
_	_					

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Notes to the Financial Statements

11) Property and equipment—net

December 31, 2017		Cost	Accumulated depreciation	Accumulated impairment	Net
Land	\$	2,653,772		20,632	2,633,140
Buildings		2,776,918	1,214,261	-	1,562,657
Office equipment		453,445	450,650	-	2,795
Leasehold improvements		640,675	525,350	-	115,325
Other equipment		449,012	340,173		108,839
Total	\$	6,973,822	2,530,434	20,632	4,422,756
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	\$	7,327,251	2,597,721	42,351	4,687,179

Change in cost movement:

	J	lanuary 1,				December
		2017	Increase	Decrease	Reclassify	31, 2017
Land	\$	2,820,096	-	166,324	-	2,653,772
Buildings		2,986,290	24,086	233,458	-	2,776,918
Office equipment		466,944	1,648	15,147	-	453,445
Leasehold improvement	ents	598,713	88,962	47,000	-	640,675
Other equipment	_	455,208	33,435	39,631		449,012
Total	\$ _	7,327,251	148,131	501,560		6,973,822
	J	January 1,				December
		2016	Increase	Decrease	Reclassify	31, 2016
Land	\$	2,915,217	-	95,121	-	2,820,096
Buildings		3,062,698	-	76,408	-	2,986,290
Office equipment		558,270	1,499	92,825	-	466,944

13,397

84,760

99,656

103,822

230,364

598,540

689,138

600,812

7,826,135

Change in accumulated depreciation:

Leasehold improvements

Other equipment

Total

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

598,713

455,208

7,327,251

Notes to the Financial Statements

14) Deposits from the Central Bank and banks

	Do	December 31, 2016	
Deposits from banks	\$	751,093	1,074,427
Deposits from banks—affiliates		1,283,826	993,555
Overdrafts on banks		37,588	345,109
Call loans from banks		11,685,857	3,389,760
Call loans from banks—affiliates		45,334,163	25,609,204
Total	\$	59,092,527	31,412,055

15) Payables

	December 31, 2017	December 31, 2016	
Accounts payable	\$ 6,912	4,330	
Accrued interest	363,308	344,627	
Accrued expenses	1,948,540	1,856,178	
Collection payable	40,362	43,987	
Acceptances payable	413,858	363,558	
Inter-branch check clearing payable	18,803	43,712	
Temporary receipts in advance	60,372	64,710	
Unsettled trade payable	-	255,211	
Other	824,188	697,148	
Total	\$ <u>3,676,343</u>	3,673,461	

16) Deposits and remittances

	December 31, 2017	December 31, 2016	
Checking accounts deposits	\$2,533,695	2,626,583	
Demand deposits:			
Demand deposits	206,692,694	189,010,368	
Saving account deposits	126,917,638	133,406,929	
Subtotal of demand deposits	333,610,332	322,417,297	
Time deposits:			
Time deposits	132,260,271	126,412,106	
Time savings deposits	36,838,365	41,046,415	
Subtotal of time deposits	169,098,636	167,458,521	
Remittances	167,597	104,532	
Total	\$ <u>505,410,260</u>	492,606,933	

As of December 31, 2017 and 2016, the Bank's foreign currency time deposits with fixed rate mentioned above has adopted cross currency swap of cash flow hedge in order to reduce the impact of cash flow that was affected by interest rate and foreign exchange rate fluctuation.

Notes to the Financial Statements

14) Deposits from the Central Bank and banks

	Dece	December 31,	
		2017	2016
Deposits from banks	\$	751,093	1,074,427
Deposits from banks—affiliates		1,283,826	993,555
Overdrafts on banks		37,588	345,109
Call loans from banks		11,685,857	3,389,760
Call loans from banks—affiliates		45,334,163	25,609,204
Total	\$	59,092,527	31,412,055

15) Payables

	December 31, 2017	December 31, 2016
Accounts payable	\$ 6,912	4,330
Accrued interest	363,308	344,627
Accrued expenses	1,948,540	1,856,178
Collection payable	40,362	43,987
Acceptances payable	413,858	363,558
Inter-branch check clearing payable	18,803	43,712
Temporary receipts in advance	60,372	64,710
Unsettled trade payable	-	255,211
Other	824,188	697,148
Total	\$ 3,676,343	3,673,461

16) Deposits and remittances

	December 31, 2017	December 31, 2016
Checking accounts deposits	\$ 2,533,695	2,626,583
Demand deposits:		
Demand deposits	206,692,694	189,010,368
Saving account deposits	126,917,638	133,406,929
Subtotal of demand deposits	333,610,332	322,417,297
Time deposits:		
Time deposits	132,260,271	126,412,106
Time savings deposits	36,838,365	41,046,415
Subtotal of time deposits	169,098,636	167,458,521
Remittances	167,597	104,532
Total	\$ <u>505,410,260</u>	492,606,933

As of December 31, 2017 and 2016, the Bank's foreign currency time deposits with fixed rate mentioned above has adopted cross currency swap of cash flow hedge in order to reduce the impact of cash flow that was affected by interest rate and foreign exchange rate fluctuation.

Notes to the Financial Statements

17) Financial debentures – net

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

		December 31,	December 31,
Bond	Conditions for issuance	2017	2016
91-1A	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	5,969,557	6,456,686
		14,522,757	16,009,886
Marked-t	o-market adjustment on hedged items	8,023	27,916
Total		\$ <u>14,530,780</u>	16,037,802

18) Other financial liabilities

	December 31,	December 31,
	2017	2016
Structured deposits	\$ <u>1,264,386</u>	1,033,273

19) Provisions

	De	2017	December 31, 2016
Provision for guarantee liability	\$	33,210	31,258
Provision for employee benefits		1,388,865	1,321,978
Provision for decommissioning, restoration			
and rehabilitation cost		150,425	111,436
Other miscellaneous provisions		14,895	17,896
Total	\$	1,587,395	1,482,568

Notes to the Financial Statements

20) Other liabilities

	Dec	ember 31, 2017	December 31, 2016
Advance received from customers	\$	27,858	26,656
Deferred income		98,694	71,487
Guarantee deposits received		27,658	28,533
Tax payable		620,731	670,686
Derivatives collateral		1,149,472	870,489
Other		107,820	86,780
	\$	2,032,233	1,754,631

21) Employee benefits

(a) Defined contribution plan

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

For the years ended December 31, 2017 and 2016, the pension expense under defined contribution plan of the Bank amounted to \$157,013 thousand and \$151,729 thousand, respectively, recorded under operating expenses—employee benefits expense.

(b) Provision for employee benefits

i) Defined benefit obligation

	December 31,	December 31,
	2017	2016
Defined benefit plan	\$ <u>1,388,865</u>	1,321,978

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

	 2017	2016
Present value of defined benefits obligation	\$ 2,550,155	2,532,742
Less: fair value of defined benefits plan assets	 1,161,290	1,210,764
Liability recognized in balance sheets	\$ 1,388,865	1,321,978

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.

Notes to the Financial Statements

ii) The percentage of plan assets were as follows:

Unit: %

	December 31, 2017	December 31, 2016
Cash	18.00	20.80
Stocks	50.80	47.20
Short-term notes	3.20	3.60
Bonds	28.00	28.40
Total	100.00	100.00

Change in defined benefit obligation

The change in defined benefit obligation for the years ended Decmeber 31, 2017 and 2016 were as follows:

		2017	2016
DBO at beginning of period	\$	2,532,742	2,900,317
Current service cost and interest cost		98,943	108,104
Remeasurements of the net defined benefit liability			
Actuarial loss (gain)-experience		32,498	(44,979)
Actuarial loss (gain)-financial assumption			
changes		68,235	(71,514)
Benefits paid from plan assets		(105,142)	(113,962)
Benefits paid directly by the Bank		(77,121)	(76,299)
Settlements		-	(170,740)
Termination benefits			1,815
DBO at end of period	\$	2,550,155	2,532,742

iv) Change in plan assets

The change in defined benefit plan assets for the years ended December 31, 2017 and 2016 were as follows:

	2017	2016
Fair value of plan assets beginning of period	\$ 1,210,764	1,298,162
Interest income	15,616	12,162
Remeasurements of the net defined benefit assets		
Actuarial loss-return on plan assets		
(exclude interest)	(3,881)	(3,363)
Employers contributions	43,933	85,436
Benefit paid from plan assets	(105,142)	(113,962)
Settlements	 	(67,671)
Fair value of plan assets at end of period	\$ 1,161,290	1,210,764

Change in asset ceiling v)

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

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

vi) Recognized as profit and loss cost

The recognized as profit and loss cost for the years ended December 31, 2017 and 2016 were as follows:

	 2017	2016
Current service cost	\$ 67,253	80,808
Net interest on the net defined benefit liability	16,074	15,134
Settlement gain	-	(40,072)
Termination benefits	 	1,815
	\$ 83,327	57,685

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

Recognized as other comprehensive income of remeasurements of defined benefit plan for the years ended December 31, 2017 and 2016 were as follows:

	 2017	2016
Cumulated surplus at beginning of period	\$ (30,713)	82,417
Recognized in current period	 104,614	(113,130)
Cumulated surplus at end of period	\$ 73,901	(30,713)

viii) Primary actuarial assumptions

	2017	2016
Defined benefit plan discount rate	1.00 %	1.30 %
Incremental rate of future compensation levels	3.00 %	3.00 %

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

Weighted average duration of the defined benefit obligation is 8.9 years.

ix) The sensitivity analysis

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

As of December 31, 2017 and 2016, the effects of changes in actuarial assumptions on the present value of defined benefit obligation were as follows:

	Effect on DBO		
	0.50% Increase	0.50% Decrease	
December 31, 2017			
Discount rate	(109,522)	117,486	
Salary increase rate	116,196	(109,391)	
December 31,2016			
Discount rate	(110,418)	118,564	
Salary increase rate	117,485	(110,482)	
		(Continued)	

Notes to the Financial Statements

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

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

22) Income tax

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

For the years ended December 31, 2017 and 2016, the income tax expense and related accounts were as follows:

		2017	2016
Current income tax expense	\$	48,889	108,074
Deferred income tax expense	_	346,663	502,294
Income tax expense	\$_	395,552	610,368

As of December 31, 2017 and 2016, the current tax assets of the Bank amounted to \$289,519 thousand and \$284,209 thousand, respectively, the current tax liabilities of the Bank amounted to \$20,583 thousand and \$17,998 thousand, respectively.

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

	 2017	2016
Income tax from profit before tax at statutory rate	\$ 440,418	132,156
Permanent difference	(81,776)	6,565
Prior-year income tax adjustments	805	402,012
Basic income tax	20,583	-
Other adjustments per tax regulation	 15,522	69,635
Income tax expense	\$ 395,552	610,368

For the years ended December 31, 2017 and 2016, the components of tax expense (benefit) recognized as other comprehensive income were as follows:

	 2017	2016
Item that may not to be reclassified subsequently to profit		
or loss:		
Remeasurements of defined benefit plan	\$ (17,785)	19,232
Items that may be reclassified subsequently to profit or loss:		
Change in fair value of available-for-sale financial assets		
recognized	\$ (20,175)	(66,919)
Change in fair value of cash flow hedges recognized	 6,034	(6,532)
Total	\$ (14,141)	(73,451)

Notes to the Financial Statements

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

	 2017	2016
Bad debt expense and guarantee liability provision	\$ 21,370	(28,912)
Depreciation expense	(131)	1,298
Expenses from share-based payments	(3,048)	(4,912)
Employee benefits	6,414	28,399
Provisions	18,379	(13,312)
Deferred income	27,114	74,732
Loss carryforwards	222,032	401,363
Unrealized interest income on financial assets	881	(10,015)
Amortization of goodwill	 53,652	53,653
	\$ 346,663	502,294

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

	De	ecember 31, 2017	December 31, 2016
Deferred tax assets:			
Bad debt expense and guarantee liability provision	\$	357,349	378,719
Depreciation expense		28,992	28,861
Impairment loss on assets		34,500	34,500
Expenses from share-based payments		39,823	36,775
Employee benefits		236,105	224,734
Provisions		8,442	26,821
Deferred income		-	27,114
Loss carryforwards		779,180	1,001,212
Unrealized loss on available-for-sale financial assets		2,417	-
Unrealized loss on cash flow hedge		2,246	8,280
Total	\$	1,489,054	1,767,016
Deferred tax liabilities:			
Unrealized interest income on financial assets	\$	77,104	76,223
Amortization of goodwill		482,875	429,223
Land value increment tax		120,468	120,468
Unrealized gain on available-for-sale financial assets		2,072	19,830
Total	\$	682,519	645,744
The movements of deferred tax items were as follows:			
		2017	2016
Beginning balance	\$	1,121,272	1,566,099
Recognized in current period profit and loss		(346,663)	(502,294)
Land value increment tax Recognized in other comprehensive income		31,926	3,248 54,219
Ending balance	<u> </u>	806,535	1,121,272
	* =	333,200	

(Continued)

Notes to the Financial Statements

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

23) Information of imputation credit account

	December 31,	December 31,
	2017	2016
Imputation credit account	Note	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	Note	<u>10.69</u> %

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.

Note: According to the amendment to the "Income Tax Act" enacted by the President of the Republic of China (Taiwan) on February 7, 2018, effectively on January 1, 2018, companies will no longer be required to record, calculate, and distribute their imputation credit account and will not be applied to related penalties due to the abolishment of the imputation tax system.

24) Stockholders' equity

(a) Capital

As of December 31, 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.

(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 2017 and 2016 earnings on June 28, 2017 and 2016, amounting to \$50,105 thousand and \$431,695 thousand, respectively.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(d) Special reserve

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

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

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

(e) Other equity interest

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

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

Notes to the Financial Statements

	(lo availa	alized gains osses) on able-for-sale acial assets	Gains (losses) on effective portion of cash flow hedges	Total
January 1, 2016	\$	624,125	(8,534)	615,591
Available-for-sale financial assets – net				
 Valuation adjustment 		(745,441)	-	(745,441)
Cash flow hedge				
—Unrealized loss			(31,893)	(31,893)
December 31, 2016	\$	(121,316)	(40,427)	(161,743)

Dividend policy and appropriation of earnings (f)

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	\$ 266,400	1,465,876

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

25) Share-based payments

The SC PLC Group operates a number of share-based arrangements for its executive directors and employees. For the years ended December 31, 2017 and 2016, the share-based payment schemes adopted by the Bank were as follows:

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.

Notes to the Financial Statements

The option movements of the AESP were as follows:

	2017 Units	2016 Units
Beginning balance	381,569	471,278
Add: granted	42,771	60,928
Less: exercised	455	-
lapsed	99,362	150,637
Ending balance	324,523	381,569

For the years ended December 31, 2017 and 2016, the costs of the AESP charged to profits or losses were \$7,141 thousand and \$10,422 thousand, respectively, recorded under operating expenses—employee benefits expense.

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

	201	7
Grant date	Octob	er 3
Share price at grant date	£	7.71
Exercise price	£	6.20
Vesting period (years)		3
Expected volatility (%)		34.9
Expected option life (years)		3.33
Risk-free rate (%)		0.47
Expected dividend yield (%)		1.87
Fair value	£	2.32
	201	6
Grant date	201 Octob	
Grant date Share price at grant date		
	Octob	er 4
Share price at grant date	Octob £	er 4 6.50
Share price at grant date Exercise price	Octob £	6.50 5.30
Share price at grant date Exercise price Vesting period (years)	Octob £	6.50 5.30
Share price at grant date Exercise price Vesting period (years) Expected volatility (%)	Octob £	6.50 5.30 3 34.2
Share price at grant date Exercise price Vesting period (years) Expected volatility (%) Expected option life (years)	Octob £	6.50 5.30 3 34.2 3.33

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

Notes to the Financial Statements

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

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

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

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

The option movements of the RSA were as follows:

	2017 Units	2016 Units
Beginning balance	133,354	141,434
Add: granted	70,061	22,561
dividend	-	672
Less: exercised	55,399	22,139
lapsed	6,533	9,174
Ending balance	141,483	133,354

For the years ended December 31, 2017 and 2016, the costs of the RSA charged to profits or losses were \$10,916 thousand and \$16,063 thousand, respectively, recorded under operating expenses—employee benefits expense.

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

			20	17		
Grant date	Novem	ber 29	Octo	ber 3	Jun	e 15
Share price at grant date	£	7.43	£	7.56	£	7.69
	Expected		Expected		Expected	
Vesting period (years)	dividend yield (%)	Fair value (₤)	dividend yield (%)	Fair value	dividend yield (%)	Fair value
1	-	7.43	-	7.56	-	7.69
2	-	7.43	-	7.56	0.50	7.61
2/3	-	-	-	-	-	-
3	1.60	7.08	1.60	7.21	2.10	7.23
4	2.20	6.80	2.20	6.92	2.50	6.96
5	2.40	6.58	2.40	6.70	-	-
6	2.60	6.36	2.60	6.47	-	-

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Notes to the Financial Statements

Finance princing period (years) Expected gividency Expected (years) Fair value gividency Fa	Grant date					20 Marc	17 ch 13
Vesting period (years) Legical dividend yield (%) Early table (£) 0.5 7.43 1 5. 5. 5. 7.43 2 5. 5. 5. 7.3 2/3 1.9 5. 2.10 6.9 3 2.1 6.9 2.10 6.9 4 2.1 6.0 6.0 6.0 6.0 5 6.1 8. 5. 5. 5. 6.0							
1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1						Expected dividend	Fair value
1 2 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3							
2/3 2.10	1					_	
Sample Sample	2					0.50	7.35
2.50 6.72 Grant date Novemark 2.50 5.05 Expected dividend yield (%) Fair value yield (%) Expected dividend yield (%) <td< td=""><td>2/3</td><td></td><td></td><td></td><td></td><td>1.90</td><td>7.08</td></td<>	2/3					1.90	7.08
Grant date Novement of the price at grant date E (£) 6.41 £ (£) 6.50 £ (E) 5.05 Vesting period (years) Fair value yield (%) Expected dividend dividend yield (%) Fair value yield (%) Expected dividend yield (%) Fair value yield (%) Fair value yield (%) Fair value yield (%) (£) Expected dividend yield (%) Fair value yield (%) (£) <td>3</td> <td></td> <td></td> <td></td> <td></td> <td>2.10</td> <td>6.99</td>	3					2.10	6.99
Grant date Novertree at grant date € 6.41 € 6.50 € 5.05 Expected dividend vesting period (years) Expected dividend vield (%) Fair value vield (%) Expected dividend vield (%) Fair value vield (%) € Fair value vield (%	4					2.50	6.72
Share price at grant date £ 6.41 £ 6.50 £ 5.05 Expected dividend yield (%) Fair value yield (%) Fair value yield (%) Expected dividend yield (%) Fair value yield (%) £ 5.05 -				20	16		
Vesting period (years) Expected dividend yield (%) Fair value yield (%) Expected dividend yield (%) Expected dividend yield (%) Fair value yield (%) <td>Grant date</td> <td></td> <td>ber 30</td> <td></td> <td>ber 4</td> <td></td> <td>e 15</td>	Grant date		ber 30		ber 4		e 15
Vesting period (years) dividend yield (%) Fair value (£) dividend (£) Fair value (£) dividend (£) Fair value (£) 1 - 6.41 - 6.50 - - 2 2.40 6.11 2.40 6.20 - - 2/3 2.50 6.03 2.50 6.11 3.60 4.62 3 3.00 5.87 3.00 5.95 - - 2/3/4 - - 3.10 5.76 - - 4 - - 3.10 5.76 - - 4 - - 3.10 5.76 - - 6 - - 3.10 5.76 - - 6 - - 3.10 5.76 - - 6 - - - - - 8 - - - - - 9 - -	Share price at grant date	£	6.41	£	6.50	£	5.05
$ \begin{array}{c ccccccccccccccccccccccccccccccccccc$		dividend		dividend		dividend	
$ \begin{array}{c ccccccccccccccccccccccccccccccccccc$	Vesting period (years)	yield (%)		yield (%)		yield (%)	(£)
$ \begin{array}{c ccccccccccccccccccccccccccccccccccc$						-	-
3.00 5.87 3.00 5.95 - - -						-	-
2/3/4 - - - - - - - - -						3.60	4.62
1/2/3/4		3.00	5.87	3.00	5.95	-	-
3.10 5.76 - - Grant date Texpected dividend dividend yield (%) £ xpected dividend yield (%) £ xpected dividend yield (%) Fair value yield (%) £ xpected dividend yield (%) Fair value yield (%) (£) 2/3 3.60 4.65 3.50 4.30 3 3.40 4.60 - - 2/3/4 3.80 4.65 - - 1/2/3/4 - - 3.50 4.30		-	-	-	-	-	-
Grant date Share price at grant date Expected dividend yield (%) Expected dividend yield (%) Fair value yield (%) (£) 2/3 3.60 4.65 3.50 4.30 3 3.40 4.60 - - 2/3/4 3.80 4.65 - - 1/2/3/4 - 3.50 4.30	1/2/3/4	-	-	-	-	-	-
Grant date May III Share price at grant date £ 5.08 £ 4.68 Expected dividend yield (%) Expected dividend yield (%) Fair value yield (%) Fair value yield (%) $(£)$ 2/3 3.60 4.65 3.50 4.30 3 3.40 4.60 - - 2/3/4 3.80 4.65 - - 1/2/3/4 - - 3.50 4.30	4	-	-	3.10	5.76	-	-
Share price at grant date £ 5.08 £ 4.68 Expected dividend yield (%) Fair value yield (%) Expected dividend yield (%) Fair value yield (%) (£) 2/3 3.60 4.65 3.50 4.30 3 3.40 4.60 - - 2/3/4 3.80 4.65 - - 1/2/3/4 - - 3.50 4.30	~ .						
Expected dividend yield (%) Fair value (£) Expected dividend yield (%) Fair value yield (%) Fair value yield (%) £xpected dividend yield (%) Fair value (£) 2/3 3.60 4.65 3.50 4.30 3 3.40 4.60 - - 2/3/4 3.80 4.65 - - 1/2/3/4 - - 3.50 4.30					•		
Vesting period (years) dividend yield (%) Fair value (£) dividend yield (%) Fair value yield (%) Fair value yield (%) (£) 2/3 3.60 4.65 3.50 4.30 3 3.40 4.60 - - 2/3/4 3.80 4.65 - - 1/2/3/4 - - 3.50 4.30	Share price at grant date				5.08		4.68
2/3 3.60 4.65 3.50 4.30 3 3.40 4.60 - - 2/3/4 3.80 4.65 - - 1/2/3/4 - - 3.50 4.30	Vesting period (years)			dividend		dividend	
3 3.40 4.60 - - 2/3/4 3.80 4.65 - - 1/2/3/4 - - 3.50 4.30							
2/3/4 3.80 4.65 - - 1/2/3/4 - - 3.50 4.30						5.50	4.50
1/2/3/4 3.50 4.30						-	-
				-	- 4.03	3 50	4 30
				3.40	4.44		-

(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.

Notes to the Financial Statements

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

	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 years ended December 31, 2017 and 2016, the costs of the PSA (PSP) charged and reversed to profit or loss were \$314 thousand and \$3,400 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:

	2017 Units	2016 Units
Beginning balance	11,905	12,027
Less: exercised	11,693	122
lapsed	212	
Ending balance		11,905

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

(e) Long-term Incentive Plan Awards

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

The option movements of the LTIP were as follows:

	2017 Units	2016 Units
Beginning balance	51,263	-
Add: granted		51,263
Ending balance	51,263	51,263

Notes to the Financial Statements

For the years ended December 31, 2017 and 2016, no related cost of stock warrants was recorded.

		20	17	
Grant date	M	arch 13	M	larch 13
Share price at grant date	\pm	7.43	£	7.43
Vesting period (years)		3/4/5/6/7		3/4/5/6/7
Fair value (RoE)	\pounds	2.48	£	2.48
Fair value (TSR)	\pounds	1.81	£	1.38
Fair value (Strategic)	£	2.48	£	2.48

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

The vesting of awards granted in 2017 and 2016 is subject to the satisfaction of RoE (subject to a capital underpin) and relative TSR performance measures and achievement of a strategic scorecard. The fair value of the TSR component is calculated using the probability of meeting the measures over a three year performance period, using a Monte Carlo simulation model. The number of shares expected to vest is evaluated at each reporting date, based on the expected performance against the RoE and strategic measures in the scorecard, to determine the accounting charge.

(f) Upfront Shares Awards (UFSA)

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

For the year ended December 31, 2017, the cost of the UFSA charged to profit or loss was \$7,667 thousand, recorded under operating expenses—employee benefit expense.

26) Earnings per share

	 2017	2016
Net income attributable to common stockholders (after tax)	\$ 2,195,140	167,018
Common stock (in thousands)	\$ 2,910,572	2,910,572
Basic EPS (in dollars)	\$ 0.75	0.06

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.

Notes to the Financial Statements

27) Net interest income

 2017	2016
 	_
\$ 6,715,260	7,061,118
154,947	134,301
1,285,256	707,582
1,045,311	1,272,484
238,423	264,080
 166,141	286,124
9,605,338	9,725,689
3,314,402	2,746,649
558,194	222,812
389,392	584,419
 13,101	13,891
 4,275,089	3,567,771
\$ 5,330,249	6,157,918
\$ \$	\$ 6,715,260 154,947 1,285,256 1,045,311 238,423 166,141 9,605,338 3,314,402 558,194 389,392 13,101 4,275,089

28) Net service fee income

	2017		2016	
Service fee				
Service fee, loan	\$	126,618	87,959	
Service fee, agency		6,259	5,650	
Service fee, insurance commission		1,855,818	1,758,772	
Service fee, remittance and interbank		102,990	111,606	
Service fee, guarantee, import, export and acceptance				
payable		53,645	57,066	
Service fee, credit card		269,501	300,346	
Service fee, trust		2,200,082	1,747,117	
Service fee, factoring		20,395	21,283	
Service fee, underwriting		134,286	287,917	
Service fee, other		203,451	155,689	
Subtotal		4,973,045	4,533,405	
Service charge				
Service charge, interbank		152,553	163,138	
Service charge, agency		109,949	124,559	
Service charge, custodian		132,126	112,434	
Service charge, other		120,573	122,021	
Subtotal		515,201	522,152	
Total	\$	4,457,844	4,011,253	

Notes to the Financial Statements

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

			2017	2016
	Gain (loss) on disposal			
	Interest-rate instruments	\$	61,888	70,833
	Derivative financial instruments		582,878	(50,027)
	Subtotal		644,766	20,806
	Gain (loss) on valuation		17.500	(50.065)
	Interest-rate instruments		17,589	(52,065)
	Derivative financial instruments Subtotal	_	736,410 753,999	2,293,654 2,241,589
	Interest income		61,531	42,295
	Total	_	1,460,296	2,304,690
20)		Φ	1,400,270	2,504,070
30)	Realized gain on available-for-sale financial assets			
			2017	2016
	Profit on sale — debt instruments	\$ <u></u>	9,061	59,642
31)	Net other non-interest income			
			2017	2016
	Administrative support service income	\$	3,184	3,194
	Net gain (loss) on disposal of assets		130,460	(29,387)
	Gain on financial assets carried at cost		15,669	17,552
	Rental income		8,607	11,542
	Net gain (loss) on fair value hedge		1,543	(403)
	Other		8,798	11,914
	Total	\$	168,261	14,412
32)	Impairment losses on assets			
			2017	2016
	Impairment losses—land	\$	6,396	486
33)	Bad debt expense and guarantee liability provision			
			2017	2016
	Bad debt expense	\$	766,395	1,469,349
	Guarantee liability provision		1,952	464
	Total	\$	768,347	1,469,813
34)	Employee benefits expense			
			2017	2016
	Salary expense	\$	4,240,413	4,167,467
	Employee insurance		300,213	298,096
	Pension		157.012	151 500
	Defined contribution plan		157,013	151,729
	Defined benefit plan Other		83,327	57,685 374,056
	Total	\$	306,121 5,087,087	374,056 5,049,033
	10141	Ф	<u> </u>	3,047,033

(Continued)

Notes to the Financial Statements

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

The accrued employee's remuneration of the Bank for the year ended December 31, 2017 was \$259 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 years ended December 31, 2016 was \$78 thousand, recorded under operating expenses—employee benefits expense, with no difference between the actual and estimated distributed bonus. Relevant information can be accessed through Market Observation Post System.

For the years ended December 31, 2017 and 2016, the average numbers of the Bank's employees were 3,276 and 3,371, respectively.

35) Depreciation and amortization expenses

	2017	2016
\$	88,007	91,717
	4,200	21,007
	21,085	41,617
	39,890	46,645
\$	153,182	200,986
	\$ \$	\$ 88,007 4,200 21,085 39,890

36) Other general and administrative expenses

		2017	2016
Rental expense	\$	447,876	535,905
Office supplies		90,238	85,686
Postage		173,753	177,308
Repairs and maintenance		273,566	246,149
Advertising expense		193,037	188,124
Utilities fee		81,062	87,735
Taxes		611,444	563,130
Professional service fee		75,765	86,613
Operational and advisory service fee		1,042,050	1,012,446
Consulting and technical support service fee		530,087	287,723
Wholesale banking business service fee		128,997	195,000
Building management fee		139,807	124,110
Computer management fee		326,560	313,816
Other	-	748,697	828,231
Total	\$	4,862,939	4,731,976

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

- 37) Disclosure of financial instruments
 - (a) Financial instruments measured at fair value
 - i. Valuation of financial instruments measured at fair value:
 - i) Financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets—net, derivative financial assets and liabilities for hedging—net, and Other financial assets—debt instruments: for investment securities that have directly observable market values available, securities are valued using inputs proxied from the same or closely related or inputs proxied from a different underlying. Certain instruments cannot be proxied as set out above, and in such cases the positions are valued using non-market observable inputs. The fair value for such instruments is usually proxied from internal assessments of the underlying cash flows.
 - ii) Derivative financial assets and liabilities: wherever possible, fair values have been calculated using unadjusted quoted market prices in active markets, the market data used for price may include those sourced from recent trade data involving external counterparties or third parties such as Reuters, Bloomberg, and brokers. Where quoted market prices are not available, fair values have been determined using the prices sources from consensus pricing providers, to the extent possible, use market observable inputs, such as Totem or Markit or similar instruments' prices.
 - 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.

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Notes to the Financial Statements

- v. The definition of fair value hierarchy of financial instruments measured at fair value
 - i) Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Active markets are defined as markets that meet the following criteria: (1) the asset or liability traded in the market have similar attributes; (2) there is a willing buyer and seller for the asset or liability in the market at any given time; (3) price information on the asset or liability can be accessed by the general public.
 - ii) Level 2 inputs are inputs other than quoted prices in active markets that are observable, including those inputs that can be observed directly (quoted prices) or indirectly (derived from quoted prices) from active markets. For example:
 - a. The quoted price in similar financial instruments' active market was referred to the fair value of financial instruments held by and based on similar financial instruments' recent quoted prices; the judgment of similar financial instruments should follow the characteristics of the financial instruments and trading conditions. The factors that require the fair value of financial instruments to be adjusted with compatible similar financial instruments which have observable trading prices might include recent financial instruments trading price already have time gap (i.e. has been a while since last trading time), the difference between the financial instruments trading conditions, transaction prices involved with a related party, and the correlation between observable transaction price of similar financial instruments and the price of financial instruments held.
 - b. Quoted prices for identical or similar assets or liabilities in markets those are not active.
 - c. Fair value determined based on a valuation model. Inputs for the model (for example, interest rates, yield curves, volatilities, etc.) can be observed from the market (these observable inputs are obtained from market information, and when they are being used in the model, the resulting valuation for the asset or liability shall represent prices anticipated by the market participants).
 - d. Inputs are derived principally from or corroborated by observable market data by correlation or other means.
 - iii) Level 3 means to measure the fair value of the input parameters are not based on observable market data (inputs which are unobservable).

Notes to the Financial Statements

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

	December 31, 2017				
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	\$ 8,968,573	-	8,968,573	-	
Available-for-sale financial assets – net					
Debt instruments	185,135,013	-	185,135,013	-	
Other financial assets – net					
Restricted assets – debt instruments	7,460,090	-	7,460,090	-	
Derivative financial instruments					
Assets:					
Financial assets at fair value through profit or loss	6,946,616	13,197	6,933,419	-	
Derivative financial assets for hedging – net	9,784	-	9,784	-	
Liabilities:					
Financial liabilities at fair value through					
profit or loss	7,384,904	30,925	7,353,979	-	
Derivative financial liabilities for hedging—net	43,768	-	43,768	-	
		December	31 2016		
Financial instruments at fair value	Total		Level 2	Level 3	
Financial instruments at fair value Non-derivative financial instruments	Total	Level 1	Level 2	Level 3	
	Total		Level 2	Level 3	
Non-derivative financial instruments Assets:	Total		Level 2	Level 3	
Non-derivative financial instruments	Total \$ 8,071,092		Level 2 8,071,092	Level 3	
Non-derivative financial instruments Assets: Financial assets at fair value through profit or loss				Level 3	
Non-derivative financial instruments Assets: Financial assets at fair value through profit or loss Debt instruments				Level 3	
Non-derivative financial instruments Assets: Financial assets at fair value through profit or loss Debt instruments Available-for-sale financial assets—net	\$ 8,071,092		8,071,092	Level 3	
Non-derivative financial instruments Assets: Financial assets at fair value through profit or loss Debt instruments Available-for-sale financial assets—net Debt instruments	\$ 8,071,092		8,071,092	Level 3	
Non-derivative financial instruments Assets: Financial assets at fair value through profit or loss Debt instruments Available-for-sale financial assets—net Debt instruments Other financial assets—net	\$ 8,071,092 157,879,248		8,071,092 157,879,248	Level 3	
Non-derivative financial instruments Assets: Financial assets at fair value through profit or loss Debt instruments Available-for-sale financial assets—net Debt instruments Other financial assets—net Restricted assets-debt instruments	\$ 8,071,092 157,879,248		8,071,092 157,879,248	Level 3	
Non-derivative financial instruments Assets: Financial assets at fair value through profit or loss Debt instruments Available-for-sale financial assets—net Debt instruments Other financial assets—net Restricted assets-debt instruments Derivative financial instruments	\$ 8,071,092 157,879,248		8,071,092 157,879,248	Level 3	
Non-derivative financial instruments Assets: Financial assets at fair value through profit or loss Debt instruments Available-for-sale financial assets—net Debt instruments Other financial assets—net Restricted assets-debt instruments Derivative financial instruments Assets:	\$ 8,071,092 157,879,248 14,284,345	Level 1	8,071,092 157,879,248 14,284,345	Level 3	
Non-derivative financial instruments Assets: Financial assets at fair value through profit or loss Debt instruments Available-for-sale financial assets—net Debt instruments Other financial assets—net Restricted assets-debt instruments Derivative financial instruments Assets: Financial assets at fair value through profit or loss	\$ 8,071,092 157,879,248 14,284,345 18,459,587	Level 1	8,071,092 157,879,248 14,284,345 18,443,751	Level 3	
Non-derivative financial instruments Assets: Financial assets at fair value through profit or loss Debt instruments Available-for-sale financial assets—net Debt instruments Other financial assets—net Restricted assets-debt instruments Derivative financial instruments Assets: Financial assets at fair value through profit or loss Derivative financial assets for hedging—net	\$ 8,071,092 157,879,248 14,284,345 18,459,587	Level 1	8,071,092 157,879,248 14,284,345 18,443,751	Level 3	
Non-derivative financial instruments Assets: Financial assets at fair value through profit or loss Debt instruments Available-for-sale financial assets—net Debt instruments Other financial assets—net Restricted assets-debt instruments Derivative financial instruments Assets: Financial assets at fair value through profit or loss Derivative financial assets for hedging—net Liabilities:	\$ 8,071,092 157,879,248 14,284,345 18,459,587	Level 1	8,071,092 157,879,248 14,284,345 18,443,751	Level 3	

- (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.

Notes to the Financial Statements

- Due from the Central Bank and call loans to banks and deposits from the Central Bank and banks: the fair value of floating rate placements and borrowings and overnight deposits is their carrying amounts. The estimated fair value of fixed interest bearing deposits or interest earning loans is based on discounted cash flows using the prevailing money market rates for debts with a similar credit risk and remaining maturity.
- iii) Securities purchased under resell agreements and debt instruments: for investment securities that have directly observable market values available, securities are valued using inputs proxied from the same or closely related or inputs proxied from a different underlying. Certain instruments cannot be proxied as set out above, and in such cases the positions are valued using non-market observable inputs. The fair value for such instruments is usually proxied from internal assessments of the underlying cash flows.
- iv) Discounts and loans net: discounts and loans are presented net of provisions for impairment. The fair value of Discounts and loans to customers with a residual maturity of less than one year generally approximates the carrying value. The estimated fair value with a residual maturity of more than one year represents the discounted amount of future cash flows expected to be received, including assumptions relating to prepayment rates. Expected cash flows are discounted at current market rates or secondary syndication market pricing to determine fair value.
- v) Financial assets carried at cost: for an investment in equity instruments that do not have a quoted market price in an active market, or derivatives linked to such equity instruments because its fair value cannot be measured reliably. At balance sheet date, the Bank will evaluate whether there is an objective evidence of impairment on the investee by using the net book value of the investee in its most recent financial statement and the costs of investment. Its book value after impairment will be used as its fair value.
- vi) Deposits and remittances: the estimated fair value of deposits and remittances with no stated maturity and floating rate deposits is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits is based on discounting cash flows using the prevailing market rates with a similar credit risk and remaining maturity.
- vii) Financial debentures—net: the aggregate fair values are calculated based on quoted market prices. For those notes where quoted market prices are not available, a discounted cash flow model is used based on a current market related yield curve appropriate for the remaining term to maturity. The fair value of subordinated debt is estimated based on its book value on the balance sheet.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

	December 31, 2017	
Financial assets	Book value	Fair value
Cash and cash equivalents	\$ 26,535,866	26,535,866
Due from the Central Bank and call loans to banks	115,118,255	115,132,696
Securities purchased under resell agreements and debt		
instruments	3,356,185	3,419,567
Receivables – net	20,975,429	20,975,429
Discounts and loans—net	262,812,237	263,175,665
Other financial assets—net		
Financial assets carried at cost	127,362	127,362
	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
	December	31, 2017
Financial liabilities	Book value	Fair value
Deposits from the Central Bank and banks	\$ 59,092,527	59,121,670
Payables	3,676,343	3,676,343
Related parties payable	8,353,294	8,353,294
Deposits and remittances	505,410,260	505,207,361
Financial debentures – net	14,530,780	14,530,780
Other financial liabilities	1,264,386	1,264,386
	December	31, 2016
Financial liabilities	Book value	Fair value
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

Notes to the Financial Statements

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

		D	ecember 31, 2017		
Financial instruments			Fair v		
measured at amortised cost	Book value	Level 1	Level 2	Level 3	Total
Non-derivative financial instruments					
Assets:					
Cash and cash equivalents	\$ 26,535,866	-	26,535,866	-	26,535,86
Due from the Central Bank and call					
loans to banks	115,118,255	-	115,132,696	-	115,132,69
Securities purchased under resell					
agreements and debt instruments	3,356,185	-	3,419,567	-	3,419,56
Receivables – net	20,975,429	-	20,975,429	-	20,975,429
Discounts and loans—net	262,812,237	-	3,500,000	259,675,665	263,175,66
Other financial assets—net					
Financial assets carried at cost	127,362	-	-	127,362	127,36
Liabilities:					
Deposits from the Central Bank					
and banks	59,092,527	-	59,121,670	-	59,121,67
Payables	3,676,343	-	3,676,343	-	3,676,34
Related parties payable	8,353,294	-	8,353,294	-	8,353,29
Deposits and remittances	505,410,260	-	505,207,361	-	505,207,36
Financial debentures – net	14,530,780	-	14,530,780	-	14,530,78
Other financial liabilities	1,264,386	-	1,264,386	-	1,264,38
		D	ecember 31, 2016	·	
Financial instruments	Fair value		oluo		
i manciai mon amento			I all v	aiue	
measured at amortised cost	Book value	Level 1	Level 2	Level 3	Total
measured at amortised cost	Book value	Level 1			Total
measured at amortised cost	Book value	Level 1			Total
measured at amortised cost Non-derivative financial instruments	Book value \$ 14,168,772	Level 1			
measured at amortised cost Non-derivative financial instruments Assets:		Level 1	Level 2		
measured at amortised cost Non-derivative financial instruments Assets: Cash and cash equivalents		Level 1	Level 2		14,168,772
measured at amortised cost Non-derivative financial instruments Assets: Cash and cash equivalents Due from the Central Bank and call	\$ 14,168,772	-	Level 2 14,168,772		14,168,77
measured at amortised cost Non-derivative financial instruments Assets: Cash and cash equivalents Due from the Central Bank and call loans to banks	\$ 14,168,772	-	Level 2 14,168,772		14,168,77 102,110,35
measured at amortised cost Non-derivative financial instruments Assets: Cash and cash equivalents Due from the Central Bank and call loans to banks Securities purchased under resell	\$ 14,168,772 102,109,199	-	14,168,772 102,110,353		14,168,77. 102,110,35 3,236,42
measured at amortised cost Non-derivative financial instruments Assets: Cash and cash equivalents Due from the Central Bank and call loans to banks Securities purchased under resell agreements and debt instruments	\$ 14,168,772 102,109,199 3,196,000	-	14,168,772 102,110,353 3,236,428		14,168,77. 102,110,35. 3,236,42. 18,603,88
measured at amortised cost Non-derivative financial instruments Assets: Cash and cash equivalents Due from the Central Bank and call loans to banks Securities purchased under resell agreements and debt instruments Receivables—net	\$ 14,168,772 102,109,199 3,196,000 18,603,886	-	14,168,772 102,110,353 3,236,428 18,603,886	Level 3	14,168,77. 102,110,35. 3,236,42. 18,603,88
measured at amortised cost Non-derivative financial instruments Assets: Cash and cash equivalents Due from the Central Bank and call loans to banks Securities purchased under resell agreements and debt instruments Receivables—net Discounts and loans—net	\$ 14,168,772 102,109,199 3,196,000 18,603,886	-	14,168,772 102,110,353 3,236,428 18,603,886	Level 3 266,163,546	14,168,77 102,110,35 3,236,42 18,603,88 267,163,54
measured at amortised cost Non-derivative financial instruments Assets: Cash and cash equivalents Due from the Central Bank and call loans to banks Securities purchased under resell agreements and debt instruments Receivables—net Discounts and loans—net Other financial assets—net	\$ 14,168,772 102,109,199 3,196,000 18,603,886 267,281,457	-	14,168,772 102,110,353 3,236,428 18,603,886	Level 3	14,168,77 102,110,35 3,236,42 18,603,88 267,163,54
measured at amortised cost Non-derivative financial instruments Assets: Cash and cash equivalents Due from the Central Bank and call loans to banks Securities purchased under resell agreements and debt instruments Receivables—net Discounts and loans—net Other financial assets—net Financial assets carried at cost Liabilities:	\$ 14,168,772 102,109,199 3,196,000 18,603,886 267,281,457	-	14,168,772 102,110,353 3,236,428 18,603,886	Level 3 266,163,546	14,168,77 102,110,35 3,236,42 18,603,88 267,163,54
measured at amortised cost Non-derivative financial instruments Assets: Cash and cash equivalents Due from the Central Bank and call loans to banks Securities purchased under resell agreements and debt instruments Receivables—net Discounts and loans—net Other financial assets—net Financial assets carried at cost	\$ 14,168,772 102,109,199 3,196,000 18,603,886 267,281,457 127,362	-	14,168,772 102,110,353 3,236,428 18,603,886 1,000,000	Level 3 266,163,546	14,168,77 102,110,35 3,236,42 18,603,88 267,163,54 127,36
measured at amortised cost Non-derivative financial instruments Assets: Cash and cash equivalents Due from the Central Bank and call loans to banks Securities purchased under resell agreements and debt instruments Receivables—net Discounts and loans—net Other financial assets—net Financial assets carried at cost Liabilities: Deposits from the Central Bank and banks	\$ 14,168,772 102,109,199 3,196,000 18,603,886 267,281,457 127,362 31,412,055	-	14,168,772 102,110,353 3,236,428 18,603,886 1,000,000 - 31,415,765	Level 3 266,163,546	14,168,77 102,110,35 3,236,42 18,603,88 267,163,54 127,36 31,415,76
measured at amortised cost Non-derivative financial instruments Assets: Cash and cash equivalents Due from the Central Bank and call loans to banks Securities purchased under resell agreements and debt instruments Receivables—net Discounts and loans—net Other financial assets—net Financial assets carried at cost Liabilities: Deposits from the Central Bank and banks Payables	\$ 14,168,772 102,109,199 3,196,000 18,603,886 267,281,457 127,362 31,412,055 3,673,461	-	14,168,772 102,110,353 3,236,428 18,603,886 1,000,000 - 31,415,765 3,673,461	Level 3 266,163,546	14,168,77 102,110,35 3,236,42 18,603,88 267,163,54 127,36 31,415,76 3,673,46
measured at amortised cost Non-derivative financial instruments Assets: Cash and cash equivalents Due from the Central Bank and call loans to banks Securities purchased under resell agreements and debt instruments Receivables—net Discounts and loans—net Other financial assets—net Financial assets carried at cost Liabilities: Deposits from the Central Bank and banks Payables Related parties payable	\$ 14,168,772 102,109,199 3,196,000 18,603,886 267,281,457 127,362 31,412,055 3,673,461 10,207,386	- - - - - -	14,168,772 102,110,353 3,236,428 18,603,886 1,000,000 - 31,415,765 3,673,461 10,207,386	Level 3 266,163,546	14,168,77 102,110,35 3,236,42 18,603,88 267,163,54 127,36 31,415,76 3,673,46 10,207,38
measured at amortised cost Non-derivative financial instruments Assets: Cash and cash equivalents Due from the Central Bank and call loans to banks Securities purchased under resell agreements and debt instruments Receivables—net Discounts and loans—net Other financial assets—net Financial assets carried at cost Liabilities: Deposits from the Central Bank and banks Payables	\$ 14,168,772 102,109,199 3,196,000 18,603,886 267,281,457 127,362 31,412,055 3,673,461	- - - - - -	14,168,772 102,110,353 3,236,428 18,603,886 1,000,000 - 31,415,765 3,673,461	Level 3 266,163,546	Total 14,168,772 102,110,352 3,236,428 18,603,886 267,163,546 127,362 31,415,762 3,673,46 10,207,386 492,851,04 16,037,802

(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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

i. Market risk

i) Strategy and procedure of market risk management

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

ii) Market risk management organization and structure

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

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

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

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

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

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

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

Notes to the Financial Statements

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

		2017			2016	
	Average	Maximum	Minimum	Average	Maximum	Minimum
Foreign exchange VaR	\$ 5,579	13,231	1,755	4,860	11,533	1,145
Interest rate VaR	51,660	64,065	38,593	50,710	66,716	26,394
Total VaR	52,028	65,311	38,816	51,038	67,165	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.

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 nontrading 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.

Method used for regulatory capital calculation v)

Standardized Approach / Delta-Plus for Options.

Notes to the Financial Statements

vi) Exchange rate risk exposure information

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

	December 31, 2017			December 31, 2016			
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	
Long position							
USD	\$18,691,183	29.848	557,890,443	18,623,487	32.283	601,230,016	
CNY	3,810,556	4.578	17,443,602	25,142,477	4.637	116,596,332	
EUR	805,809	35.690	28,759,253	1,459,586	33.870	49,436,211	
JPY	33,517,246	0.265	8,873,235	90,136,985	0.275	24,818,870	
HKD	1,531,397	3.819	5,848,896	4,816,118	4.163	20,049,416	
Short position							
USD	18,687,982	29.848	557,794,894	18,575,830	32.283	599,691,496	
CNY	3,797,477	4.578	17,383,734	25,133,334	4.637	116,553,935	
EUR	806,274	35.690	28,775,841	1,463,353	33.870	49,563,810	
JPY	33,543,041	0.265	8,880,064	90,146,108	0.275	24,821,382	
HKD	1,526,808	3.819	5,831,369	4,819,926	4.163	20,065,268	

i) Interest rate sensitivity information

A. Interest rate sensitivity analysis (NTD)

December 31, 2017

Item		Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total	
Interest rate sensitive assets	\$	394,628,534	18,046,763	40,808,345	52,368,804	505,852,446	
Interest rate sensitive liabilities		266,219,926	20,149,415	23,469,517	4,435,721	314,274,579	
Interest rate sensitive gap		128,408,608	(2,102,652)	17,338,828	47,933,083	191,577,867	
Net worth						43,628,188	
Ratio of interest rate sensitive assets to liabilities (%)							
Ratio of interest rate sensitive gar	to n	et worth (%)				439.11	

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 (%)						
Ratio of interest rate sensitive gap	to net worth (%)				256.81	

Notes to the Financial Statements

B. Interest rate sensitivity analysis (USD)

December 31, 2017 Units: in thousands of US Dollars

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	\$ 3,510,244	216,598	264,009	376	3,991,227
Interest rate sensitive liabilities	8,153,556	417,954	564,783	202,750	9,339,043
Interest rate sensitive gap	(4,643,312)	(201,356)	(300,774)	(202,374)	(5,347,816)
Net worth					6,883
Ratio of interest rate sensitive asse		42.74			
Ratio of interest rate sensitive gap	to net worth (%)				(77,696.00)

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 (%)						
Ratio of interest rate sensitive gap	to net worth (%)				(51,614.05)	

ii. Operational risk

i) Strategy and procedure of operational risk management

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

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

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

ii) Operational risk management organization and structure

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

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

Notes to the Financial Statements

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

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

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

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

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

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

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

v) Method used for regulatory capital calculation

Basic Indicator Approach.

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Notes to the Financial Statements

Compliance and legal risk iii.

Compliance and legal risks arise from the possibility that an entity may not be able to comply with regulations, and a contract or legal documentation may likely cause loss due to illegality, incompleteness or unfairness, which results in a regulatory breach. The Compliance Department of the Bank is responsible for the implementation of compliance system of the Bank. The Legal Department of the Bank is responsible for providing advisory services to legal aspects of transaction documents including legality and enforceability of such transaction documents. The two departments together are to make sure that the financial structure and operations of the Bank follows relevant regulatory compliance and legal matters.

Credit risk management iv.

Credit risk strategy, goal, policy and procedure i)

> 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 appetite.

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

- Balancing Risk and Return: A sustainable franchise is built by managing the integrate risks and in the interest of all the stakeholders; risks that the Bank is taken are consistent with the approved strategy and within the Bank's risk tolerances and risk appetite. The Bank manages the risk profile to maintain a low probability of an unexpected loss event that would materially undermine the confidence of the investors;
- Conduct of Business: The Bank demonstrate the 'Here for Good' through the conduct. The Bank seeks to achieve good outcomes for clients and investors in the markets which the Bank operates, while abiding by the relevant laws and regulations. The Bank treats all colleagues fairly and with respect;
- Responsibility and Accountability: The Bank takes responsibility to ensure risk-taking is disciplined and focused, particularly within our area of authority. The Bank makes sure risk taking is transparent, controlled and reported in line with the RMF as well as within risk appetite and risk tolerance boundaries;

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

- d. Anticipation: The Bank seeks to anticipate material future risks, learn lessons from events that have produced adverse outcomes and ensure awareness of known risks; and
- e. Competitive Advantage: the Company seeks competitive advantage through efficient and effective risk management and control.

B. Policies and Procedures

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

ii) Credit risk management organization and structure

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

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

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

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.

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Notes to the Financial Statements

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

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

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

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

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

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

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

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

v) Method used for regulatory capital calculation

Standardized Approach.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

vi) Maximum exposure to credit risk

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

	Maximum exposure to credit risk				
Off-balance-sheet items	Ι	December 31, 2017	December 31, 2016		
Other guarantees	\$	3,271,993	2,712,222		
Unused amount of irrevocable loan commitments		527,051	697,346		
Unused amount of irrevocable letters of credit		1,796,637	886,991		
Total	\$	5,595,681	4,296,559		

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

vii) Concentrations of credit risk

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

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

A. By industry

	-	December 31, 2017	December 31, 2016
Individual	\$	177,887,463	177,217,124
Manufacturing		44,258,875	42,401,520
Transportation and warehousing		17,322,363	23,727,467
Commercial		9,645,771	12,164,211
Government		3,500,000	1,000,000
Financial industry		9,219,616	9,679,380
Other	_	5,674,583	6,247,258
Total	\$_	267,508,671	272,436,960

Notes to the Financial Statements

B. By area

	D	ecember 31, 2017	December 31, 2016
Domestic	\$	237,964,615	230,261,980
Overseas		29,544,056	42,174,980
Total	\$	267,508,671	272,436,960

C. By collateral

	D-	ecember 31, 2017	December 31, 2016
Unsecured	\$	82,826,631	79,934,290
Secured			
-Real estate		157,477,009	155,144,402
Movable asset		15,494,988	20,784,795
Debt instrument		8,857,182	13,664,512
-Other		2,852,861	2,908,961
Total	\$	267,508,671	272,436,960

viii) Credit quality and impairment analysis on financial asset

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

A. Credit quality analysis

		December	31, 2017		
Neither			Allowance for	r bad debts	
past due nor	Past due but		Individually	Collectively	
impaired	not impaired	Impaired	impaired	impaired	Total
\$ 3,097,056	72,131	618,123	193,098	23,364	3,570,848
11,880,235	-	-	-	118,802	11,761,433
171,815,568	2,696,770	3,815,580	902,733	2,525,237	174,899,948
87,394,517	16,451	1,769,785	875,146	405,061	87,900,546
185,135,013	-	-	-	-	185,135,013
		50,272	50,272		
\$ <u>459,322,389</u>	2,785,352	6,253,760	2,021,249	3,072,464	463,267,788
	\$ 3,097,056 11,880,235 171,815,568 87,394,517 185,135,013	past due nor impaired Past due but not impaired \$ 3,097,056 72,131 11,880,235 - 171,815,568 2,696,770 87,394,517 16,451 185,135,013 - - -	Neither past due nor impaired Past due but not impaired Impaired \$ 3,097,056 72,131 618,123 11,880,235 - - 171,815,568 2,696,770 3,815,580 87,394,517 16,451 1,769,785 185,135,013 - - - 50,272	past due nor impaired Past due but not impaired Impaired Individually impaired \$ 3,097,056 72,131 618,123 193,098 11,880,235 - - - 171,815,568 2,696,770 3,815,580 902,733 87,394,517 16,451 1,769,785 875,146 185,135,013 - - - - 50,272 50,272	Neither past due nor impaired Past due but not impaired Impaired Allowance for bad debts Individually impaired \$ 3,097,056 72,131 618,123 193,098 23,364 11,880,235 - - - 118,802 171,815,568 2,696,770 3,815,580 902,733 2,525,237 87,394,517 16,451 1,769,785 875,146 405,061 185,135,013 - - - - - 50,272 50,272 -

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Notes to the Financial Statements

December 31, 2016

			December	31, 2010		
	Neither			Allowance for	r bad debts	
	past due nor impaired	Past due but not impaired	Impaired	Individually impaired	Collectively impaired	Total
Receivables	Impaired	not impaired	Impaired	<u> </u>	Impaired	Total
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>	2,975,322	7,896,574	2,850,238	3,111,592	439,294,686

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

			December 3	31, 2017	
	Ī	nvestment grade	Sub-investment grade	High risk grade	Total
Receivables					
Credit cards accounts					
receivable	\$	1,141,817	1,936,598	18,641	3,097,056
Accounts receivable					
factoring		4,986,510	181,294	6,712,431	11,880,235
Discounts and loans		1 4 5 0 5 0 0 0 5	25.751.410	601.004	151 015 560
Consumer banking		145,372,325	25,751,419	691,824	171,815,568
Wholesale banking	_	25,282,655	34,081,588	28,030,274	87,394,517
Total	\$ =	<u>176,783,307</u>	61,950,899	<u>35,453,170</u>	<u>274,187,376</u>
			December 3	1, 2016	
	<u> </u>	nvestment	December 3 Sub-investment	1, 2016 High risk	
	Ī	nvestment grade			Total
Receivables			Sub-investment	High risk	Total
Credit cards accounts		grade	Sub-investment grade	High risk grade	
Credit cards accounts receivable			Sub-investment	High risk	Total 3,555,627
Credit cards accounts receivable Accounts receivable		grade 1,287,771	Sub-investment grade 2,224,565	High risk grade 43,291	3,555,627
Credit cards accounts receivable Accounts receivable factoring		grade	Sub-investment grade	High risk grade	
Credit cards accounts receivable Accounts receivable factoring Discounts and loans	\$	1,287,771 4,299,439	Sub-investment grade 2,224,565 227,822	High risk grade 43,291 5,438,233	3,555,627 9,965,494
Credit cards accounts receivable Accounts receivable factoring Discounts and loans Consumer banking	\$	grade 1,287,771 4,299,439 145,926,708	2,224,565 227,822 23,989,607	High risk grade 43,291 5,438,233 831,258	3,555,627 9,965,494 170,747,573
Credit cards accounts receivable Accounts receivable factoring Discounts and loans	\$	1,287,771 4,299,439	Sub-investment grade 2,224,565 227,822	High risk grade 43,291 5,438,233	3,555,627 9,965,494

Notes to the Financial Statements

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

		December 3	31, 2017	
	estment grade	Sub-investment grade	High risk grade	Total
Receivables				
Credit cards accounts				
receivable	\$ 2	57,508	14,621	72,131
Discounts and loans				
Consumer banking	144	1,394,605	1,302,021	2,696,770
Wholesale banking	 	14,985	1,466	16,451
Total	\$ 146	1,467,098	1,318,108	2,785,352
		December 3	31, 2016	
	estment grade	Sub-investment grade	High risk grade	Total
Receivables				
Credit cards accounts				
receivable	\$ 17	69,804	17,054	86,875
Discounts and loans				
Consumer banking	1,941	1,352,297	1,466,221	2,820,459
Wholesale banking	 _	65,001	2,987	67,988
Total	\$ 1,958	1,487,102	1,486,262	2,975,322

D. Credit quality analysis on neither past due nor impaired available-for-sale financial assets. The credit quality categorization based on the issuer's internal risk rating which is defined in internal master scale.

		December 3	31, 2017	
	Investment grade	Sub-investment grade	High risk grade	Total
Available-for-sale financial assets	¢ 105 125 012			105 125 012
Debt instruments	\$ <u>185,135,013</u>			<u>185,135,013</u>
		December 3	31, 2016	
	Investment grade	Sub-investment grade	High risk grade	Total
Available-for-sale financial assets				
Debt instruments	\$ 157,879,248	_	_	157,879,248

Notes to the Financial Statements

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

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

			De	ecember 31, 20	17	
	Up	to 1 month	1-2 months	2-3 months	Over 3 months	Total
Receivables						
Credit cards						
accounts receivable	\$	35,952	12,155	9,725	14,299	72,131
Discounts and loans						
Consumer banking		1,841,292	580,273	151,067	124,138	2,696,770
Wholesale banking	_	10,119	3,294	2,609	429	16,451
Total	\$ _	1,887,363	595,722	163,401	138,866	2,785,352
			De	ecember 31, 20	16	
	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	\$_	1,824,322	720,494	266,729	163,777	2,975,322

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

A. Asset quality of the Bank

Units: in thousands of New Taiwan Dollars, %

		Period		Dec	cember 31, 20	17	
			Non-		NPL	Allowance	Coverage
Product			performing loan	Loan balances	ratio	for bad debts	ratio
Wholesale	Secured	l	35,054	25,036,215	0.14 %	262,657	749.29 %
Banking	Unsecu	red	497,711	64,144,538	0.78 %	1,017,550	204.45 %
	Mortga	ge	217,072	130,191,100	0.17 %	2,323,977	1,070.60 %
Consumer	Persona	ıl loan	157,388	24,846,390	0.63 %	1,019,835	647.98 %
Banking	Others	Secured	73,292	21,291,429	0.34 %	81,568	111.29 %
		Unsecured	54	1,998,999	- %	2,590	4,796.30 %
Total			980,571	267,508,671	0.37 %	4,708,177	480.15 %
			Overdue	Accounts receivable	Overdue ratio	Allowance for bad debts	Coverage ratio
Credit card			15,463	3,787,310	0.41 %	216,462	1,399.87 %
Factoring lo	oan rece	ivable without recourse	-	11,880,235	- %	118,802	- %

Notes to the Financial Statements

		Perio	d	Dec	cember 31, 20	16	
			Non-		NPL	Allowance	Coverage
Product			performing loan	Loan balances	ratio	for bad debts	ratio
Wholesale	Secured	l	54,603	36,902,683	0.15 %	74,494	136.43 %
Banking	Unsecu	red	1,054,475	57,613,464	1.83 %	1,562,319	148.16 %
	Mortga	ge	302,999	128,591,031	0.24 %	2,273,686	750.39 %
Consumer	Persona	ıl loan	194,795	27,640,856	0.70 %	1,230,052	631.46 %
Banking	Others	Secured	102,499	19,759,834	0.52 %	56,221	54.85 %
		Unsecured	203	1,929,092	0.01 %	3,469	1,708.87 %
Total			1,709,574	272,436,960	0.63 %	5,200,241	304.18 %
			Overdue	Accounts	Overdue	Allowance for	Coverage
				receivable	ratio	bad debts	ratio
Credit card			17,116	4,330,897	0.40 %	244,436	1,428.11 %
Factoring lo	an rece	ivable without recourse	-	9,965,494	- %	-	- %

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

Units: in thousands of New Taiwan Dollars

		Decembe	r 31, 2017	Decembe	er 31, 2016
	rep	oans that may be kempted from corting as rdue 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 The amount under debt discharge program and	\$	4,466	16,150	5,919	21,358
rehabilitation program withou default by debtors	s <u> </u>	280,901 285,367	42,738 58,888	337,599 343,518	49,012 70,370

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

B. Concentration of corporate credit risk for the bank

Units: in thousands of New Taiwan Dollars, %

		December 31, 2017		
Rank	Industry	classification of group enterprise	Outstanding credit	% of net assets
1	A Company	Other financial service activities not elsewhere classified	5,372,601	12.26 %
2	B Group	Air transport	4,561,277	10.40 %
3	C Group	Manufacture of other electronic parts and components not elsewhere classified	4,329,451	9.88 %
4	D Group	Air transport	3,102,934	7.08 %
5	E Group	Ocean transportation	3,043,884	6.94 %
6	F Company	Investment advisory services	2,941,977	6.71 %
7	G Group	Manufacture of footwear	2,557,243	5.83 %
8	H Group	Manufacture of other electronic parts and components not elsewhere classified	2,548,478	5.81 %
9	I Group	Ocean Transportation Manufacture of other	2,303,448	5.25 %
10	J Company	Chemical products not elsewhere classified	1,800,000	4.11 %

		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	N Group	Weaving of other textiles	5,601,351	13.42 %
4	K Company	Manufacture of other non-metallic mineral products not elsewhere classified	3,874,011	9.28 %
5	C Group	Manufacture of other electronic parts and components not elsewhere classified	3,797,787	9.10 %
6	D Group	Air transport	3,785,282	9.07 %
7	E Group	Ocean transportation	3,496,553	8.38 %
8	L Group	Manufacture of integrated circuits	3,013,235	7.22 %
9	I Group	Ocean transportation	2,593,763	6.22 %
10	M Group	Air transport	2,131,777	5.11 %

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

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Notes to the Financial Statements

Liquidity risk management mechanism

Definition and sources of liquidity risk i)

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 \$218 billion, which is equivalent to 33.63% 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 vear 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.

Financial assets held for liquidity risk management iii)

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.

		Dec	ember 31, 2017		
	Within 3 months	3 months~ 1 year	1~5 years	Over 5 years	Total
Deposits from the Central Bank and					
banks	\$ 58,580,313	512,214	-	-	59,092,527
Payables	3,676,343	-	-	-	3,676,343
Related parties payable	8,353,294	-	-	-	8,353,294
Deposits and remittances	414,279,670	86,667,158	4,463,432	-	505,410,260
Financial debentures	3,200	6,558,023	2,000,000	5,969,557	14,530,780
Other financial liabilities	1,182,304		82,082		1,264,386
Total	\$ 486,075,124	93,737,395	6,545,514	5,969,557	592,327,590

Notes to the Financial Statements

		Dec	cember 31, 2016	i	
	Within 3	3 months~		Over 5	_
	months	1 year	1~5 years	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>	83,521,662	14,478,260	6,456,686	554,970,910

v) Maturity analysis of derivative financial liabilities

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

A. Maturity analysis of net settled derivatives

				December :	31, 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 — Interest rate derivative	\$	312,226	70,197	216,670	46,713	12	645,818
instruments Derivative financial instruments for		2,237	20,175	26,385	101,820	1,574,186	1,724,803
hedging							
 Interest rate derivative instruments 		-	349	-	_	1,270	1,619
	\$	314,463	90,721	243,055	148,533	1,575,468	2,372,240
	_			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		o bo augo		<u> </u>		<u> </u>	1000
instruments — Interest rate derivative	\$	327,986	115,370	1,334,460	1,513,606	3,960	3,295,382
instruments Derivative financial instruments for hedging — Interest rate derivative		4,981	13,680	49,282	44,221	2,349,131	2,461,295
instruments	_				3,375	11,585	14,960
	•	332,967	129,050	1,383,742	1,561,202	2,364,676	5,771,637

Notes to the Financial Statements

B. Maturity analysis of gross settled derivatives

				December 3	31, 2017		
					181 days~		
	_	0~30 days	31~90 days	91~180 days	1 year	Over 1 year	Total
Derivative financial instruments at fair value through profit or loss — Foreign exchange derivative instruments — Cash outflow — Cash inflow Derivative financial instruments for hedging — Foreign exchange derivative	\$	202,310,421 200,633,954	196,721,970 195,843,615	111,032,584 110,969,432	47,749,363 47,891,081	969,916 967,142	558,784,254 556,305,224
instruments							
-Cash outflow	_	-	- (050 055)		3,438,539		3,438,539
Net cash flow	\$ ₌	(1,676,467)	(878,355)	(63,152)	(3,296,821)	(2,774)	(5,917,569)
				December 3	1 2016		
	_			December 3	01, 2010		
	-			December 5	181 days~		
	_	0~30 days	31~90 days	91~180 days		Over 1 year	Total
Derivative financial instruments at fair value through profit or loss — Foreign exchange derivative instruments — Cash outflow — Cash inflow Derivative financial instruments for	\$	0~30 days 220,207,652 216,692,656	31~90 days 165,947,729 163,068,641		181 days~	Over 1 year	Total 502,136,280 493,500,503

vi) Maturity analysis of off-balance-sheet items

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

	December 31, 2017								
	91 days~								
	_	0~30 days	31~90 Days	1 year	Over 1 year	Total			
Other guarantees	\$	407,106	1,158,723	1,291,569	414,595	3,271,993			
Unused amount of irrevocable loan commitments		118,119	236,237	43,216	129,479	527,051			
Unused amount of irrevocable letters of credit	_	552,558	1,199,116	44,963		1,796,637			
	\$	1,077,783	2,594,076	1,379,748	544,074	5,595,681			
	-								
	_		Dec	ember 31, 2016	í				
				91 days~					
	_	0~30 days	31~90 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			
	\$_	524,197	1,298,306	1,119,324	1,354,732	4,296,559			

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

vii) Structure Analysis of Maturity Date New Taiwan Dollars

December 31, 2017

	Г			Remaining period to expiration							
		Total	0~10 days	11~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year			
Capital provided	\$	837,366,729	138,360,109	107,913,408	172,566,579	112,648,324	95,636,932	210,241,377			
Capital used		921,466,623	83,827,113	112,360,386	226,571,544	146,958,873	80,982,897	270,765,810			
Gap		(84,099,894)	54,532,996	(4,446,978)	(54,004,965)	(34,310,549)	14,654,035	(60,524,433)			

December 31, 2016

	Т			Remaining period to expiration							
	l	Total	0~10 davs	11~30 days	31~90 days	91~180 days	181 days∼ 1 vear	Over 1 vear			
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	Т	849,647,304	94,857,966	104,252,646	197,553,560	119,183,109	56,871,404	276,928,619			
Gap	Т	(106,787,298)	21,344,641	(13,918,133)	(54,445,741)	(23,244,919)	19,201,445	(55,724,591)			

viii) Structure Analysis of Maturity Date US Dollars

December 31, 2017

Units: in thousands of US Dollars

			Remaini	ing period to ex	piration	
		0.20.1	21 00 1	01 100 1	181 days~	0 1
	Total	0~30 days	31~90 days	91~180 days	1 year	Over 1 year
Capital provided	\$ 23,562,097	9,265,128	7,150,820	4,419,703	2,024,576	701,870
Capital used	24,415,026	9,540,294	7,642,905	3,625,569	2,032,605	1,573,653
Gap	(852,929)	(275,166)	(492,085)	794,134	(8,029)	(871,783)

December 31, 2016

Units: in thousands of US Dollars

			Remaining period to expiration					
	Total	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)		

(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.

Notes to the Financial Statements

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

Can be compared to the proper of the parameter of the p		Financial assets		iber 31, 2017	s or similar agreer	nonte	
Total financial assets Securities purchased under receptive financial liabilities Total financial liabilities Securities purchased under receptive		Financiai assets (Offset total		Relevant amoun	nts not offset on	
Derivative financial assets S		assets recognized	recognized in the balance sheet	in the balance sheet	instruments		Net amount (e)=(c)-(d)
December 31, 2017 Sinancial liabilities under net executable settlement contracts or similar agreements Prinancial liabilities Cash collateral (a) Collega-(b) Collega-(b) Collega-(c)			- (3)				2,735,84
December 31, 2017 Financial liabilities under net executable settlement contracts or similar agreements	resell agreements	3,356,185	-	3,356,185	-	3,356,185	-
Financial liabilities under net executable settlement contracts or similar agreements Total financial liabilities in the balance recognized (a) (b) (c)=(a)-(b) (Note) Perivative financial assets under net executable settlement contracts or similar agreements Total financial liabilities in the balance sheet (d) (e)=(a)-(b) (Note) Perivative financial liabilities under net executable settlement contracts or similar agreements Poecmber 31, 2016 Financial assets under net executable settlement contracts or similar agreements Offset total financial liabilities recognized in the balance sheet (d) liabilities assets reported liabilities assets reported in the balance sheet (d) liabilities assets reported liabilities assets reported liabilities under net executable settlement contracts or similar agreements Securities purchased under resell agreements Total sacross special liabilities under net executable settlement contracts or similar agreements December 31, 2016 Financial liabilities under net executable settlement contracts or similar agreements Offset total financial liabilities under net executable settlement contracts or similar agreements Poecmber 31, 2016 Financial liabilities under net executable settlement contracts or similar agreements Offset total financial liabilities under net executable settlement contracts or similar agreements Poecmber 31, 2016 Financial liabilities under net executable settlement contracts or similar agreements Poecmber 31, 2016 Financial liabilities under net executable settlement contracts or similar agreements Poecmber 31, 2016 Financial liabilities under net executable settlement contracts or similar agreements Poecmber 31, 2016 Financial liabilities under net executable settlement contracts or similar agreements Poecmber 31, 2016 Financial liabi	Total	\$ 10,312,585		10,312,585	3,071,079	4,505,657	2,735,84
Total financial liabilities Total financial liabilities Precedent			Decen	ıber 31, 2017			
Total financial liabilities recognized (a)		Financial liabilities		ole settlement contra			
Total financial liabilities recognized (a) (b) (c)=(a)-(b) (Note) (c)=(a)-(b) (Secondary experiment) Derivative financial liabilities (a) (b) (c)=(a)-(b) (c)=(
Perivative financial liabilities Sample Cash collateral (e)=(a)-(b) (Note) (Note) Cash collateral (e)=(a)-(b) (Cash collateral (e)=(a)-(b) (Note) (Cash collateral (e)=(a)-(b) (Note) (Cash collateral (e)=(a)-(b) (Note) (Cash collateral (e)=(a)-(b) (Note) (Cash collateral (e)=(a)-(b)-(a)-(b) (Note) (Cash collateral (e)=(a)-(b)-(a)-(b)-(a)-(a)-(a)-(a)-(a)-(a)-(a)-(a)-(a)-(a				- 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1 - 1	balance	sheet (d)	
Derivative financial Iiabilities S		liabilities	in the balance	reported in the	Financial		
Derivative financial liabilities \$ 7,428,672 - 7,428,672 3,071,079 708,533 3							Net amount
Securities purchased under research agreements Securities purchased under research agreements		(a)	(b)	(c)=(a)-(b)	(Note)	received	(e)=(c)-(d)
Financial assets under net executable settlement contracts or similar agreements Offset total financial liabilities assets reported (a) Derivative financial assets Financial liabilities under net executable settlement contracts or similar agreements Total financial assets Net financial assets recognized (a) (b) (c)=(a)-(b) (Note) Relevant amounts not offset on balance sheet (d) Total financial assets S 18,600,254 - 18,600,254 8,860,642 870,489 88 Securities purchased under resell agreements 3,196,000 - 3,19		\$		7,428,672	3,071,079	708,533	3,649,00
Derivative financial Total financial assets recognized (a) Derivative financial assets Total financial assets recognized (a) Derivative financial assets Total financial assets recognized (b) (c)=(a)-(b) (Note) Financial instruments (Note) Financial instruments Cash collateral (e)=(c)=(a)-(b) December 31, 2016 Financial liabilities Total financial liabilities recognized (a) December 31, 2016 Financial liabilities recognized (a) (b) (c)=(a)-(b) (Note) Financial Instruments Cash collateral (e)=(c)=(a)-(b) (note) Financial Instruments Relevant amounts not offset on balance sheet (d)			Decen	nber 31, 2016			
Total financial assets recognized (a) Derivative financial assets Total financial assets Total financial assets recognized (a) (b) (c)=(a)-(b) (Note) (e)=(a)-(b) (Note) (e)=(a)-(b)-(b) (Note) (e)=(a)-(b)-(b) (Note) (e)=(a)-(b)-(b)-(b)-(b)-(b)-(b)-(b)-(b)-(b)-(b		Financial assets t	under net executable	e settlement contract	s or similar agreen	nents	
Total financial assets recognized (a) (b) (c)=(a)-(b) (Note) received (e)=(c)=(a)-(b) (Note) received (e)=(c)=(c)=(a)-(b) (Note) received (e)=(c)=(c)=(c)=(c)=(c)=(c)=(c)=(c)=(c)=(c					Relevant amoun	nts not offset on	
Total financial assets recognized (a) (b) (c)=(a)-(b) (Note) (received (e)=(a)-(b) (b)-(b) (Note) (received (e)=(a)-(b)-(b)-(c)=(a)-(b) (Note) (received (e)=(a)-(b)-(c)=(a)-(b) (c)=(a)-(b) (Note) (received (e)=(a)-(b)-(c)=(a)-(c)=(a)-(c)=(a)-(c)=(a)-(c)=(a)-(c)=(a)-(c)=(a)-(c)=(a)-(c)=(a)-(c)=(a)-(c)=(a)-(c)=(a)-(c)=(a)-(c)=(a)-(c)=(a)-(c)=(a)-(c)			financial	Net financial	balance	sheet (d)	
Assets recognized (a) (b) (c)=(a)-(b) (Note) (Cash collateral received (e)=(c)=(a)-(b) (Note) (Note) (Rote)							
Comparison of the image Comparison of th							
Derivative financial assets Securities purchased under resell agreements 3,196,000 - 3,19							Net amount
Securities purchased under resell agreements 3,196,000 - 3,196,000			<u>(b)</u>				(e)=(c)-(d)
Total \$\frac{1,796,254}{21,796,254} = \frac{21,796,254}{21,796,254} & \frac{8,860,642}{8,860,642} & \frac{4,066,489}{4,066,489} & \frac{8}{8}\$ \[\text{December 31, 2016} \] \[\text{Financial liabilities under net executable settlement contracts or similar agreements} \] \[\text{Offset total financial nancial liabilities in the balance recognized liabilities in the balance recognized sheet balance sheet instruments Cash collateral net are (a) (b) (c)=(a)-(b) (Note) received (e)=(c) \] \[\text{Derivative financial} \]	Securities purchased under		-		8,860,642	,	8,869,12
December 31, 2016 Financial liabilities under net executable settlement contracts or similar agreements Offset total Relevant amounts not offset on balance sheet (d) Total financial assets recognized liabilities in the balance reported in the Financial recognized sheet balance sheet instruments Cash collateral Net are (a) (b) (c)=(a)-(b) (Note) received (e)=(a)-(b) Derivative financial					-		-
Financial liabilities under net executable settlement contracts or similar agreements Offset total financial Net financial balance sheet (d) Total financial assets recognized liabilities in the balance reported in the Financial recognized sheet balance sheet instruments Cash collateral Net are (a) (b) (c)=(a)-(b) (Note) received (e)=(a)-(b) Derivative financial	Total	\$ 21,796,254		21,796,254	8,860,642	4,066,489	8,869,12
Offset total financial Net financial Net financial liabilities in the balance sheet (a) Total financial assets recognized liabilities in the balance reported in the recognized (a) (b) (c)=(a)-(b) (Note) received (e)=(a)							
Total financial assets recognized liabilities recognized sheet balance sheet instruments Cash collateral Net and (a) (b) (c)=(a)-(b) (Note) received (e)=(c)		Financial liabilities		ole settlement contra			
Total financial assets recognized liabilities in the balance reported in the Financial recognized sheet balance sheet instruments Cash collateral Net ar (a) (b) (c)=(a)-(b) (Note) received (e)=(a) (Derivative financial				Not financial			
liabilities in the balance reported in the Financial recognized sheet balance sheet instruments Cash collateral Net are (a) (b) (c)=(a)-(b) (Note) received (e)=(c) (c) (c) (c) (c) (c) (c) (c) (c) (c)		Total financial			Datafice	succi (u)	
recognized sheet balance sheet instruments Cash collateral Net ar (a) (b) (c)=(a)-(b) (Note) received (e)=(c) Derivative financial					Financial		
(a) (b) (c)=(a)-(b) (Note) received (e)=(d) Derivative financial						Cash collateral	Net amount
		_					(e)=(c)-(d)
liabilities \$14,923,024 14,923,024 533,330 5	Derivative financial						
	liabilities	\$ 14,923,024		14,923,024	8,860,642	533,330	5,529,0

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

(e) Capital management

i. Summary

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

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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

ii. Capital management procedure

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

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

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

- a. Ordinary share and additional paid-in capital in excess of par-ordinary share
- b. Capital collected in advance
- c. Capital surplus
- d. Legal reserves
- e. Special reserves
- f. Accumulated profit or loss
- g. Non-controlling interests
- h. Other items in stockholders' equity
- B. Additional Tier 1 capital: Consists of the aggregate amount of non-cumulative perpetual preferred stock and its capital stock premium, non-cumulative and non-perpetual subordinated debts, etc.
- ii) Tier 2 capital: Consists of the aggregate amount of cumulative perpetual preferred stock and its capital stock premium, cumulative perpetual subordinated debts, convertible subordinated debts, long-term subordinated debts and non-perpetual preferred stock and its capital stock premium, etc.

Notes to the Financial Statements

iii. Capital adequacy

Item		Period-end	December 31, 2017	December 31, 2016
	Commo	n stock capital	39,686,736	37,530,261
Self-owned	Other T	ier 1 capital	-	-
capital	Tier 2 c	apital	9,433,516	10,119,637
	Total se	elf-owned capital	49,120,252	47,649,898
	Credit	Standard approach (SA)	261,584,019	273,014,017
	risk	Internal ratings-based approach (IRB)	-	-
		Securitization	-	-
Risk-	Operat-	Basic indicator approach (BIA)	24,233,455	25,574,978
weighted	1	Standardized approach(SA)/alternative approach	-	-
assets	risk	Advanced measurement approach (AMA)	-	-
	Market	Standardized approach (SA)	17,487,767	16,826,701
	risk	Internal model-based approach (IMA)	-	-
	Total ris	sk-weighted assets	303,305,241	315,415,696
Total risk-ba	sed cap	ital	16.19 %	15.11 %
Ratio of con	nmon sto	ock to total risk-based assets	13.08 %	11.90 %
Ratio of Tie	r 1 capit	al to risk-based assets	13.08 %	11.90 %
Leverage rat	io		5.90 %	5.41 %

- 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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

(7) Related-Party Transactions

1) Name and relationship of related parties

Name	Relationship
Standard Chartered Bank ("SCB")	The ultimate controlling party
Standard Chartered Bank Taipei Branch ("SCB Taipei")	Affiliate
Standard Chartered Bank New York ("SCB New York")	Affiliate
Standard Chartered Bank Japan ("SCB Japan")	Affiliate
Standard Chartered Bank Singapore ("SCB Singapore")	Affiliate
Standard Chartered Bank Germany ("SCB Germany")	Affiliate
Standard Chartered Global Business Services Private Limited (Note 1)	Affiliate
Standard Chartered Global Business Services Sdn Bhd (Note 2)	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	Affiliate
("SCB Vietnam")	A CC11
Standard Chartered Bank Philippines Limited ("SCB Philippines")	Affiliate
Standard Chartered Bank South Africa Limited	Affiliate
("SCB South Africa")	
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

Notes to the Financial Statements

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

Note 1: Scope International Private Limited has renamed on November 30, 2016.

Note 2: Scope International (M) Sdn Bhd has renamed on October 06, 2016.

2) Significant transactions with related parties

(a) Deposits

Ending balance	Percentage of deposits (%)	Interest rate (%)
<u>438,144</u>	0.09	0.00~6.80
ecember 31, 2016		
	Percentage of	Interest rate
Ending balance	deposits (%)	(%)
660 166	0.14	0.00~6.70
	<u> </u>	ecember 31, 2016 Percentage of deposits (%)

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

For the years ended December 31, 2017 and 2016, interest expenses on the above deposits were \$2,564 thousand and \$3,515 thousand, respectively. As of December 31, 2017 and 2016, the interest payables on the above transaction were \$239 thousand and \$161 thousand, respectively.

Notes to the Financial Statements

(b) Loans

Repayment Difference Maximum Number of between terms and conditions Type of loan balance ccounts or name Ending Onoffered to the accounts and to Overdue Collateral during the period of related party balance schedule the general public Employee consumer 8,703 15 5,746 5,746 Unsecured lending None Mortgage 194,339 19 146,105 146,105 House None Other 4,363 Other individuals 3,765 Overdraft on the None 3,765 comprehensive

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

For the years ended December 31, 2017 and 2016, interest income on the above loans were \$2,110 thousand and \$2,189 thousand, respectively. As of December 31, 2017 and 2016, the interest receivables on the above transaction were \$112 thousand and \$126 thousand, respectively.

(c) Foreign exchange and derivative transactions

			December 3	1, 2017		
		Contracts		Gain (loss) on	Balance sheet	
Name	Contracts	duration period	Notional	valuation	Account	Balance
SCB	Interest rate swap	2018.1.26~ 2027.12.7	\$ 203,171,847	78,908	Financial assets at fair value through profit or loss	214,926
					Financial liabilities at fair value through profit or loss	(240,275)
	Spot/forward/swap	2018.1.2~ 2020.1.14	36,887,397	1,381,499	Financial assets at fair value through profit or loss	804,879
					Financial liabilities at fair value through profit or loss	(296,943)
	Foreign exchange option	2018.1.2~ 2018.12.28	115,253,516	1,869,975	Financial assets at fair value through profit or loss	13,662
					Financial liabilities at fair value through profit or loss	(548,037)
	Commodity swap	2018.1.3~ 2018.6.4	2,122,265	(118,764)	Financial assets at fair value through profit or loss	10,970
					Financial liabilities at fair value through profit or loss	(115,655)
	Cross currency swap	2018.1.5~ 2018.1.29	5,969,560	(1,077,908)	Financial liabilities at fair value through profit or loss	(14,246)
	Interest rate swap (Hedge)	2018.2.13~ 2018.2.20	507,413	14,611	Derivative financial liabilities for hedging	(349)
SCB Singapore	Spot/forward/swap	2018.1.2~ 2018.12.21	40,076,907	(1,623,498)	Financial assets at fair value through profit or loss	95,388
					Financial liabilities at fair value through profit or loss	(271,862)
SCB Hong Kong	Spot/forward/swap	2018.1.2~ 2018.12.21	19,971,299	149,198	Financial assets at fair value through profit or loss	215,651
-					Financial liabilities at fair value through profit or loss	(171,087)

(Continued)

Notes to the Financial Statements

December 31, 2016

		Contracts		Gain (loss) on	Balance sheet	
Name	Contracts	duration period	Notional	valuation	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)	© 1	33,753
					Financial liabilities at fair value through profit or loss	(111,157)

As of December 31, 2017 and 2016, the premium receivables resulting from the above option contracts were \$10,707 thousand and \$4,389 thousand, respectively, recorded under receivables — net; and the premium payables resulting from the above option contracts were \$3,468 thousand and \$16,571 thousand, respectively, recorded under related parties payable.

Notes to the Financial Statements

(d) Deposits with banks—affiliates

			2017	
		Balance	Interest rate %	Interest income
SCB China	\$	3,456,593	2.00~5.00	33,171
SCB New York		2,379,694	0.58	7,731
SCB Germany		1,473,913	-0.50	(3)
SCB Japan		1,287,455	-	-
SCB		822,476	-	-
SCB Hong Kong		707,140	-	2
SCB Singapore		66,730	-	-
SCB Thailand		885	-	-
SCB Philippines		169	-	
	\$_	10,195,055		40,901
			2016	
	_	Balance	2016 Interest rate %	Interest income
SCB Japan	\$	Balance 3,019,529		Interest income
SCB Japan SCB New York	\$			Interest income - 3,452
•	\$	3,019,529	Interest rate %	
SCB New York	\$	3,019,529 2,775,921	Interest rate %	
SCB New York SCB	\$	3,019,529 2,775,921 845,908	Interest rate % 0.33	
SCB New York SCB SCB Germany	\$	3,019,529 2,775,921 845,908 722,757	Interest rate % 0.33	
SCB New York SCB SCB Germany SCB Hong Kong	\$	3,019,529 2,775,921 845,908 722,757 203,578	Interest rate % 0.33	
SCB New York SCB SCB Germany SCB Hong Kong SCB Singapore	\$	3,019,529 2,775,921 845,908 722,757 203,578 125,781	- 0.33 1.50	3,452
SCB New York SCB SCB Germany SCB Hong Kong SCB Singapore SCB China	\$	3,019,529 2,775,921 845,908 722,757 203,578 125,781 34,873	- 0.33 1.50	3,452

As of December 31, 2017, interest receivable resulting from the above deposits with banks to affiliates was \$3,973 thousand. For the years ended December 31, 2017 and 2016, the service charge from the above deposits were \$26,288 thousand and \$27,294 thousand, respectively, recorded under net service fee income.

(e) Call loans to banks—affiliates

		2017	
	Balance	Interest rate %	Interest income
SCB Taipei	\$ 27,589,121	-0.27~4.00	451,434
SCB	23,281,273	$0.75 \sim 1.50$	105,846
SCB Japan	2,647,364	-0.11~1.50	9,022
SCB Thailand	1,492,389	2.40~3.60	1,373
SCB Korea	-	1.53~1.96	23,237
SCB Hong Kong	-	$0.40 \sim 1.45$	3,262
SCB New York	-	1.25	1,438
SCB Singapore	-	-0.26~14.00	456
SCB Germany	-	-0.50~-0.45	(5,529)
SCB China	 	-0.30	(1)
	\$ 55,010,147		<u>590,538</u>

Notes to the 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 New York	-	1.40~1.45	17,648	
SCB Hong Kong	-	$0.01 \sim 1.20$	3,363	
SCB Japan	-	-0.10~0.78	1,649	
SCB China	-	0.55~1.80	1,236	
SCB Dubai	-	0.35~0.85	344	
SCB Vietnam	 	0.50	13	
	\$ 61,924,729		388,472	

As of December 31, 2017 and 2016, the interest receivables resulting from the above call loans to banks to affiliates were \$144,004 thousand and \$8,389 thousand, respectively, recorded under receivables—net.

(f) Deposits from banks—affiliates

	2017			
	Balance	Interest rate %	Interest expense	
SCB Taipei	\$1,283,826	0.01	108	
		2016		
	Balance	Interest rate %	Interest expense	
SCB Taipei	\$ 993,555	0.01	115	

As of December 31, 2017 and 2016, the interest payables resulting from the above deposits from banks to affiliates were \$4 thousand and \$2 thousand, respectively, recorded under related parties payable.

(g) Overdrafts on banks—affiliates

		2017	
	Balance	Interest rate %	Interest expense
SCB Germany	\$ -	1.50	3,270
SCB Hong Kong	-	6.25	578
SCB New York	-	1.25	373
SCB China	-	8.00	345
SCB	 _	1.25	20
	\$ 	=	4,586

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Notes to the Financial Statements

_	2016			
	Balance	Interest rate %	Interest expense	
SCB Germany	5 -	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	
9		=	4,730	

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

(h) Call loans from banks—affiliates

\$	Balance 42,468,776	Interest rate % 0.28~2.00	Interest expense 240,157
\$		$0.28 \sim 2.00$	240 157
	1 402 200		470,137
	1,492,389	2.20	274
	776,042	0.91~1.52	10,794
	596,956	$0.27 \sim 1.45$	42,282
	-	1.30~1.80	27,560
	-	1.65	25,712
	-	1.70	15,279
	-	1.55	11,955
	-	0.95~1.50	8,514
	-	0.90~1.50	6,197
		-	100
\$	45,334,163		388,824
		2016	
	Balance	Interest rate %	Interest expense
\$	12,926,061	0.08~6.80	59,813
	9,685,029	$0.85 \sim 1.75$	16,621
	1,291,337	$0.42 \sim 1.10$	3,924
	1,093,392	0.05~0.99	6,500
	613,385	$0.39 \sim 0.70$	2,327
	-	0.36~0.67	13,514
	-	1.00	2,184
	-	0.11~1.30	1,408
	-	0.50	760
_		0.50	110
\$	25,609,204		107,161
	\$	Balance \$ 12,926,061 9,685,029 1,291,337 1,093,392 613,385	- 1.65 - 1.70 - 1.55 - 0.95~1.50 - 0.90~1.50 - 0.90~1.50 - 2016 Balance Interest rate % \$ 12,926,061 0.08~6.80 9,685,029 0.85~1.75 1,291,337 0.42~1.10 1,093,392 0.05~0.99 613,385 0.39~0.70 - 0.36~0.67 - 1.00 - 0.50 - -

Notes to the Financial Statements

As of December 31, 2017 and 2016, the interest payables resulting from the above call loans from banks to affiliates were \$67,057 thousand and \$15,835 thousand, respectively, recorded under related parties payable.

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

	Fair v	<u>alue </u>
	December 31,	December 31,
Name	2017	2016
SCB Hong Kong	\$	6,401,769

For the years ended December 31, 2017 and 2016, the interest income resulting from the above transaction were \$227,078 thousand and \$439,602 thousand, respectively.

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

		Dec	ember 31,
	Name		2017
SCB		\$	238,185

For the years ended December 31, 2017, the interest income resulting from the above transaction was \$1,421 thousand, respectively. As of December 31, 2017, the interest receivable resulting from the above transaction was \$162 thousand, recorded under receivables—net.

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

		December 31,	December 31,
<u>Name</u>	Bond (note)	2017	2016
SCB	103-2	5,969,557	6,456,686

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

For the years ended December 31, 2017 and 2016, the interest expenses on the above transactions were \$277,770 thousand and \$403,805 thousand, respectively. As of December 31, 2017 and 2016, the interest payables on the above transactions were \$10,447 thousand and \$11,299 thousand, respectively, recorded under related parties payable.

(1) Guarantee

	2017						
		um balance					
	_during	the period	Ending balance	Expense	<u>Collateral</u>		
SCB Indonesia	\$	11,939	11,939	USD100	None		
				(per case)			

Notes to the Financial Statements

	2016							
		num balance g the period	Ending balance	Expense	Collateral			
SCB Indonesia	\$	25,827	25,827	USD100 (per case)	None			
SCB Hong Kong		12,913	12,913	0.25% (per quarter)	None			

- (m) For the years ended December 31, 2017, operational and advisory service fees, consulting and technical support service fees and wholesale banking business service fees were \$1,042,050 thousand, \$530,087 thousand, and \$128,997 thousand, respectively. For the years ended December 31, 2016, operational and advisory service fees, consulting and technical support service fees and wholesale banking business service fees were \$1,012,446 thousand, \$287,723 thousand, and \$195,000 thousand, respectively. As of December 31, 2017 and 2016, fees payables to SCB were \$8,144,014 thousand and \$10,076,197 thousand, respectively, recorded under related parties payable. Moreover, for the years ended December 31, 2016, the royalty expenses for obtaining the right to use intellectual property of the SC PLC Group reversed was \$570 thousand. For the years ended December 31, 2017, and 2016, the group insurance expenses for entering the group insurance amounted to \$23,600 thousand and \$33,431 thousand, respectively.
- (n) For the years ended December 31, 2017 and 2016, the related cost of the Executive Share Option Scheme amounted to \$26,038 thousand and \$23,425 thousand, respectively. As of December 31, 2017 and 2016, the estimated accounts payable to SCB for the share-based payment scheme costs amounted to \$45,183 thousand and \$20,980 thousand, respectively, recorded under related parties payable, the prepaid fee to SCB for the share-based payment scheme costs amounted to \$832 thousand and \$900 thousand, respectively, recorded under other assets—net.
- (o) For the years ended December 31, 2017 and 2016, expenses resulting from operating and other business related activities with affiliates were as follows:

 2017	2016		
\$ 10,738	6,761		
6,124	2,935		
5,074	10,292		
 746	1,985		
\$ 22,682	21,973		
\$ 102,264	97,438		
 100,403	101,502		
\$ 202,667	198,940		
\$	\$ 10,738 6,124 5,074 746 \$ 22,682 \$ 102,264 100,403		

Notes to the Financial Statements

Name	2017		2016
Consultant service income, origination income, and			
trading income:			
SCB	\$	199,646	333,232
SCB Hong Kong		61,521	4,266
SCB New York		23,781	24,392
SCB China		10,652	8,943
SCB Singapore		5,902	-
SCB Germany		2,324	2,421
Other		1,804	704
Total	\$	305,630	373,958
Consultant service fees, origination fees:			
SCB	\$	11,928	23
SCB Korea		10,911	-
SCB Singapore		4,935	82
SCB Hong Kong		2,073	80
SCB Vietnam		356	1,735
SCB Philipines		120	4,266
SCB France		85	1,834
SCB Australia		3	1,684
SCB China		(3,712)	7,795
Other		861	905
Total	\$	27,560	18,404

As of December 31, 2017 and 2016, technical support service fees payables and information technology service fees payables were \$29,265 thousand and \$28,405 thousand, respectively, recorded under related parties payable. As of December 31, 2017 and 2016, consultant service income, origination income, and trading income receivables were \$275,636 thousand and \$102,673 thousand, respectively, recorded under receivables—net. As of December 31, 2017 and 2016, consultant service fees, origination fees and trading fees payables were \$53,051 thousand and \$36,896 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 years ended December 31, 2017 and 2016, the rentals were \$3,122 thousand and \$3,189 thousand, respectively. As of December 31, 2017 and 2016, the utility and information system usage income receivables from SCB Taipei were \$71 thousand and \$99 thousand, respectively, recorded under receivables—net. For the years ended December 31, 2017 and 2016, the related recharge from expense allocation were \$947 thousand and \$1,158 thousand, respectively.
- (q) For the years ended December 31, 2017 and 2016, the administrative support service income from SCB Taipei to the Bank were \$3,184 thousand and \$3,194 thousand, respectively.

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

- (r) The Bank entered into the Exclusivity Fee Sharing Agreement with Standard Chartered Bank Singapore. For the years ended December 31, 2017 and 2016, the service fee income were \$562,083 thousand and \$613,516 thousand, respectively, recorded under under net service fee income. As of December 31, 2017 and 2016, the service income receivables were \$2,050,231 thousand and \$1,592,926 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

Salary and other short term benefits
Post-employment benefit
Total

 2017	2016
\$ 242,186	273,539
1,101	1,512
\$ 243,287	275,051

(8) Pledged Assets

Units: in thousands of New Taiwan Dollars

Pledged assets	Pledged for	De	cember 31, 2017	December 31, 2016	
Negotiable certificates of deposit, bonds (recorded under other financial assets)	Provision seizures	\$	2,900	6,600	
	USD overdraft clearing deposits	Ψ	7,000,000	13,835,000	
Total	1	\$	7,002,900	13,841,600	

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

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

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Notes to the 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) Reserves for indemnity obligations are provided in the way of deposits placed in the Central Bank of China for conducting trust and 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 regulation.

(9) Significant Contingent Liabilities and Unrecognized Contract Commitments

1) Commitments and contingent liabilities

]	December 31, 2017	December 31, 2016
Consignment collection for others	\$	5,830,661	7,333,235
Securities, consignments and goods in custody		2,376,437,835	1,847,217,531
Trust assets	_	94,424,876	89,151,397
	\$	2,476,693,372	1,943,702,163
Other guarantees	\$_	3,271,993	2,712,222
Unused amount of irrevocable loan commitments	\$_	527,051	697,346
Unused amount of irrevocable letters of credit	\$_	1,796,637	886,991

2) Operating leases

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

	De	cember 31, 2017	December 31, 2016
Not later than one year	\$	431,888	444,289
Later than one year and less than five years		816,016	1,223,322
Total	\$	1,247,904	1,667,611

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

3) Significant service agreements

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

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

Trust balance sheet December 31, 2017

Trust asset	s		Trust liabilities		
Bank deposits	\$	5,758	Accounts payable	\$	5
Short-term investments		89,476,508	Tax payable		1
Structured notes		4,319,337	Payables for securities under custody		623,272
Securities under custody		623,272	Trust capital and accumulated		93,801,598
Other assets	_	1	earnings	_	
Total trust assets	\$_	94,424,876	Total trust liabilities	\$_	94,424,876

Trust balance sheet December 31, 2016

5		Trust liabilities		
\$	6,478	Accounts payable	\$	6
	85,102,954	Tax payable		1
	3,351,690	Payables for securities under custody		690,274
	690,274	Trust capital and accumulated		88,461,116
_	1	earnings	_	
\$_	89,151,397	Total trust liabilities	\$_	89,151,397
	\$ \$ \$_	\$ 6,478 85,102,954 3,351,690 690,274	\$ 6,478 Accounts payable 85,102,954 Tax payable 3,351,690 Payables for securities under custody 690,274 Trust capital and accumulated	\$ 6,478 Accounts payable \$ 85,102,954 Tax payable 3,351,690 Payables for securities under custody 690,274 Trust capital and accumulated earnings

Trust income statements

2017

 2017	2016
\$ 4,001,698	3,527,834
358	375
2,287,405	1,184,336
 3,917,889	4,323,254
 10,207,350	9,035,799
\$	\$ 4,001,698 358 2,287,405 3,917,889

2016

Notes to the Financial Statements

	 2017	2016
Trust expenses:		
Management expense	59	83
Service charges	1	1
Realized loss on investments	2,155,260	3,769,501
Unrealized loss on investments	1,108,305	1,327,590
Loss on trading of assets	 37	11
	3,263,662	5,097,186
Net gain before income tax	\$ 6,943,688	3,938,613
Income tax expense	 	
Net gain after income tax	\$ 6,943,688	3,938,613

Schedules of investment for trust business

	D	ecember 31,	December 31,
Investment items		2017	2016
Bank deposits	\$	5,758	6,478
Short-term investments:			
Bonds		23,170,622	19,550,567
Common stock		3,913,947	3,113,795
Funds		62,391,939	62,438,592
Structured notes		4,319,337	3,351,690
Securities under custody		623,272	690,274
Other assets		1	1
	\$	94,424,876	89,151,397

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

(10) Significant Disaster Loss: None.

(11) Significant Subsequent Events

According to the amendment to the "Income Tax Act "enacted by the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the FY 2018 corporate income tax return. This increase does not affect the amounts of the current or deferred income taxes recognized on December 31, 2017. However, this amendment will increase the Bank's current and deferred tax charge accordingly in the future. On the other hand, if the new tax rate is applied in calculating the temporary differences and the unused tax losses carryforward recognized on December 31, 2017, the deferred tax assets and liabilities would increase by \$262,774 thousand and \$99,185 thousand, respectively.

Notes to the Financial Statements

(12) Others

1) Profitability

Unit: %

	Items	December 31, 2017	December 31, 2016
Return on assets	Before income tax	0.41	0.12
	After income tax	0.35	0.03
Return on equity	Before income tax	6.06	1.83
	After income tax	5.13	0.39
Net profit ratio		16.31	1.37

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

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

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

(13) Other Disclosures Items

For the years ended December 31, 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
Chartered Bank	No. 90, Zhongzheng Rd., Luzhu Dist., Taoyuan City	2017/1/13	1994/2/22	149,003		Payment received.	, , , , ,	Ming Yang Construction Co., Ltd.		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: Notes 6(6) and 7.

Notes to the Financial Statements

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

					Gain (loss)		Holding	'S		
Name of	Investee's	Investee's	_	Book value of	recognized during	Number of shares	Pro forma number of shares	Shares	otal	
Investee Taiwan Small and Medium Enterprises Development Corp.	Songshan	operation Small and medium enterprises improvement services	wnership 4.84 %	29,000	the period	(thousand) 3,417	(thousand) -	3,417	Percentage 4.84 %	Note
Financial Information Service Co., Ltd.	No.81, Sec. 3, Kangning Rd., Neihu District, Taipei City 11485, Taiwan (R.O.C.)	Information technology services	1.14 %	45,500	-	5,938	-	5,938	1.14 %	Note
TSC Bio Venture Management, Inc.	5F., No.50, Sec. I, Sinsheng S. Rd., Jhongjheng Dist., Taipei City 100, Taiwan (R.O.C.)	capital	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 (R.O.C.)	Venture capital services	4.76 %	7,949	-	607	-	607	4.76 %	Note
Windance Co., Ltd.	North District, Hsinchu City	Residential and commercial lease/sale services	2.73 %	188,500	-	18,850	-	18,850	2.73 %	Note
Taiwan Asset Service Corporation	10F., No.300, Sec. 4, Jhongsiao E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	Asset auction notarization	2.94 %	50,000	-	5,000	-	5,000	2.94 %	Note

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STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

					Gain (loss)	Holdings				
Name of	Investee's	Investee's	Percentage of	Book value of	recognized	Number of Pro forma Total		otal		
					during	shares	number of shares	Shares		
investee	location	operation	ownership	investments	the period	(thousand)	(thousand)	(thousand)	Percentage	Remark
Yang Guang	11F., No.85 and	NPL	1.42 %	849	-	85	-	85	1.42 %	Note
Asset	No.87, Sec. 2,	acquisition								
Management	Nanjing E. Rd.,	services								
Company	Jhongshan Dist.,									
	Taipei City 104,									
	Taiwan									
	(R.O.C.)									

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.

Notes to the Financial Statements

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

Internation Corporates 2017

			and Financial Institutions	Commercial		
		etail Banking	Banking	Banking	Other Banking	Total
Interest income	\$	5,147,129	1,747,452	523,769	2,186,989	9,605,339
Interest expense	_	16,610	(894,745)	(63,819)	(3,333,136)	(4,275,090)
Net interest income		5,163,739	852,707	459,950	(1,146,147)	5,330,249
Net service fee income		3,537,143	825,492	82,825	12,384	4,457,844
Other miscellaneous income	_	390,815	693,211	189,383	2,400,745	3,674,154
Net income		9,091,697	2,371,410	732,158	1,266,982	13,462,247
Bad debt expense and (provision for) reversal guarantee liabilities		(310,718)	(18,306)	(439,323)	-	(768,347)
Operating expense	_	(7,718,014)	(1,180,207)	(925,908)	(279,079)	(10,103,208)
Segment profit or loss	\$_	1,062,965	1,172,897	(633,073)	987,903	2,590,692
Segment assets	\$	194,635,206	83,318,312	33,104,762	336,858,111	647,916,391
Segment liabilities	\$_	308,577,639	185,365,210	36,052,999	74,083,144	604,078,992
				2016		
			International Corporates and Financial Institutions	Commercial		
	D.	etail Banking	Banking	Banking	Other Banking	Total
Interest income	\$	5,761,544	1,369,853	478,234	2,116,058	9,725,689
Interest expense		(175,654)	(717,523)	1,935	(2,676,529)	(3,567,771)
Net interest income		5,585,890	652,330	480,169	(560,471)	6,157,918

Note: Departmental information for the years ended December 31, 2017 is based on the disclosure of the organization after the rearrangements in 2016.

836,623

590,272

(52,245)

<u>781,575</u>

2,079,225

(1,245,405)

90,087,045

159,959,193

101,557

252,066

833,792

(999,609)

(947,131)

(1,112,948)

29,019,500

59,831,322

(27,820)

408,792

(179,499)

1,068

(90,538)

(268,969)

301,553,916

56,460,290

4,011,253

2,060,023

12,229,194

(1,469,813)

(9,981,995)

615,524,035

573,794,875

777,386

3,100,893

9,495,676

(419,027)

(7,698,921)

1,377,728

194,863,574

297,544,070

808,893

Net service fee income

Operating expense

Segment liabilities

Segment assets

Segment profit or loss

Net income

Other miscellaneous income

Bad debt expense and (provision for) reversal guarantee liabilities

Appendix 2 : Directory of Branches and Offices

Branch Name	Address	Telephone No.	Fax No.
Head Office	1, 2, 4, 7, 9, 10F, No.168/170 & 8, 12F, No.168, Dunhua N. Rd., Songshan Dist., Taipei City	4058-0088 4066-8688 4051-0088	-
Main Branch	No.168, Dunhua N. Rd., Songshan Dist., Taipei City	02-66037168	02-66035058
Nanjing Branch	No.161, Sec. 4, Nanjing E. Rd., Songshan Dist., Taipei City	02-66023000	02-87127885
Neihu Branch	No.69, Donghu Rd., Neihu Dist., Taipei City	02-26318888	02-26326910
Tianmu Branch	No.48, Sec. 2, Zhongcheng Rd., Shilin Dist., Taipei City	02-66107600	02-66107699
Xinyi Branch	2F, No.97, Songren Rd, Xinyi Dist., Taipei City	02-27206118	02-66397033
Ren'ai Branch	No.1, Sec. 4, Ren'ai Rd., Da'an Dist., Taipei City	02-66363700	02-66363799
Dunhua Branch	No.39, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City	02-66396000	02-23257588
Guting Branch	No.111, Sec. 2, Roosevelt Rd., Da'an Dist., Taipei City	02-66408888	02-23698569
Zhongshan Branch	No.136, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City	02-66197200	02-66197299
Jianguo Branch	No.38, Sec. 1, Jianguo N. Rd., Zhongshan Dist., Taipei City	02-87723232	02-87723838
Dazhi Branch	No.676, Mingshui Rd., Zhongshan Dist., Taipei City	02-66107500	02-85021610
East Taipei Branch	No.128, Sec. 3, Nanjing E. Rd., Zhongshan Dist., Taipei City	02-66192900	02-66192999
Fuxing Branch	No.420, Fuxing N. Rd., Zhongshan Dist., Taipei City	02-66027676	02-66083068
Jinshan Branch	No.151, Sec. 2, Xinyi Rd., Zhongzheng Dist., Taipei City	02-66010700	02-23218766
Banqiao Branch	2F, No.1-1, Xinfu Rd., Banqiao Dist., New Taipei City	02-66215700	02-66215799
Nankan Branch	No.90, Zhongzheng Rd., Luzhu Dist., Taoyuan City	03-3524148	03-3226443
Bade Branch	No.43, Sec. 2, Jieshou Rd., Bade Dist., Taoyuan City	03-3634341	03-3660967
Guishan Branch	No.1077, Sec. 2, Wanshou Rd., Guishan Dist., Taoyuan City	03-3290728	03-3290273
Gongxi Branch	No.237, Fuxing 1st Rd., Guishan Dist., Taoyuan City	03-3972288	03-3972266
Zhuangjing Branch	No.35, Sec. 2, Daxing W. Rd., Taoyuan Dist., Taoyuan City	03-3026699	03-3028833
Dashulin Branch	No.233, Taoying Rd., Taoyuan Dist., Taoyuan City	03-3664291	03-3664296
Sanmin Branch	No.301, Sec. 3, Sanmin Rd., Taoyuan Dist., Taoyuan City	03-3351593	03-3328102
Xinwu Branch	No.251, Zhongshan Rd., Xinwu Dist., Taoyuan City	03-4773226	03-4772052
Puxin Branch	No.383, Yongmei Rd., Yangmei Dist., Taoyuan City	03-2641600	03-4826073
Yangmei Branch	No.105, Dacheng Rd., Yangmei Dist., Taoyuan City	03-4783491	03-4752718
Longtan Branch	No.202, Beilong Rd., Longtan Dist., Taoyuan City	03-4793185	03-4708175
Pingzhen Branch	No.225, Huannan Rd., Pingzhen Dist., Taoyuan City	03-4910311	03-4910317
Shanziding Branch	No.150-3, Shanding Sec., Zhongfeng Rd., Pingzhen Dist., Taoyuan City	03-4696257	03-4692907
Zhongli Branch	No.194, Zhongshan Rd., Zhongli Dist., Taoyuan City	03-4252186	03-4256977
Longgang Branch	No.302, Longdong Rd., Zhongli Dist., Taoyuan City	03-4657779	03-4567704
Xinming Branch	No.56, Minzu Rd., Zhongli Dist., Taoyuan City	03-4918701	03-4918710
Huanbei Branch	No.405, Huanbei Rd., Zhongli Dist., Taoyuan City	03-4511333	03-4513135
East Neili Branch	No.47, Rongmin Rd., Zhongli Dist., Taoyuan City	03-4351988	03-4351093
Neili Branch	No.83, Xinyi Rd., Zhongli Dist., Taoyuan City	03-4553122	03-4524244
Zhudong Branch	No.300, Sec. 1, Changchun Rd., Zhudong Township, Hsinchu County	03-5965711	03-5954025

Branch Name	Address	Telephone No.	Fax No.
Guanxi Branch (Note 1)	No.21, Mingde Rd., Guanxi Township, Hsinchu County	03-5875151	03-5877927
Xinfeng Branch	No.155-7, Sec. 1, Jianxing Rd., Xinfeng Township, Hsinchu County	03-5591113	03-5594636
Hukou Branch	No.82,Sec.1, Zhongzheng Rd., Hukou Township, Hsinchu County	03-5992614	03-5901627
Xinshe Branch	No.141, Zhongzheng W. Rd., Zhubei City, Hsinchu County	03-5519456	03-5551783
Zhubei Branch	No.8, Ziqiang S. Rd., Zhubei City, Hsinchu County	03-6125100	03-6576187
Xinxing Branch	No.130, Siwei Rd., North Dist., Hsinchu City	03-5233171	03-5233177
Science Park Branch	No.11, Yuanqu 2nd Rd., East Dist., Hsinchu City	03-5785355	03-5787055
Guangfu Branch	No.270, Sec. 1, Guangfu Rd., East Dist., Hsinchu City	03-5775663	03-5781742
Zhongzheng Branch	No.326, Zhongzheng Rd., North Dist., Hsinchu City	03-5348939	03-5349865
North Hsinchu Branch	No.6, Beida Rd., East Dist., Hsinchu City	03-5348155	03-5421589
Sanyi Branch (Note 1)	No.83, Zhongzheng Rd., Sanyi Township, Miaoli County	037-875281	037-875242
Gongguan Branch	No.211, Zhongxiao Rd., Gongguan Township, Miaoli County	037-228525	037-221245
Miaoli Branch	No.562, Zhongzheng Rd., Miaoli City, Miaoli County	037-324671	037-358940
Yuanli Branch	No.19, Weigong Rd., Yuanli Township, Miaoli County	037-862851	037-852609
Houlong Branch	No.20, Chenggong Rd., Houlong Township, Miaoli County	037-724591	037-724980
Toufen Branch	No.106, Heping Rd., Toufen City, Miaoli County	037-668281	037-676791
Zhunan Branch	No.217, Zhongzheng Rd., Zhunan Township, Miaoli County	037-476161	037-474881
Fengyuan Branch	No.797, Yuanhuan E. Rd., Fengyuan Dist., Taichung City	04-25234116	04-25240078
Nantun Branch	No.302, Sec. 2, Liming Rd., Nantun Dist., Taichung City	04-22536208	04-22536205
Wenxin Branch	No.380, Sec. 1, Wenxin Rd., Nantun Dist., Taichung City	04-23192480	04-23192473
Donghai Branch	No.306, Fuke Rd., Xitun Dist., Taichung City	04-24653500	04-24653501
Xitun Branch	No.327, Sec. 2, Henan Rd., Xitun Dist., Taichung City	04-36062088	04-27081118
Zhongqing Branch	No.89, Sec. 1, Zhongqing Rd., North Dist., Taichung City	04-36023300	04-36023399
Beitun Branch	No.236, Sec. 4, Wenxin Rd., North Dist., Taichung City	04-22990755	04-22990803
Taichung Branch	No.633, Sec. 2, Taiwan Blvd., West Dist., Taichung City	04-36013800	04-23101118
Changhua Branch	No.162, Xiaoyang Rd., Changhua City, Changhua County	04-7042100	04-7283195
Chiayi Branch (Note 2)	No.345, Minzu Rd., East Dist., Chiayi City	05-2288855	05-2240800
Tainan Branch	No.429, Sec. 2, Jinhua Rd., South Dist., Tainan City	06-2648101	06-2648140
Dongning Branch	No.88, Dongxing Rd., East Dist., Tainan City	06-2761561	06-2761565
East Tainan Branch	No.107, Sec. 2, Minzu Rd., West Central Dist., Tainan City	06-2289777	06-2283722
Jiuru Branch	No.383, Jiuru 1st Rd., Sanmin Dist., Kaohsiung City	07-3872296	07-3860532
Sanduo Branch	No.262, Zhongshan 2nd Rd., Qianzhen Dist., Kaohsiung City	07-9660766	07-5368033
North Kaohsiung Branch	No.189, Wenxin Rd., Gushan Dist., Kaohsiung City	07-5501705	07-5502010
Kaohsiung Branch	22F, No.175, Zhongzheng 2nd Rd., Lingya Dist., Kaohsiung City	07-9685100	07-2221205

Note 1: Regulator approved the business of Guanxi Branch & Sanyi Branch consolidated to Zhudong Branch & Gongguan Branch respectively starting from 19 May 2018.

Note 2: Regulator approved the business of Chaiyi Branch consolidated to Dongning Branch starting from 9 June 2018.

Standard Chartered Bank (Taiwan) Limited



Chairman Benjamin Pi-Cheng Hung





