

**The Shanghai Commercial & Savings
Bank, Ltd. and Subsidiaries**

**Consolidated Financial Statements for the
Six Months Ended June 30, 2014 and 2013 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders
The Shanghai Commercial & Savings Bank, Ltd.

We have audited the accompanying consolidated balance sheets of The Shanghai Commercial & Savings Bank, Ltd. (the "Bank") and its subsidiaries (collectively referred to as the "Group") as of June 30, 2014, December 31, 2013 and June 30, 2013, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the six months ended June 30, 2014 and 2013. These consolidated financial statements are the responsibility of the managements of the Group. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2014, December 31, 2013 and June 30, 2013, and their consolidated financial performance and their consolidated cash flows for the six months ended June 30, 2014 and 2013, in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks, related regulations, and International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of the Bank as of and for the six months ended June 30, 2014 and 2013 on which we have issued an unqualified report.

August 23, 2014

Notice to Readers

The accompanying consolidated financial statements are intended only to present the financial position, results of operations and cash flows in accordance with 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

For reader's convenience, the auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If inconsistencies arise between the English version and the original Chinese version or if differences arise in the interpretation between the two versions, the Chinese version of the auditors' report and consolidated financial statements shall prevail.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2014		December 31, 2013		June 30, 2013	
	Amount	%	Amount	%	Amount	%
Cash and cash equivalents (note 6)	\$ 33,966,146	2	\$ 58,055,252	4	\$ 37,240,888	3
Due from the central bank and call loans to banks (note 7)	215,135,495	15	221,625,832	16	231,146,094	17
Financial assets at fair value through profit or loss (note 8)	32,745,989	2	33,043,474	2	34,873,722	2
Derivative financial assets for hedging (note 9)	65,865	-	104,418	-	140,528	-
Securities purchased under resell agreements (note 10)	3,800,406	-	1,588,177	-	986,987	-
Receivables, net (notes 11 and 33)	16,122,240	1	15,253,958	1	16,433,283	1
Discounts and loans, net (notes 4, 12, 33 and 34)	809,699,062	56	775,609,470	54	725,587,451	53
Available-for-sale financial assets, net (notes 13 and 34)	199,207,559	14	185,448,671	13	177,149,471	13
Held-to-maturity financial assets, net (notes 14 and 34)	116,604,868	8	116,575,221	8	121,880,605	9
Equity investments under the equity method, net (note 15)	1,048,389	-	979,906	-	951,252	-
Other financial assets, net (note 16)	231,763	-	221,642	-	217,465	-
Properties, net (note 17)	22,302,820	2	21,719,502	2	21,657,176	2
Investment properties, net (note 18)	174,398	-	355,318	-	415,228	-
Deferred income tax assets	764,242	-	924,324	-	769,983	-
Other assets, net (note 19)	<u>2,689,451</u>	<u>-</u>	<u>4,442,779</u>	<u>-</u>	<u>4,742,745</u>	<u>-</u>
Total	<u>\$ 1,454,558,693</u>	<u>100</u>	<u>\$ 1,435,947,944</u>	<u>100</u>	<u>\$ 1,374,192,878</u>	<u>100</u>
LIABILITIES AND EQUITY						
Due to the central bank and banks (note 20)	\$ 44,668,431	3	\$ 38,999,190	3	\$ 35,970,890	3
Borrowings from the central bank and banks	-	-	3,932,016	-	1,499,450	-
Financial liabilities at fair value through profit or loss (note 8)	604,781	-	1,529,591	-	2,163,666	-
Derivative financial liabilities for hedging (note 9)	8,048	-	24,429	-	40,362	-
Securities sold under repurchase agreements (note 21)	7,927,202	1	5,746,867	-	4,218,105	-
Payables (notes 22 and 33)	27,621,143	2	21,840,540	2	31,130,924	2
Current income tax liabilities	1,630,224	-	939,494	-	1,457,654	-
Deposits and remittances (notes 23 and 33)	1,181,855,705	81	1,179,265,585	82	1,125,431,187	82
Bank debentures (note 24)	39,765,907	3	33,104,321	2	33,140,260	3
Other financial liabilities (note 25)	6,392,553	-	6,680,824	1	4,492,584	-
Provisions (note 26)	1,204,070	-	1,218,629	-	1,086,199	-
Deferred income tax liabilities	8,034,886	1	8,019,995	1	7,429,781	1
Other liabilities (notes 27 and 33)	<u>2,157,555</u>	<u>-</u>	<u>2,470,300</u>	<u>-</u>	<u>2,367,842</u>	<u>-</u>
Total liabilities	<u>1,321,870,505</u>	<u>91</u>	<u>1,303,771,781</u>	<u>91</u>	<u>1,250,428,904</u>	<u>91</u>
Total equity (note 29)						
Equity attributable to owners of the Bank						
Share capital						
Ordinary shares	37,157,916	3	37,157,916	3	37,157,916	3
Reserve for capitalization	<u>928,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	38,086,864	3	37,157,916	3	37,157,916	3
Capital surplus	<u>4,625,336</u>	<u>-</u>	<u>4,625,336</u>	<u>-</u>	<u>4,624,995</u>	<u>-</u>
Retained earnings						
Legal reserve	33,751,333	2	30,708,270	2	30,708,270	2
Special reserve	7,480,146	1	7,480,146	1	7,480,146	1
Unappropriated earnings	<u>10,626,499</u>	<u>1</u>	<u>14,913,809</u>	<u>1</u>	<u>9,692,063</u>	<u>1</u>
Total retained earnings	<u>51,857,978</u>	<u>4</u>	<u>53,102,225</u>	<u>4</u>	<u>47,880,479</u>	<u>4</u>
Other equity	4,720,114	-	4,116,983	-	2,949,315	-
Treasury stock	<u>(83,144)</u>	<u>-</u>	<u>(83,144)</u>	<u>-</u>	<u>(83,144)</u>	<u>-</u>
Total equity attributable to owners of the Bank	99,207,148	7	98,919,316	7	92,529,561	7
Non-controlling interests	<u>33,481,040</u>	<u>2</u>	<u>33,256,847</u>	<u>2</u>	<u>31,234,413</u>	<u>2</u>
	<u>132,688,188</u>	<u>9</u>	<u>132,176,163</u>	<u>9</u>	<u>123,763,974</u>	<u>9</u>
Total	<u>\$ 1,454,558,693</u>	<u>100</u>	<u>\$ 1,435,947,944</u>	<u>100</u>	<u>\$ 1,374,192,878</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Six Months Ended June 30			
	2014		2013	
	Amount	%	Amount	%
Interest revenues	\$ 15,405,377	108	\$ 13,278,186	100
Interest expenses	<u>5,460,783</u>	<u>38</u>	<u>4,697,849</u>	<u>35</u>
Net interest (notes 30 and 33)	<u>9,944,594</u>	<u>70</u>	<u>8,580,337</u>	<u>65</u>
Net revenues other than interest				
Service fee incomes, net (note 30)	2,546,191	18	2,660,080	20
Gains on financial assets and liabilities at fair value through profit or loss (note 30)	451,271	3	338,848	3
Realized gains on available-for-sale financial assets	392,224	3	708,613	5
Foreign exchange gains, net	250,363	2	426,158	3
Share of profit of associates and joint ventures, net	76,071	-	34,836	-
Other net revenues (note 33)	<u>539,193</u>	<u>4</u>	<u>470,192</u>	<u>4</u>
Total net revenues other than interest	<u>4,255,313</u>	<u>30</u>	<u>4,638,727</u>	<u>35</u>
Consolidated net revenues	<u>14,199,907</u>	<u>100</u>	<u>13,219,064</u>	<u>100</u>
Bad debt expenses (note 12)	<u>351,600</u>	<u>3</u>	<u>402,491</u>	<u>3</u>
Operating expenses				
Personnel (notes 4, 28, 30 and 33)	3,119,546	22	2,899,241	22
Depreciation and amortization (note 30)	384,212	3	335,729	2
Other general and administrative	<u>1,647,303</u>	<u>11</u>	<u>1,556,163</u>	<u>12</u>
Total operating expenses	<u>5,151,061</u>	<u>36</u>	<u>4,791,133</u>	<u>36</u>
Profit before income tax	8,697,246	61	8,025,440	61
Income tax expense (note 31)	<u>(1,880,318)</u>	<u>(13)</u>	<u>(1,678,517)</u>	<u>(13)</u>
Consolidated net income	<u>6,816,928</u>	<u>48</u>	<u>6,346,923</u>	<u>48</u>
Other comprehensive income				
Translation adjustments for foreign operations	87,494	1	2,245,783	17
Unrealized gain (loss) on available-for-sale financial assets	666,083	5	(1,355,332)	(10)
Cash flow hedges	16,381	-	16,177	-

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THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Six Months Ended June 30			
	2014		2013	
	Amount	%	Amount	%
Share of the other comprehensive income of associates and joint ventures	\$ 228	-	\$ (223)	-
Income tax relating to the components of other comprehensive income (note 31)	<u>(76,949)</u>	<u>(1)</u>	<u>(332,079)</u>	<u>(3)</u>
Other comprehensive income for the period, net of income tax	<u>693,237</u>	<u>5</u>	<u>574,326</u>	<u>4</u>
Total comprehensive income for the period	<u>\$ 7,510,165</u>	<u>53</u>	<u>\$ 6,921,249</u>	<u>52</u>
Net profit attributable to:				
Owner of the Bank	\$ 5,258,388	37	\$ 4,908,603	37
Non-controlling interests	<u>1,558,540</u>	<u>11</u>	<u>1,438,320</u>	<u>11</u>
	<u>\$ 6,816,928</u>	<u>48</u>	<u>\$ 6,346,923</u>	<u>48</u>
Total comprehensive income attributable to:				
Owner of the Bank	\$ 5,861,519	41	\$ 4,933,459	37
Non-controlling interests	<u>1,648,646</u>	<u>12</u>	<u>1,987,790</u>	<u>15</u>
	<u>\$ 7,510,165</u>	<u>53</u>	<u>\$ 6,921,249</u>	<u>52</u>
Earnings Per Share (note 32)				
Basic	<u>\$ 1.38</u>		<u>\$ 1.29</u>	
Diluted	<u>\$ 1.38</u>		<u>\$ 1.29</u>	

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company (note 29)												
							Other Equity						
	Share Capital		Capital Surplus	Retained Earnings			Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges	Treasury Shares	Total	Non-controlling Interests	Total Equity
	Ordinary Shares	Reserve for Capitalization		Legal Reserve	Special Reserve	Unappropriated Earnings							
Balance at January 1, 2013	\$ 37,157,916	\$ -	\$ 4,618,140	\$ 27,849,676	\$ 6,223,287	\$ 14,472,600	\$ (1,423,907)	\$ 4,404,904	\$ (56,538)	\$ (83,144)	\$ 93,162,934	\$ 30,567,237	\$ 123,730,171
Special reserve under Rule No. 1010012865 issued by the FSC	-	-	-	-	1,256,859	(1,256,859)	-	-	-	-	-	-	-
Appropriation of 2012 earnings													
Legal reserve	-	-	-	2,858,594	-	(2,858,594)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(5,573,687)	-	-	-	-	(5,573,687)	-	(5,573,687)
Change in capital surplus from investments in associates and joint ventures accounted for by using equity method	-	-	6,855	-	-	-	-	-	-	-	6,855	-	6,855
Net profit for the six months ended June 30, 2013	-	-	-	-	-	4,908,603	-	-	-	-	4,908,603	1,438,320	6,346,923
Other comprehensive income (loss) for the six months ended June 30, 2013, net of income tax	-	-	-	-	-	-	1,027,423	(1,018,744)	16,177	-	24,856	549,470	574,326
Total comprehensive income (loss) for the six months ended June 30, 2013	-	-	-	-	-	4,908,603	1,027,423	(1,018,744)	16,177	-	4,933,459	1,987,790	6,921,249
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(1,320,614)	(1,320,614)
Balance at June 30, 2013	<u>\$ 37,157,916</u>	<u>\$ -</u>	<u>\$ 4,624,995</u>	<u>\$ 30,708,270</u>	<u>\$ 7,480,146</u>	<u>\$ 9,692,063</u>	<u>\$ (396,484)</u>	<u>\$ 3,386,160</u>	<u>\$ (40,361)</u>	<u>\$ (83,144)</u>	<u>\$ 92,529,561</u>	<u>\$ 31,234,413</u>	<u>\$ 123,763,974</u>
Balance at January 1, 2014	\$ 37,157,916	\$ -	\$ 4,625,336	\$ 30,708,270	\$ 7,480,146	\$ 14,913,809	\$ (409,408)	\$ 4,550,820	\$ (24,429)	\$ (83,144)	\$ 98,919,316	\$ 33,256,847	\$ 132,176,163
Appropriation of 2013 earnings													
Legal reserve	-	-	-	3,043,063	-	(3,043,063)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(5,573,687)	-	-	-	-	(5,573,687)	-	(5,573,687)
Share dividends	-	928,948	-	-	-	(928,948)	-	-	-	-	-	-	-
Net profit for the six months ended June 30, 2014	-	-	-	-	-	5,258,388	-	-	-	-	5,258,388	1,558,540	6,816,928
Other comprehensive income for the six months ended June 30, 2014, net of income tax	-	-	-	-	-	-	45,371	541,379	16,381	-	603,131	90,106	693,237
Total comprehensive income for the six months ended June 30, 2014	-	-	-	-	-	5,258,388	45,371	541,379	16,381	-	5,861,519	1,648,646	7,510,165
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(1,424,453)	(1,424,453)
Balance at June 30, 2014	<u>\$ 37,157,916</u>	<u>\$ 928,948</u>	<u>\$ 4,625,336</u>	<u>\$ 33,751,333</u>	<u>\$ 7,480,146</u>	<u>\$ 10,626,499</u>	<u>\$ (364,037)</u>	<u>\$ 5,092,199</u>	<u>\$ (8,048)</u>	<u>\$ (83,144)</u>	<u>\$ 99,207,148</u>	<u>\$ 33,481,040</u>	<u>\$ 132,688,188</u>

The accompanying notes are an integral part of the consolidated financial statements.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2014	2013
Cash flows from operating activities		
Consolidated net profit before income tax	\$ 8,697,246	\$ 8,025,440
Adjustments to reconcile net profit to net cash provided by operating activities		
Depreciation expenses	241,885	217,261
Amortization expenses	142,327	118,468
Bad debt expenses	351,600	402,491
Losses (gains) on financial assets and liabilities at fair value through profit or loss	47,961	3,573
Interest expenses	5,460,783	4,697,849
Interest revenues	(15,405,377)	(13,278,186)
Dividend income	(193,691)	(31,747)
Share of profit of associates and joint ventures	(76,071)	(34,836)
Losses (gains) on sale of properties and equipment, net	1,992	(93,044)
Gains on disposal of investments	(122,324)	(531,997)
Other adjustments	509,530	432,520
Changes in operating assets and liabilities		
Increase in due from the central bank and call loans to banks	(18,320,437)	(29,067,054)
Increase in financial assets at fair value through profit or loss	(691,788)	(4,968,260)
Increase in receivables	(343,709)	(407,919)
Increase in discounts and loans	(34,096,034)	(62,672,723)
Increase in available-for-sale financial assets	(11,723,673)	(4,251,908)
Decrease (increase) in held-to-maturity financial assets	(24,495)	3,517,831
Decrease (increase) in other financial assets	(10,121)	29,063
Increase (decrease) in due to the Central Bank and banks	5,614,198	(9,689,693)
Increase in financial liabilities at fair value through profit or loss	36,708	212,713
Increase (decrease) in securities sold under repurchase agreements	2,180,335	(4,264,402)
Increase (decrease) in payables	(309,539)	6,276,874
Increase in deposits and remittances	1,611,002	33,212,994
Decrease in other financial liabilities	(288,271)	(512,425)
Decrease in employee benefit provisions	(79,454)	(80,674)
Increase in other liabilities	188,945	45,728
Cash used in operation	(56,600,472)	(72,692,063)
Interest received	14,361,811	12,558,405
Dividend received	190,823	24,507
Interest paid	(5,080,833)	(4,634,038)
Income tax paid	(1,209,863)	(1,085,524)
Net cash used in operating activities	(48,338,534)	(65,828,713)

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THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2014	2013
Cash flows from investing activities		
Acquisition of properties	\$ (624,341)	\$ (1,666,240)
Proceeds from disposal of properties	1,599	140,273
Decrease (increase) in refundable deposits	29,219	(206,179)
Decrease in other assets	1,501,522	1,051,121
Acquisition of investment properties	<u>-</u>	<u>(8,244)</u>
Net cash generated from (used in) investing activities	<u>907,999</u>	<u>(689,269)</u>
Cash flows from financing activities		
Decrease in borrowings from the Central Bank and banks	(3,932,016)	(4,308,550)
Issuance of bank debentures	6,700,000	-
Repayment of bank debentures	-	(2,000,000)
Decrease in guarantee deposit received	(353,644)	(61,463)
Change in non-controlling interest	(1,424,453)	(1,320,614)
Payment of cash dividend	<u>-</u>	<u>(5,573,687)</u>
Net cash generated from (used in) financing activities	<u>989,887</u>	<u>(13,264,314)</u>
Effects of exchange rate changes on the balance of cash held in foreign currencies	<u>(218,866)</u>	<u>6,788,023</u>
Net decrease in cash and cash equivalents	(46,659,514)	(72,994,273)
Cash and cash equivalents at the beginning of the period	<u>192,409,678</u>	<u>276,607,164</u>
Cash and cash equivalents at the end of the period	<u>\$ 145,750,164</u>	<u>\$ 203,612,891</u>

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at June 30, 2014 and 2013:

	2014	2013
Cash and cash equivalents in consolidated balance sheets	\$ 33,966,146	\$ 37,240,888
Due from the Central Bank and call loans to banks fall in with the definition of cash and cash equivalents under IFRS 7	107,983,612	165,385,016
Securities purchased under resell agreements fall in with the definition of cash and cash equivalents under IFRS 7	<u>3,800,406</u>	<u>986,987</u>
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 145,750,164</u>	<u>\$ 203,612,891</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2014 AND 2013 (Amounts in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

1. ORGANIZATION AND OPERATIONS

The Bank was incorporated in the Republic of China (“ROC”) and engaged in various commercial banking businesses under related laws and regulations. The Bank has a head office in Taipei, 68 domestic branches and two foreign branches, Hong Kong branch and Dong Nai (Vietnam) branch.

The operations of the Bank’s Trust Department include services related to planning, managing and operating a trust business as allowed under the Banking Law and Trust Law.

The consolidated financial statements are presented in the Bank’s functional currency, New Taiwan Dollars.

2. AUTHORIZATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on August 23, 2014.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

- a. The 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) in issue but not yet effective

Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Bank and its subsidiaries (collectively, the “Group”) should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) endorsed by the FSC starting January 1, 2015.

New, Amended and Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 “Embedded Derivatives”	Effective for annual periods ending on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters”	July 1, 2010
Amendment to IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters”	July 1, 2011

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New, Amended and Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note)
Amendment to IFRS 1 “Government Loans”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Transfer of Financial Assets”	July 1, 2011
IFRS 10 “Consolidated Financial Statements”	January 1, 2013
IFRS 11 “Joint Arrangements”	January 1, 2013
IFRS 12 “Disclosure of Interests in Other Entities”	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance”	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 “Investment Entities”	January 1, 2014
IFRS 13 “Fair Value Measurement”	January 1, 2013
Amendment to IAS 1 “Presentation of Other Comprehensive Income”	July 1, 2012
Amendment to IAS 12 “Deferred tax: Recovery of Underlying Assets”	January 1, 2012
IAS 19 (Revised 2011) “Employee Benefits”	January 1, 2013
IAS 27 (Revised 2011) “Separate Financial Statements”	January 1, 2013
IAS 28 (Revised 2011) “Investments in Associates and Joint Ventures”	January 1, 2013
Amendment to IAS 32 “Offsetting Financial Assets and Financial Liabilities”	January 1, 2014
IFRIC 20 “Stripping Costs in Production Phase of a Surface Mine”	January 1, 2013

(Concluded)

Note: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after the respective effective dates.

Except for the following, the initial application of the above 2013 IFRSs version has not had any material impact on the Group’s accounting policies.

1) IFRS 13 “Fair Value Measurement”

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015.

2) Amendment to IAS 1 “Presentation of Items of Other Comprehensive Income”

The amendment to IAS 1 requires items of other comprehensive income to be grouped into those items that (1) will not be reclassified subsequently to profit or loss; and (2) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

The Group will apply the above amendments in presenting the statement of comprehensive income, starting from the year 2015. Items not expected to be reclassified to profit or loss are the actuarial gain (loss) arising from defined benefit plans. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gains (loss) on available-for-sale financial assets, cash flow hedges, and share of the other comprehensive income (except the share of the actuarial gains (loss) arising from defined benefit plans) of associates accounted for using the equity method.

3) Revision to IAS 19 “Employee Benefits”

The interest cost and expected return on plan assets used in current IAS 19 are replaced with a “net interest” amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

Except for the above impacts, as of the date the financial statements were authorized for issue, the Group was continuingly to assess other possible impacts that the application of the 2013 IFRSs version will have on the Group’s financial position and financial performance, and will disclose these other impacts when the assessment is completed.

b. New IFRSs in issue but not yet endorsed by FSC

The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced their effective dates.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2017
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
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after the respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

The initial application of the above New IFRSs has not had any material impact on the Bank's accounting policies, except for the following,

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows :

- (a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;
- (b) For debt instruments, if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses.

Except for above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required.

The impairment of financial assets

IFRS 9 requires that impairment loss on financial assets is recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity's risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risk eligible for hedge accounting of non-financial items; (2) changing the way hedging derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing

retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

2) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

In issuing IFRS 13 “Fair Value Measurement”, on May 2011, the IASB made consequential amendment to the disclosure requirements in IAS 36 “Impairment of Assets”, introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Group is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

3) Annual Improvements to IFRSs: 2010-2012 Cycle

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker.

IFRS 13 was amended to clarify that the issuance of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

4) Annual Improvements to IFRSs: 2011-2013 Cycle

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

5) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations from January 1, 2017.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 is effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continually assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, related regulations and IAS 34 "Interim Financial Reporting" endorsed by the FSC. Disclosure information included in interim financial reports is less than disclosures required in a full set of annual reports.

Basis of Consolidation

a. Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (its subsidiaries).

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Bank.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Attribution of total comprehensive income to non-controlling interests

Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

b. The subsidiaries in the consolidated financial statements

Detail information of the subsidiaries is as follows:

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership		
			June 30, 2014	December 31, 2013	June 30, 2013
<u>Domestic subsidiaries</u>					
The Bank	China Travel Services (Taiwan)	Traveling	99.99	99.99	99.99
The Bank	SCSB Life Insurance Agency	Insurance agency	100.00	100.00	100.00
The Bank	SCSB Property Insurance Agency	Insurance agency	100.00	100.00	100.00
The Bank	SCSB Marketing Ltd.	Human resource services	100.00	100.00	100.00
The Bank	SCSB Asset Management Ltd.	Purchase, evaluation, auction and management of creditor's right of financial institutions	100.00	100.00	100.00
China Travel Services (Taiwan)	CTS Travel International Ltd.	Traveling	100.00	100.00	100.00
<u>Foreign subsidiaries</u>					
The Bank	Shancom Reconstruction Inc.	Investment holding	100.00	100.00	100.00
The Bank	Wresqueue Limitada	Investment holding	100.00	100.00	100.00
The Bank	Paofoong Insurance Company (Hong Kong) Ltd.	Insurance	40.00	40.00	40.00
SCSB Asset Management Ltd.	SCSB Leasing (China) Co., Ltd.	Leasing operation	100.00	100.00	100.00
Wresqueue Limitada	Prosperity Realty Inc.	Real estate service	100.00	100.00	100.00

(Continued)

Name of Investor	Name of Investee	Main Businesses and Products	Percentage of Ownership		
			June 30, 2014	December 31, 2013	June 30, 2013
Shancom Reconstruction Inc.	Empresa Inversiones Generales, S.A.	Investment holding	100.00	100.00	100.00
Shancom Reconstruction Inc.	Krinein Company	Investment holding	100.00	100.00	100.00
Shancom Reconstruction Inc.	Safehaven Investment Corporation	Investment holding	100.00	100.00	100.00
Empresa Inversiones Generales, S.A.	Shanghai Commercial Bank	Banking	48.00	48.00	48.00
Krinein Company	Shanghai Commercial Bank	Banking	9.60	9.60	9.60
Shanghai Commercial Bank	Shanghai Commercial Bank (Nominees) Ltd.	Nominee services	100.00	100.00	100.00
Shanghai Commercial Bank	Shanghai Commercial Bank Trustee Ltd.	Trustee services	60.00	60.00	60.00
Shanghai Commercial Bank	Shacom Futures Ltd.	Commodities trading	100.00	100.00	100.00
Shanghai Commercial Bank	Shacom Investment Ltd.	Investment in exchange fund bills and notes	100.00	100.00	100.00
Shanghai Commercial Bank	Shacom Property Holdings (BVI) Limited	Property holding	100.00	100.00	100.00
Shanghai Commercial Bank	Shacom Property (NY) Inc.	Property holding	100.00	100.00	100.00
Shanghai Commercial Bank	Shacom Property (CA) Inc.	Property holding	100.00	100.00	100.00
Shanghai Commercial Bank	Shacom Assets Investment Ltd.	Investment in bonds	100.00	100.00	100.00
Shanghai Commercial Bank	Infinite Financial Solutions Ltd.	I.T. application services provider	80.00	80.00	80.00
Shanghai Commercial Bank	Shacom Insurance Brokers Ltd.	Insurance broker	100.00	100.00	100.00
Shanghai Commercial Bank	Shacom Securities Ltd.	Securities brokerage services	100.00	100.00	100.00
Shanghai Commercial Bank	Hai Kwang Property Management Co., Ltd.	Property management	100.00	100.00	100.00
Shanghai Commercial Bank	Paofong Insurance Company (Hong Kong) Ltd.	Insurance	60.00	60.00	60.00
Shanghai Commercial Bank	Right Honour Investments Limited	Property holding	100.00	100.00	100.00
Right Honour Investments Limited	Glory Step Investments Limited	Property holding	100.00	100.00	100.00
Right Honour Investments Limited	Silver Wisdom Investments Limited	Property holding	100.00	100.00	100.00

(Concluded)

Other Significant Accounting Policy

The same accounting policies of these financial statements have been followed as were applied in the preparation of the financial statements for the year ended December 31, 2013, except for those described below.

a. Financial instruments

Under guidelines issued by the Financial Supervisory Commission, the credit clients are categorized into five groups, normal, warning, possible, and difficult, and uncollectible based on the clients' financial conditions. Furthermore, after assessing the value of the collaterals, the Bank could assessed the possibilities of recovery.

Under the policy of the Bank, the minimum standard allowance for all accounts, and for accounts classified as normal (except the government's claims), notice, warning, difficult, and uncollectible is recognized at 1% (2013: 0.5%), 2%, 10%, 50%, and 100%, respectively.

b. Retirement benefit costs

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-time events.

c. Income taxes

Income tax expense is the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimation uncertainty of consolidated financial statements have been followed in these consolidated financial statements as were applied in the preparation of the financial statements for the year ended December 31, 2013.

6. CASH AND CASH EQUIVALENTS

	<u>June 30, 2014</u>	<u>December 31, 2013</u>	<u>June 30, 2013</u>
Cash on hand and working fund	\$ 7,104,726	\$ 7,291,795	\$ 8,779,180
Notes and checks in clearing	882,036	1,085,547	3,243,839
Due from other banks	<u>25,979,384</u>	<u>49,677,910</u>	<u>25,217,869</u>
	<u>\$ 33,966,146</u>	<u>\$ 58,055,252</u>	<u>\$ 37,240,888</u>

Reconciliation of the amounts of cash and cash equivalents reported in the consolidated statements of cash flows and consolidated balance sheets at December 31, 2013 was as below. As for reconciliation at June 30, 2014 and 2013, please refer to the consolidated statements of cash flows.

	<u>December 31, 2013</u>
Cash and cash equivalents in consolidated balance sheets	\$ 58,055,252
Due from the Central Bank and call loans to banks fall in with the definition of cash and cash equivalents under IFRS 7	132,766,249
Securities purchased under resell agreements fall in with the definition of cash and cash equivalents under IFRS 7	<u>1,588,177</u>
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 192,409,678</u>

7. DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS

	<u>June 30, 2014</u>	<u>December 31, 2013</u>	<u>June 30, 2013</u>
Call loans to banks	\$ 194,573,518	\$ 193,025,434	\$ 209,256,333
Deposit reserves - I	2,687,795	11,063,816	5,282,374
Deposit reserves - II	15,885,671	15,662,521	14,659,459
Deposit reserves - foreign	96,772	83,062	82,384
Due from foreign central banks	<u>1,891,739</u>	<u>1,790,999</u>	<u>1,865,544</u>
	<u>\$ 215,135,495</u>	<u>\$ 221,625,832</u>	<u>\$ 231,146,094</u>

Deposit reserves are statutory reserves and determined monthly at prescribed rates based on average balances of customers' deposits. The entire balance of deposit reserve - II is subject to withdrawal restrictions while no restrictions are placed to other deposit reserves.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>June 30, 2014</u>	<u>December 31, 2013</u>	<u>June 30, 2013</u>
<u>Held-for-trading financial assets</u>			
Commercial papers	\$ 28,485,581	\$ 25,283,493	\$ 23,213,448
Government bonds	850,429	679,731	797,585
Listed stock - domestic	659,150	753,428	641,754
Treasury bonds	496,654	495,387	498,382
Forward contracts	459,713	535,500	479,733
Option contracts	148,720	1,013,430	1,667,188
Negotiable certificate of deposit	17,591	2,617,783	5,090,761
Others	<u>194,601</u>	<u>118,919</u>	<u>216,440</u>
	<u>31,312,439</u>	<u>31,497,671</u>	<u>32,605,291</u>
<u>Financial assets designated at fair value through profit or loss</u>			
Structured corporate bonds contracts	1,433,350	1,545,803	1,995,909
Structured bank debentures contracts	<u>-</u>	<u>-</u>	<u>272,522</u>
	<u>1,433,350</u>	<u>1,545,803</u>	<u>2,268,431</u>
	<u>\$ 32,745,989</u>	<u>\$ 33,043,474</u>	<u>\$ 34,873,722</u>
<u>Held-for-trading financial liabilities</u>			
Forward contracts	\$ 391,915	\$ 416,293	\$ 500,462
Option contracts	149,881	1,013,367	1,510,377
Currency swap contracts	27,704	58,992	106,507
Interest rate swap contracts	<u>35,281</u>	<u>40,939</u>	<u>46,320</u>
	<u>\$ 604,781</u>	<u>\$ 1,529,591</u>	<u>\$ 2,163,666</u>

The Group engages in derivative transactions mainly to accommodate customers' needs and manage its exposure positions.

The financial assets and liabilities at FVTPL contract (nominal) amounts of derivative transactions as of June 30, 2014, December 31, 2013 and June 30, 2013 were as follows:

	<u>June 30, 2014</u>	<u>December 31, 2013</u>	<u>June 30, 2013</u>
Option contracts	\$ 43,262,841	\$ 106,709,404	\$ 143,159,475
Forward contracts	25,029,018	53,309,343	92,232,360
Currency swap contracts	22,763,273	27,219,048	30,966,746
Interest rate swap contracts	3,405,922	4,480,042	4,152,491
Fixed rate commercial papers	800,000	600,000	600,000
Future Contracts	233,993	-	-
Credit default swap contracts	-	-	272,380

9. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	<u>June 30, 2014</u>	<u>December 31, 2013</u>	<u>June 30, 2013</u>
<u>Derivative financial assets under hedge accounting</u>			
Fair value hedges - interest rate swaps	<u>\$ 65,865</u>	<u>\$ 104,418</u>	<u>\$ 140,528</u>
<u>Derivative financial liabilities under hedge accounting</u>			
Cash flow hedges - interest rate swaps	<u>\$ 8,048</u>	<u>\$ 24,429</u>	<u>\$ 40,362</u>

a. Fair value hedges

Portion of bank debentures issued by the Group, including second issue in 2007 and first issue in 2008, and the corporate bonds held by the Group are exposed to the fair value risk due to fluctuations in interest rates. The Group considered the significance of the exposure and entered into interest rate swap contracts to hedge such risk. The Group assessed the effectiveness of hedges at the end of each month, and deemed the results were effective as the hedging instruments offset against the majority of fluctuations on fair values of hedged items.

The outstanding interest rate swaps of the Group at the end of the reporting period were as follows:

<u>Notional Amount (In Thousands)</u>	<u>Maturity Date</u>	<u>Range of Interest Rates Paid</u>	<u>Range of Interest Rates Received</u>
<u>June 30, 2014</u>			
\$4,000,000	2014.12.10-2015.6.10	0.8770%	2.5283%-3.0400%
<u>December 31, 2013</u>			
\$4,000,000	2014.12.10-2015.6.10	0.8630%	2.5283%-3.0400%
<u>June 30, 2013</u>			
\$4,000,000	2014.12.10-2015.6.10	0.8960%	2.5283%-3.0400%

Gains or losses on the hedging derivative financial instruments and on the hedged items as of the six months ended 2014 and 2013 were as follows:

	<u>For the Six Months Ended June 30</u>	
	<u>2014</u>	<u>2013</u>
Gains on the hedging instruments	<u>\$ 38,553</u>	<u>\$ 49,086</u>
Losses on the hedged items	<u>\$ 38,414</u>	<u>(\$ 49,180)</u>

b. Cash flow hedges

The Group debentures first issued in 2007 were exposed to cash flow risk caused by the fluctuation of interest rates. The Group considered the significance of the exposure and entered into interest rate swap contracts to hedge the cash flow risk. The Group assessed the effectiveness of hedges at the end of each month, and deemed the result was effective as the effectiveness of hedging instrument offset against the majority of fluctuation on the cash flow of the hedged item was between 80% to 125%.

The outstanding interest rate swaps of the Group at the end of the reporting period were as follows:

Notional Amount (In Thousands)	Maturity Date	Range of Interest Rates Paid	Range of Interest Rates Received
<u>June 30, 2014</u>			
\$2,000,000	2014.9.29	2.5450%	0.8770%
<u>December 31, 2013</u>			
\$2,000,000	2014.9.29	2.5450%	0.8680%
<u>June 30, 2013</u>			
\$2,000,000	2014.9.29	2.5450%	0.8960%

10. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities purchase under resell agreements as of June 30, 2014, December 31, 2013 and June 30, 2013 were \$3,800,406 thousand, \$1,588,177 thousand and \$986,987 thousand, respectively. The aforementioned securities will be bought back one after another before September 3, 2014, February 6, 2014 and July 18, 2013 at \$3,802,912 thousand, \$1,588,956 thousand and \$987,302 thousand, respectively.

11. RECEIVABLES, NET

	June 30, 2014	December 31, 2013	June 30, 2013
Acceptances	\$ 4,789,902	\$ 4,382,382	\$ 4,833,827
Accrued interest	3,828,075	3,393,173	3,833,800
Credit cards receivable	3,214,952	3,343,788	3,071,374
Accounts receivable - factoring	1,629,665	1,301,819	1,464,217
Accounts receivable due from sales of securities	1,246,200	2,108,169	1,686,840
Others	1,775,186	1,070,968	1,877,214
	<u>16,483,980</u>	<u>15,600,299</u>	<u>16,767,272</u>
Allowance for credit losses	(361,740)	(346,341)	(333,989)
	<u>\$ 16,122,240</u>	<u>\$ 15,253,958</u>	<u>\$ 16,433,283</u>

Allowance for account receivable and other financial assets are categorized and assessed by credit risk as below:

Item	June 30, 2014	
	Total	Allowances
With objective evidence of impairment		
Individually assessed	\$ 17,532	\$ 6,366
Collectively assessed	244,321	98,695
With no objective evidence of impairment		
Collectively assessed	<u>7,718,057</u>	<u>260,020</u>
Grand total	<u>\$ 7,979,910</u>	<u>\$ 365,081</u>

Item	December 31, 2013	
	Total	Allowances
With objective evidence of impairment		
Individually assessed	\$ 34,561	\$ 18,830
Collectively assessed	179,794	72,339
With no objective evidence of impairment		
Collectively assessed	<u>7,138,656</u>	<u>259,690</u>
Grand total	<u>\$ 7,353,011</u>	<u>\$ 350,859</u>

Item	June 30, 2013	
	Total	Allowances
With objective evidence of impairment		
Individually assessed	\$ 17,206	\$ 5,772
Collectively assessed	289,500	105,584
With no objective evidence of impairment		
Collectively assessed	<u>7,656,884</u>	<u>227,110</u>
Grand total	<u>\$ 7,963,590</u>	<u>\$ 338,466</u>

The changes in allowance for receivables and other financial assets are listed below:

	For the Six Months Ended June 30	
	2014	2013
Balance at January 1	\$ 350,859	\$ 310,329
Provisions	18,106	20,208
Write-offs	(33,856)	(27,311)
Recoveries	29,260	33,398
Effect of exchange rate changes	<u>712</u>	<u>1,842</u>
Balance at June 30	<u>\$ 365,081</u>	<u>\$ 338,466</u>

12. DISCOUNTS AND LOANS, NET

	<u>June 30, 2014</u>	<u>December 31, 2013</u>	<u>June 30, 2013</u>
Loans	\$ 773,960,033	\$ 743,343,358	\$ 696,788,207
Inward/outward documentary bills	43,132,467	38,410,329	33,856,333
Nonperforming loans	<u>1,469,101</u>	<u>2,361,886</u>	<u>2,781,697</u>
	818,561,601	784,115,573	733,426,237
Discount and premium adjustment	474,530	342,184	220,242
Allowance for credit losses	<u>(9,337,069)</u>	<u>(8,848,287)</u>	<u>(8,059,028)</u>
	<u>\$ 809,699,062</u>	<u>\$ 775,609,470</u>	<u>\$ 725,587,451</u>

The Bank discontinues accruing interests when loans are deemed nonperforming. For the six months ended June 30, 2014 and 2013, the unrecognized interest revenues on the nonperforming loans amounted to \$14,222 thousand and \$16,243 thousand, respectively.

For the six months ended June 30, 2014 and 2013, the Group only had written off certain credits after completing the required legal procedures.

Allowances for discounts and loans are categorized and assessed by credit risk as below:

<u>Item</u>	<u>June 30, 2014</u>	
	<u>Total</u>	<u>Allowances</u>
With objective evidence of impairment		
Individually assessed	\$ 2,259,090	\$ 929,246
Collectively assessed	9,451,487	5,272,401
With no objective evidence of impairment		
Collectively assessed	<u>806,851,024</u>	<u>3,135,422</u>
Grand total	<u>\$ 818,561,601</u>	<u>\$ 9,337,069</u>

<u>Item</u>	<u>December 31, 2013</u>	
	<u>Total</u>	<u>Allowances</u>
With objective evidence of impairment		
Individually assessed	\$ 3,356,189	\$ 966,646
Collectively assessed	11,723,129	5,058,607
With no objective evidence of impairment		
Collectively assessed	<u>769,036,255</u>	<u>2,823,034</u>
Grand total	<u>\$ 784,115,573</u>	<u>\$ 8,848,287</u>

<u>Item</u>	<u>June 30, 2013</u>	
	<u>Total</u>	<u>Allowances</u>
With objective evidence of impairment		
Individually assessed	\$ 3,779,546	\$ 910,521
Collectively assessed	13,032,011	4,441,308
With no objective evidence of impairment		
Collectively assessed	<u>716,614,680</u>	<u>2,707,199</u>
Grand total	<u>\$ 733,426,237</u>	<u>\$ 8,059,028</u>

The changes in allowance for discount and loans are summarized below:

	For the Six Months Ended June 30	
	2014	2013
Balance at January 1	\$ 8,848,287	\$ 8,742,345
Provisions	333,494	382,283
Write-offs	(183,619)	(1,264,041)
Recoveries	336,776	144,872
Effect of exchange rate changes	<u>2,131</u>	<u>53,569</u>
Balance at June 30	<u>\$ 9,337,069</u>	<u>\$ 8,059,028</u>

The details of bad debts expenses for the six months ended June 30, 2014 and 2013 are listed as below:

	For the Six Months Ended June 30	
	2014	2013
Provisions of loans and discounts	\$ 333,494	\$ 382,283
Provisions of receivables	<u>18,106</u>	<u>20,208</u>
	<u>\$ 351,600</u>	<u>\$ 402,491</u>

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	June 30, 2014	December 31, 2013	June 30, 2013
Negotiable certificate of deposit	\$ 50,587,968	\$ 48,565,599	\$ 47,708,970
Corporate bonds	47,367,756	46,765,873	45,715,797
Bank debentures	38,458,661	40,708,669	40,581,906
Government bonds	41,638,240	29,268,138	26,623,402
Stocks	12,224,437	12,145,174	9,786,685
Beneficiary certificates	8,114,810	7,052,858	6,213,008
Assets backed securities	<u>815,687</u>	<u>942,360</u>	<u>519,703</u>
	<u>\$ 199,207,559</u>	<u>\$ 185,448,671</u>	<u>\$ 177,149,471</u>

Part of par-value of aforementioned available-for-sale financial assets sold under repurchase agreements as of June 30, 2014, December 31, 2013 and June 30, 2013 were \$7,918,620 thousand, \$5,739,464 thousand and \$4,212,600 thousand.

Part of aforementioned assets backed securities were invested in Structured Investment Vehicles (SIV). The Group had recognized impairment losses in prior years which were partially realized due to the liquidation and disposal of SIV. As of June 30, 2014, the unrealized accumulated impairment losses related to its SIV investments were \$89,547 thousand.

About the pledged assets, please see Note 34.

14. HELD-TO-MATURITY FINANCIAL ASSETS

	<u>June 30, 2014</u>	<u>December 31, 2013</u>	<u>June 30, 2013</u>
Negotiable certificate of deposit	\$106,798,492	\$ 106,200,000	\$ 107,400,000
Government bonds	8,995,949	8,949,841	9,050,614
Corporate bonds	444,221	755,464	763,307
Bank debentures	366,206	669,916	681,066
Treasury bonds	-	-	3,985,618
	<u>\$ 116,604,868</u>	<u>\$ 116,575,221</u>	<u>\$ 121,880,605</u>

About the pledged assets, please see Note 34.

15. EQUITY INVESTMENTS UNDER THE EQUITY METHOD

<u>Equity Method</u>	<u>June 30, 2014</u>		<u>December 31, 2013</u>		<u>June 30, 2013</u>	
	<u>Carrying Value</u>	<u>% of Ownership</u>	<u>Carrying Value</u>	<u>% of Ownership</u>	<u>Carrying Value</u>	<u>% of Ownership</u>
Domestic investments						
Kuo Hai Real Estate Management (Kuo Hai)	\$ -	34.69	\$ -	34.69	\$ -	34.69
Silks Place Taroko	<u>84,444</u>	45.00	<u>79,248</u>	45.00	<u>75,608</u>	45.00
	<u>84,444</u>		<u>79,248</u>		<u>75,608</u>	
Foreign investments						
Hong Kong Life Insurance	325,843	16.67	300,123	16.67	285,674	16.67
Bank Consortium Holding	262,003	14.29	223,144	14.29	233,948	14.29
BC Reinsurance	214,903	21.00	214,240	21.00	193,200	21.00
Joint Electronic Teller Services	150,336	20.00	152,326	20.00	151,483	20.00
I-Tech Solutions Limited	<u>10,860</u>	50.00	<u>10,825</u>	50.00	<u>11,339</u>	50.00
	<u>963,945</u>		<u>900,658</u>		<u>875,644</u>	
Grand total	<u>\$1,048,389</u>		<u>\$ 979,906</u>		<u>\$ 951,252</u>	

The Bank decreased the carrying value of Kuo Hai to zero and recognized losses on this investment because of the investee's continuing operating losses over the years.

The foreign investments of subsidiaries are all held by SCB HK with appropriate approvals by its board of directors.

Associates Information of business combinations were as follows:

	<u>June 30, 2014</u>	<u>December 31, 2013</u>	<u>June 30, 2013</u>
Total assets	<u>\$ 36,939,654</u>	<u>\$ 34,457,302</u>	<u>\$ 33,295,322</u>
Total liabilities	<u>\$ 30,638,643</u>	<u>\$ 28,183,559</u>	<u>\$ 27,347,751</u>
		For the Six Months Ended June 30	
		<u>2014</u>	<u>2013</u>
Operating income		<u>\$ 4,949,808</u>	<u>\$ 3,460,713</u>
Net income		<u>\$ 493,641</u>	<u>\$ 315,902</u>

16. OTHER FINANCIAL ASSETS, NET

	June 30, 2014	December 31, 2013	June 30, 2013
Non-active market debt instruments	\$ 200,000	\$ 200,000	\$ 200,000
Financial assets carried at cost	11,787	11,787	11,787
Bills purchased, net	20,976	10,855	6,678
Nonperforming credit card receivables	<u>2,341</u>	<u>3,518</u>	<u>3,477</u>
	235,104	226,160	221,942
Allowance for nonperforming credit card receivables	<u>(3,341)</u>	<u>(4,518)</u>	<u>(4,477)</u>
	<u>\$ 231,763</u>	<u>\$ 221,642</u>	<u>\$ 217,465</u>

The balance of credit cards receivable which was reported as nonperforming were \$2,341 thousand, \$3,518 thousand and \$3,477 thousand as of June 30, 2014, December 31, 2013 and June 30, 2013, respectively. The unrecognized interest revenues on the receivable amounted to \$31 thousand and \$42 thousand for the six months ended June 30, 2014 and 2013.

17. PROPERTIES, NET

	June 30, 2014	December 31, 2013	June 30, 2013
Land	\$ 12,174,182	\$ 11,726,008	\$ 11,637,283
Building and improvement	3,436,111	3,492,487	3,600,783
Office equipment	424,592	453,010	455,519
Transportation equipment	39,118	23,915	25,390
Miscellaneous equipment	372,425	412,623	423,140
Construction-in-progress and prepayment	<u>5,856,392</u>	<u>5,611,459</u>	<u>5,515,061</u>
	<u>\$ 22,302,820</u>	<u>\$ 21,719,502</u>	<u>\$ 21,657,176</u>

For the Six Months Ended June 30, 2014

	Balance at January 1, 2014	Additions	Disposals	Internal Transfer	Effect of Exchange Rate Changes, Net	Balance at June 30, 2014
<u>Cost</u>						
Land	\$ 12,038,052	\$ 265,744	\$ -	\$ 188,459	\$ 5,370	\$ 12,497,625
Building and improvement	6,049,679	14,933	-	(6,360)	6,786	6,065,038
Office equipment	2,170,649	55,784	(47,032)	-	2,383	2,181,784
Transportation equipment	94,876	20,823	(10,729)	-	(17)	104,953
Miscellaneous equipment	1,938,240	30,519	(12,245)	-	4,933	1,961,447
Construction-in-progress and prepayment	<u>5,649,659</u>	<u>236,538</u>	<u>-</u>	<u>-</u>	<u>11,672</u>	<u>5,897,869</u>
	<u>27,941,155</u>	<u>\$ 624,341</u>	<u>\$ (70,006)</u>	<u>\$ 182,099</u>	<u>\$ 31,127</u>	<u>28,708,716</u>
<u>Accumulated depreciation</u>						
Land	312,044	\$ 10,221	\$ -	\$ 510	\$ 668	323,443
Building and improvement	2,557,192	69,166	-	(658)	3,227	2,628,927
Office equipment	1,717,639	82,665	(45,230)	-	2,118	1,757,192
Transportation equipment	70,961	4,979	(10,197)	-	92	65,835

(Continued)

For the Six Months Ended June 30, 2014						
	Balance at January 1, 2014	Additions	Disposals	Internal Transfer	Effect of Exchange Rate Changes, Net	Balance at June 30, 2014
Miscellaneous equipment	\$ 1,525,617	\$ 70,139	\$ (10,988)	\$ -	\$ 4,254	\$ 1,589,022
Construction-in-progress and prepayment	38,200	3,217	-	-	60	41,477
	<u>6,221,653</u>	<u>\$ 240,387</u>	<u>\$ (66,415)</u>	<u>\$ (148)</u>	<u>\$ 10,419</u>	<u>6,405,896</u>
Net amount	<u>\$ 21,719,502</u>					<u>\$ 22,302,820</u> (Concluded)

For the Six Months Ended June 30, 2013						
	Balance at January 1, 2013	Additions	Disposals	Internal Transfer	Effect of Exchange Rate Changes, Net	Balance at June 30, 2013
<u>Cost</u>						
Land	\$ 9,701,100	\$ 1,359,216	\$ (23,292)	\$ 828,277	\$ 76,590	\$ 11,941,891
Building and improvement	5,840,044	128,034	(19,016)	96,432	51,089	6,096,583
Office equipment	2,151,421	75,859	(90,443)	(346)	29,731	2,166,222
Transportation equipment	92,259	3,179	(3,493)	-	1,033	92,978
Miscellaneous equipment	1,880,522	45,564	(35,389)	(185)	40,787	1,931,299
Construction-in-progress and prepayment	<u>6,249,803</u>	<u>54,388</u>	<u>-</u>	<u>(924,709)</u>	<u>170,831</u>	<u>5,550,313</u>
	<u>25,915,149</u>	<u>\$ 1,666,240</u>	<u>\$ (171,633)</u>	<u>\$ (531)</u>	<u>\$ 370,061</u>	<u>27,779,286</u>
<u>Accumulated depreciation</u>						
Land	285,315	\$ 10,060	\$ -	\$ -	\$ 9,233	304,608
Building and improvement	2,398,231	69,595	(1,150)	-	29,124	2,495,800
Office equipment	1,701,529	70,654	(87,489)	(160)	26,169	1,710,703
Transportation equipment	67,062	3,192	(3,285)	-	619	67,588
Miscellaneous equipment	1,451,482	58,116	(32,480)	(101)	31,142	1,508,159
Construction-in-progress and prepayment	<u>31,069</u>	<u>3,155</u>	<u>-</u>	<u>-</u>	<u>1,028</u>	<u>35,252</u>
	<u>5,934,688</u>	<u>\$ 214,772</u>	<u>\$ (124,404)</u>	<u>\$ (261)</u>	<u>\$ 97,315</u>	<u>6,122,110</u>
Net amount	<u>\$ 19,980,461</u>					<u>\$ 21,657,176</u>

For the need to expand operation facilities, the Bank purchased an office building in 2012. As of December 31, 2012, the title of the building was not transferred to the Bank yet and the payment made by the Bank was recorded as prepayments. The Bank obtained ownership of the property in year 2013 and transferred the balance into land, building and improvement.

For the demand to expand office premise, SCB (HK) pulled down and rebuilt its head office building as well as the leased out building nearby; therefore, the leased out building and related uncompleted constructions were reclassified as construction-in-progress.

The Group did not recognize any impairment losses on the properties for the six months ended June 30, 2014 and 2013.

The amount of land disclosed above which was owned by SCB (HK) is leasehold interest.

Depreciation expense of properties is computed using the straight-line method over below useful lives:

Building and improvement	
Branch	43-55 years
Air conditioning and Machine room	9 years
Office equipment	3-8 years
Transportation equipment	5-10 years
Miscellaneous equipment	5-20 years

Depreciation expense of the land and buildings held by SCB (HK) is computed using the straight-line method over the useful lives under 40 years. Other equipment is computed using declining balance method and the rate is 25% in the year of purchasing and 20% in the subsequent years.

18. INVESTMENT PROPERTIES, NET

	<u>June 30, 2014</u>	<u>December 31, 2013</u>	<u>June 30, 2013</u>
Land	\$ 165,063	\$ 350,401	\$ 411,145
Building and improvement	<u>9,335</u>	<u>4,917</u>	<u>4,083</u>
	<u>\$ 174,398</u>	<u>\$ 355,318</u>	<u>\$ 415,228</u>

For the Six Months Ended June 30, 2014

	<u>Balance at January 1, 2014</u>	<u>Additions</u>	<u>Internal Transfer</u>	<u>Effect of Exchange Rate Changes, Net</u>	<u>Balance at June 30, 2014</u>
Cost					
Land	\$ 351,968	\$ -	\$ (188,459)	\$ 2,867	\$ 166,376
Building and improvement	<u>10,280</u>	<u>-</u>	<u>6,360</u>	<u>(42)</u>	<u>16,598</u>
	<u>362,248</u>	<u>\$ -</u>	<u>\$ (182,099)</u>	<u>\$ 2,825</u>	<u>182,974</u>
Less: Accumulated depreciation					
Land	1,567	\$ 249	\$ (510)	\$ 7	1,313
Building and improvement	<u>5,363</u>	<u>1,249</u>	<u>658</u>	<u>(7)</u>	<u>7,263</u>
	<u>6,930</u>	<u>\$ 1,498</u>	<u>\$ 148</u>	<u>\$ -</u>	<u>8,576</u>
Net amount	<u>\$ 355,318</u>				<u>\$ 174,398</u>

For the Six Months Ended June 30, 2013

	<u>Balance at January 1, 2013</u>	<u>Additions</u>	<u>Internal Transfer</u>	<u>Effect of Exchange Rate Changes, Net</u>	<u>Balance at June 30, 2013</u>
Cost					
Land	\$ 507,932	\$ 8,244	\$ (119,340)	\$ 15,001	\$ 411,837
Building and improvement	<u>9,074</u>	<u>-</u>	<u>(1,694)</u>	<u>271</u>	<u>7,651</u>
	<u>517,006</u>	<u>\$ 8,244</u>	<u>\$ (121,034)</u>	<u>\$ 15,272</u>	<u>419,488</u>
Less: Accumulated depreciation					
Land	577	\$ 298	\$ (203)	\$ 20	692
Building and improvement	<u>2,626</u>	<u>2,191</u>	<u>(1,342)</u>	<u>93</u>	<u>3,568</u>
	<u>3,203</u>	<u>\$ 2,489</u>	<u>\$ (1,545)</u>	<u>\$ 113</u>	<u>4,260</u>
Net amount	<u>\$ 513,803</u>				<u>\$ 415,228</u>

Depreciation expense of investment properties is computed using the straight-line method over below useful lives:

Land	Period of the lease term
Building and improvement	Years of leasing or 40 years, whichever is shorter

Fair value of the investment properties as of June 30, 2014, December 31, 2013 and June 30, 2013 were \$251,778 thousand, \$424,015 thousand and \$418,901 thousand. Such fair values have been appraised by independent appraisers on respective dates.

Rental income from investment properties stated as below:

	For the Six Months Ended June 30	
	2014	2013
Rental income from investment properties	\$ <u>872</u>	\$ <u>916</u>

19. OTHER ASSETS, NET

	June 30, 2014	December 31, 2013	June 30, 2013
Prepaid expenses	\$ 814,808	\$ 2,713,303	\$ 2,838,702
Deferred charges	620,043	619,501	580,269
Refundable deposits - less impairment loss of \$17,360 thousand	587,210	559,264	696,862
Current tax assets	157,973	64,446	123,355
Temporary payments and suspense	137,069	128,662	133,403
Prepaid pension cost	130,892	132,655	125,676
Computer software	97,366	106,836	127,174
Others	<u>144,090</u>	<u>118,112</u>	<u>117,304</u>
	<u>\$ 2,689,451</u>	<u>\$ 4,442,779</u>	<u>\$ 4,742,745</u>

20. DUE TO THE CENTRAL BANK AND BANKS

	June 30, 2014	December 31, 2013	June 30, 2013
Due to banks	\$ 1,574,727	\$ 1,736,792	\$ 26,394,176
Call loans from banks	37,467,834	33,367,107	5,434,355
Deposit transfer from Chunghwa Post Co., Ltd.	3,310,084	3,077,873	2,853,026
Overdraft on banks	<u>2,315,786</u>	<u>817,418</u>	<u>1,289,333</u>
	<u>\$ 44,668,431</u>	<u>\$ 38,999,190</u>	<u>\$ 35,970,890</u>

21. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold under repurchase agreements as of June 30, 2014, December 31, 2013 and June 30, 2013 were \$7,927,202 thousand, \$5,746,867 thousand and \$4,218,105 thousand, respectively. The aforementioned securities will be sold back by January 2, 2015, December 25, 2014 and June 9, 2014 at \$7,935,787 thousand, \$5,751,602 thousand and \$4,221,833 thousand, respectively.

22. PAYABLES

	<u>June 30, 2014</u>	<u>December 31, 2013</u>	<u>June 30, 2013</u>
Dividends payable	\$ 14,698,545	\$ 9,125,171	\$ 14,294,405
Liabilities on bank acceptances	4,830,070	4,406,017	4,881,895
Accounts payable	4,372,567	4,700,367	8,707,192
Accrued interests	2,499,223	2,102,071	2,214,543
Accrued expenses	963,668	1,248,931	906,635
Others	<u>257,070</u>	<u>257,983</u>	<u>126,254</u>
	<u>\$ 27,621,143</u>	<u>\$ 21,840,540</u>	<u>\$ 31,130,924</u>

23. DEPOSITS AND REMITTANCES

	<u>June 30, 2014</u>	<u>December 31, 2013</u>	<u>June 30, 2013</u>
Time deposits	\$ 610,846,126	\$ 598,000,039	\$ 574,953,785
Savings deposits	353,551,876	365,449,483	352,708,560
Demand deposits	206,024,110	203,101,293	184,444,047
Checking deposits	8,259,990	8,321,010	8,487,328
Negotiable certificates of deposits	2,705,800	3,952,900	4,520,900
Remittances	<u>467,803</u>	<u>440,860</u>	<u>316,567</u>
	<u>\$ 1,181,855,705</u>	<u>\$ 1,179,265,585</u>	<u>\$ 1,125,431,187</u>

24. BANK DEBENTURES

	<u>June 30, 2014</u>	<u>December 31, 2013</u>	<u>June 30, 2013</u>
The subordinate bank debenture - seven-year maturity; first issued in 2007; maturity date is on September 2014	\$ 3,300,000	\$ 3,300,000	\$ 3,300,000
The subordinate bank debenture - seven-year maturity; second issued in 2007; maturity date is on December 2014	1,700,000	1,700,000	1,700,000
The subordinate bank debenture - seven-year maturity; first issued in 2008; maturity date is on June 2015	3,000,000	3,000,000	3,000,000
The subordinate bank debenture - seven-year maturity; second issued in 2008; maturity date is on December 2015	2,000,000	2,000,000	2,000,000
The subordinate bank debenture - seven-year maturity; first issued in 2010; maturity date is on December 2017	3,000,000	3,000,000	3,000,000
The subordinate bank debenture - seven-year maturity, first issued in 2012; maturity date is on April 2019	4,000,000	4,000,000	4,000,000
			(Continued)

	<u>June 30, 2014</u>	<u>December 31, 2013</u>	<u>June 30, 2013</u>
The subordinate bank debenture - seven-year maturity, second issued in 2012; maturity date is on May 2019	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
The subordinate bank debenture - seven to ten-year maturity, third issued in 2012; maturity date is on November 2019 to 2022	5,000,000	5,000,000	5,000,000
The subordinate bank debenture - seven to ten-year maturity, fourth issued in 2012; maturity date is on December 2019 to 2022	10,000,000	10,000,000	10,000,000
The subordinate bank debenture - seven to ten-year maturity, fourth issued in 2014; maturity date is on March 2021 to 2024	<u>6,700,000</u>	<u>-</u>	<u>-</u>
Par value total	39,700,000	33,000,000	33,000,000
Unrealized loss	<u>65,907</u>	<u>104,321</u>	<u>140,260</u>
	<u>\$ 39,765,907</u>	<u>\$ 33,104,321</u>	<u>\$ 33,140,260</u> (Concluded)

About the hedge transactions, please see Note 9.

The first issuance of the 2007 subordinate bank debenture bears an interest rate at a target rate plus 0.45% with interest paid quarterly and repayment of principal at maturity.

The second issuance of the 2007 subordinated bank debenture bears a fixed interest rate of 3.015% with interest paid annually and repayment of principal at maturity.

The first issuance of the 2008 subordinated bank debenture bears a fixed interest rate of 3.15% with interest paid annually and repayment of principal at maturity.

The second issuance of the 2008 subordinated bank debenture bears a fixed interest rate of 3.05% with interest paid annually and repayment of principal at maturity.

The first issuance of the 2010 subordinated bank debenture bears a fixed interest rate of 1.5% with interest paid annually and repayment of principal at maturity.

The first issuance of the 2012 subordinated bank debenture bears a fixed interest rate of 1.48% with interest paid annually and repayment of principal at maturity.

The second issuance of the 2012 subordinated bank debenture bears a fixed interest rate of 1.54% with interest paid annually and repayment of principal at maturity.

The third issuance of the 2012 bank debenture can be classified into two types in accordance with the issued term and the methods of interest accrual: Type A and B. Their terms and methods of interest accrual are as follows: Type A, seven years of subordinate bank debenture at a fixed annual interest rate of 1.43%; Type B, ten years of subordinate bank debenture at a fixed annual interest rate of 1.55%. Their interests are paid annually with repayment of principals at maturity.

The fourth issuance of the 2012 bank debenture can be classified into two types in accordance with the issued term and the methods of interest accrual: Type A and B. Their terms and methods of interest accrual are as follows: Type A, seven years of subordinate bank debenture at a fixed annual interest rate of 1.43%; Type B, ten years of subordinate bank debenture at a fixed annual interest rate of 1.55%. Their interests are paid annually with repayment of principals at maturity.

The first issuance of the 2014 bank debenture can be classified into two types in accordance with the issued term and the methods of interest accrual: Type A and B. Their terms and methods of interest accrual are as follows: Type A, seven years of subordinate bank debenture at a fixed annual interest rate of 1.70%; Type B, ten years of subordinate bank debenture at a fixed annual interest rate of 1.85%. Their interests are paid annually with repayment of principals at maturity.

25. OTHER FINANCIAL LIABILITIES

	June 30, 2014	December 31, 2013	June 30, 2013
Appropriated loan funds	\$ 5,332,069	\$ 5,028,946	\$ 2,635,593
Principals of structured instruments	<u>1,060,484</u>	<u>1,651,878</u>	<u>1,856,991</u>
	<u>\$ 6,392,553</u>	<u>\$ 6,680,824</u>	<u>\$ 4,492,584</u>

26. PROVISIONS

	June 30, 2014	December 31, 2013	June 30, 2013
Reserve for employee benefits	\$ 456,571	\$ 532,004	\$ 408,163
Reserve for possible losses on guarantees	438,090	438,079	438,117
Reserve for other operating	305,782	244,817	236,353
Others	<u>3,627</u>	<u>3,729</u>	<u>3,566</u>
	<u>\$ 1,204,070</u>	<u>\$ 1,218,629</u>	<u>\$ 1,086,199</u>

27. OTHER LIABILITIES

	June 30, 2014	December 31, 2013	June 30, 2013
Guarantee deposit received	\$ 1,146,651	\$ 1,492,479	\$ 1,536,439
Deferred revenues	527,451	472,418	441,801
Interest received in advance	202,502	164,572	124,602
Temporary credit	75,720	155,206	63,953
Others	<u>205,231</u>	<u>185,625</u>	<u>201,047</u>
	<u>\$ 2,157,555</u>	<u>\$ 2,470,300</u>	<u>\$ 2,367,842</u>

28. PENSION PLAN

Employee benefit expenses in respect of the Group's defined benefit retirement plans were calculated using the actuarially determined pension cost discount rate as of December 31, 2013 and 2012, and recognized in the following line items in their respective periods:

	For the Six Months Ended June 30	
	2014	2013
Defined benefit plan	\$ 91,101	\$ 86,604
Employee preferential deposits	21,298	18,331
Other long-term employee benefit	<u>542</u>	<u>678</u>
	<u>\$ 112,941</u>	<u>\$ 105,613</u>

29. EQUITY

a. Share capital

	June 30, 2014	December 31, 2013	June 30, 2013
<u>Common shares</u>			
Authorized shares (in thousand)	<u>3,800,000</u>	<u>3,800,000</u>	<u>3,800,000</u>
Authorized capital	<u>\$ 38,000,000</u>	<u>\$ 38,000,000</u>	<u>\$ 38,000,000</u>
Issued and paid shares (in thousand)	<u>3,715,792</u>	<u>3,715,792</u>	<u>3,715,792</u>
Issued capital	<u>\$ 37,157,916</u>	<u>\$ 37,157,916</u>	<u>\$ 37,157,916</u>

Issued common shares with par value of \$10 per share entitled the right to vote and to receive dividends.

In the stockholders meeting dated on June 6, 2014, it was resolved to increase the Bank's authorized shares and authorized capital to 6,000,000 thousand shares and \$60,000,000 thousand, and meanwhile increase capital by distributing a stock dividend of \$928,948 thousand, representing 92,895 thousand shares of common shares. The meeting also determined the dividend ratio at \$0.25 per share. The registration of the new shares has been completed by August 2014.

b. Capital surplus

	June 30, 2014	December 31, 2013	June 30, 2013
Share premium	\$ 2,647,583	\$ 2,647,583	\$ 2,647,583
Treasury stock transaction	1,976,535	1,976,535	1,976,194
Proportionate share in equity-method investee's surplus from donated assets	<u>1,218</u>	<u>1,218</u>	<u>1,218</u>
	<u>\$ 4,625,336</u>	<u>\$ 4,625,336</u>	<u>\$ 4,624,995</u>

Under the Company Law, capital surplus can only be used to offset a deficit. However, the capital surplus from share issued in excess of par (including additional paid-in capital from issuance of common shares, conversion of bonds and treasury stock transactions) and donations may be capitalized, which however is limited to a certain percentage of the Bank's paid-in capital.

The capital surplus from investments using equity method may not be used for any purpose.

Since the shares held by subsidiaries were reclassified as treasury stocks, cash dividend distributed to subsidiaries was then recorded as “capital surplus - treasury stock”. Cash dividend distributed to subsidiaries amounted to \$6,855 thousand for the six months ended June 30, 2013 (June 30, 2014: None).

c. Appropriation of earnings and dividend policy

The Bank’s Articles provide that the Bank’s annual earnings after tax shall be used first offsetting against any deficit from prior years, and then set aside legal reserve required by laws or regulations until the balance of legal reserve has reached the Bank’s paid-in capital. Special reserve shall then be appropriated as necessary. The remainder together with the accumulated earnings in prior years can be distributed at the Board of Directors’ discretion as follows:

- 1) Bonus to shareholders;
- 2) Remuneration to directors and supervisors; and
- 3) Bonus to employees of at least 0.1% of net income less the appropriations for legal reserve and dividends; and
- 4) The remaining amount shall accumulate to the next year.

For the six months ended June 30, 2014 and 2013, the estimated amounts of bonus to employees were \$15,008 thousand and \$13,976 thousand, respectively, while the estimated amounts of remuneration to directors and supervisors were \$28,290 thousand and \$27,498 thousand. The Bank based its estimation of bonus and remuneration on its past experiences. Material differences between these estimates and the amounts proposed by the board of directors in the following year are adjusted in the current year. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders’ resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the fair value of the stock. When calculating the number of shares for year 2011, the fair value of the stock was based on the Bank’s equity, which is the net equity value in the latest audited financial statements. For computing the shares of the stock dividends issued in 2012, the fair value is valued following IFRS 2 “Share-based Payment”.

Starting from 2013, the Bank appropriate and reverse special reserves in accordance with Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs.”

Legal reserve shall be appropriated until it has reached the Bank’s paid-in capital. This reserve may be used to offset a deficit. If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank’s paid-in capital, the excess may be transferred to capital or distributed in cash. However, under the Banking Law, if the Bank’s legal reserve is still less than its paid-in capital, the Bank may distribute cash earnings only up to 15% of the paid-in capital.

Under the Integrated Income Tax System, which took effect on January 1, 1998, resident shareholders are allowed a tax credit for the income tax paid by the Bank on earnings generated since 1998. An imputation credit account (ICA) is maintained by the Bank for such income tax and the tax credit allocated to each shareholder.

The appropriations of earnings for 2013 and 2012 had been approved in the shareholders' meetings on June 6, 2014 and April 11, 2013, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (Dollars)	
	2013	2012	2013	2012
Legal reserve	\$ 3,043,063	\$ 2,858,594		
Cash dividends - common stock	5,573,687	5,573,687	\$ 1.50	\$ 1.50
Stock dividends - common stock	<u>928,948</u>	<u>-</u>	<u>0.25</u>	<u>-</u>
	<u>\$ 9,545,698</u>	<u>\$ 8,432,281</u>	<u>\$ 1.75</u>	<u>\$ 1.50</u>

The Bank had distributed cash dividends for 2012 by June 30, 2014.

The capital increase of the Bank had been approved by the Financial Supervisory Commission on July 8, 2014. The Board of Directors then determined the ex-dividend date as August 3, 2014. The cash dividend was paid on August 15, 2014, and the new shares were to be issued on September 19, 2014.

The cash dividends for 2013 were not paid yet as of June 30, 2014 and recorded as dividend payable.

The registration of the new shares has been completed by August 20, 2014.

The bonus to employees and the remuneration to directors and supervisors for 2013 and 2012 approved in the shareholders' meeting on June 6, 2014 and June 11, 2013, respectively, were as follows:

	2013		2012	
	Cash	Stock	Cash	Stock
Bonus to employees	\$ 30,000	\$ -	\$ 28,000	\$ -
Remuneration to directors and supervisors	56,600	-	56,600	-

There was no difference between the amount approved and recognized above.

Information on the bonus to employees and remuneration to directors and supervisors can be accessed through the Market Observation Post System website of the Taiwan Stock Exchange Corporation's website.

d. Special reserve

The Bank has made a special reserve \$1,256,859 thousand due to transferring its cumulative translation adjustment reported in equity to retained earnings while first-time adopting. There was no change in the balance of special reserve for the period ended on June 30, 2014.

e. Treasury stock

Purpose	Beginning Balance	Increase	Decrease	Ending Balance
<u>Six months ended June 30, 2014</u>				
Shares held by subsidiaries	<u>10,382</u>	<u>-</u>	<u>-</u>	<u>10,382</u>
<u>Six months ended June 30, 2013</u>				
Shares held by subsidiaries	<u>10,382</u>	<u>-</u>	<u>-</u>	<u>10,382</u>

The Bank reclassified its shares held by the subsidiaries as treasury stock with a carrying amount of \$83,144 thousand (representing 7,698 thousand shares). The shares increased by 2,684 thousand shares over the years.

Under the Company Law, the Bank is not allowed to buy more than 5% of its issued stock. In addition, the total cost of treasury stocks may not exceed the sum of the retained earnings and realized capital surplus. The Bank may not exercise shareholders' rights on these stocks before they are resold. The Bank's stocks held by its subsidiaries are treated as treasury stocks. However, the subsidiaries may still exercise shareholders' rights on these stocks, except for voting rights and subscription right on capital increase by cash. Under the Securities and Exchange Act, the Bank shall neither pledge treasury stocks nor exercise shareholders' rights on these shares, such as rights to dividends, to vote and to subscribe for shares on capital increase by cash.

f. Non-controlling interest

	For the Six Months Ended June 30	
	2014	2013
Beginning balance	\$ 33,256,847	\$ 30,567,237
Attribution to non-controlling interest		
Net Income	1,558,540	1,438,320
Translation adjustments for foreign operations	31,338	761,007
Unrealized gains on available-for-sale financial assets	69,416	(298,018)
Other comprehensive income - others	228	(223)
Income tax effect	(10,876)	86,704
Cash dividends distribution	<u>(1,424,453)</u>	<u>(1,320,614)</u>
Ending balance	<u>\$ 33,481,040</u>	<u>\$ 31,234,413</u>

30. DETAILS OF COMPREHENSIVE INCOME STATEMENT ITEMS

a. Interest revenues, net

	For the Six Months Ended June 30	
	2014	2013
Interest revenue		
Discounts and loans	\$ 10,611,789	\$ 8,993,763
Securities investments	2,493,572	2,414,338
Due from banks	2,081,800	1,538,231
Others	<u>218,216</u>	<u>331,854</u>
	<u>15,405,377</u>	<u>13,278,186</u>
Interest expense		
Deposits	4,942,175	4,274,468
Bank debentures	304,980	279,077
Due to banks	169,075	98,790
Securities sold under repurchase agreements	22,082	18,152
Others	<u>22,471</u>	<u>27,362</u>
	<u>5,460,783</u>	<u>4,697,849</u>
	<u>\$ 9,944,594</u>	<u>\$ 8,580,337</u>

b. Service fee revenue, net

	For the Six Months Ended June 30	
	2014	2013
Service fee revenues		
Trusts	\$ 833,032	\$ 873,051
Loans	408,443	405,148
Nominee	342,356	313,196
Inward/outward business	289,111	286,993
Credit cards	213,234	223,703
Exchange	197,536	156,776
Guarantees	184,211	179,454
Others	<u>312,419</u>	<u>469,668</u>
	<u>2,780,342</u>	<u>2,907,989</u>
Service fee expenses		
Credit cards	48,466	51,830
Finance	32,641	31,647
Nominee	23,752	82,210
Custody	11,888	12,482
Factoring	8,201	8,067
Others	<u>109,203</u>	<u>61,673</u>
	<u>234,151</u>	<u>247,909</u>
	<u>\$ 2,546,191</u>	<u>\$ 2,660,080</u>

c. Gains (losses) on financial assets and liabilities at fair value through profit or loss

	For the Six Months Ended June 30, 2014		
	Realized (Loss) Gain	Unrealized (Loss) Gain	Total
Financial asset at fair value through profit or loss	\$ 1,940,124	\$ (1,014,358)	\$ 925,766
Financial liabilities at fair value through profit or loss	<u>(1,440,892)</u>	<u>966,397</u>	<u>(474,495)</u>
	<u>\$ 499,232</u>	<u>\$ (47,961)</u>	<u>\$ 451,271</u>
	For the Six Months Ended June 30, 2013		
	Realized (Loss) Gain	Unrealized (Loss) Gain	Total
Financial asset at fair value through profit or loss	\$ 2,553,198	\$ 1,463,531	\$ 4,016,729
Financial liabilities at fair value through profit or loss	<u>(2,210,777)</u>	<u>(1,467,104)</u>	<u>(3,677,881)</u>
	<u>\$ 342,421</u>	<u>\$ (3,573)</u>	<u>\$ 338,848</u>

d. Employee benefit expenses

	For the Six Months Ended June 30	
	2014	2013
Short-term employee benefits	\$ 2,674,342	\$ 2,536,195
Retirement benefits		
Defined contribution plan	121,159	118,572
Defined benefit plan	<u>91,101</u>	<u>86,604</u>
	2,886,602	2,741,371
Other employee benefits	<u>232,944</u>	<u>157,870</u>
	<u>\$ 3,119,546</u>	<u>\$ 2,899,241</u>

e. Depreciation and amortization

	For the Six Months Ended June 30	
	2014	2013
Depreciation expense		
Properties	\$ 240,387	\$ 214,772
Investment properties	<u>1,498</u>	<u>2,489</u>
	241,885	217,261
Amortization expense		
Other assets	<u>142,327</u>	<u>118,468</u>
	<u>\$ 384,212</u>	<u>\$ 335,729</u>

31. INCOME TAX

a. Income tax expense recognized in profit or loss

The major components of tax expenses were as follows:

	For the Six Months Ended June 30	
	2014	2013
Current tax		
In respect of the current year	\$ 1,644,604	\$ 1,470,194
In respect of prior periods	<u>151,324</u>	<u>451</u>
	1,795,928	1,470,645
Deferred tax		
In respect of the current year	82,539	205,931
In respect of prior periods	<u>1,851</u>	<u>1,941</u>
	84,390	207,872
Income tax expense recognized in profit or loss	<u>\$ 1,880,318</u>	<u>\$ 1,678,517</u>

b. Income tax expense recognized in other comprehensive income

	For the Six Months Ended June 30	
	2014	2013
<u>Deferred income tax expense</u>		
Arising on income and expenses recognized in other comprehensive income		
Translation adjustments for foreign operations	\$ 21,662	\$ 457,353
Unrealized gain or loss on available-for-sale financial assets	<u>55,287</u>	<u>(125,274)</u>
Income tax expense recognized in other comprehensive income	<u>\$ 76,949</u>	<u>\$ 332,079</u>

c. Integrated income tax

	June 30, 2014	December 31, 2013	June 30, 2013
Unappropriated earnings			
Unappropriated earnings generated before January 1, 1998	\$ 27,065	\$ 27,065	\$ 27,065
Unappropriated earnings generated on and after January 1, 1998	<u>10,599,434</u>	<u>14,886,744</u>	<u>9,664,998</u>
	<u>\$ 10,626,499</u>	<u>\$ 14,913,809</u>	<u>\$ 9,692,063</u>
Imputation credits accounts	<u>\$ 2,456,903</u>	<u>\$ 2,101,309</u>	<u>\$ 1,172,428</u>

The creditable ratio for distribution of earnings of 2013 and 2012 was 16.50% (expected) and 24.11%, respectively.

Under the Income Tax Law, the imputation tax credits distributed to each shareholder are based on the ICA balance as of the date of dividend distribution. When the Bank pays dividend to its foreign shareholders, it should withhold income tax in accordance with related tax law, and therefore foreign shareholders are not entitled to the imputed tax credit. Only if earnings distributed include those which have been taxed for the 10% unappropriated earning tax, then the foreign shareholders are allowed a tax credit equal to their proportionate share of such additional 10% tax. The actual imputation credits allocated to shareholders of the Bank was based on the balance of the Imputation Credit Accounts (ICA) as of the date of dividend distribution. Therefore, the expected creditable ratio for the 2013 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

According to legal interpretation No. 10204562810 announced by the Taxation Administration of the Ministry of Finance, when calculating imputation credits in the year of first-time adoption of IFRSs, the cumulative retained earnings include the net increase or net decrease in retained earnings arising from first-time adoption of IFRSs

d. Income tax assessments

The Bank's income tax returns through 2011 had been assessed by the tax authorities; however, the Bank is currently filing appeals to the assessments of 2011 and 2008.

Income tax returns of the Bank's domestic subsidiary, SCSB Life Insurance Agency, through 2012 had been assessed by the tax authorities.

Income tax returns of other domestic subsidiaries of the Bank, including SCSB Property Insurance Agency, SCSB Asset Management Ltd., SCSB Marketing and China Travel Service (Taiwan) through 2011 had been assessed by the tax authorities.

32. EARNINGS PER SHARE

The numerators and denominators used in calculating basic earnings per share were as follows:

	Amount (Numerator)		Shares (Denominator in Thousands)	Earnings Per Share (Dollars)	
	Before Income Tax	After Income Tax		Before Income Tax	After Income Tax
<u>For the six months ended June 30, 2014</u>					
Basic earnings per share	\$ 6,256,367	\$ 5,258,388	3,798,045	<u>\$ 1.65</u>	<u>\$ 1.38</u>
Effect of dilutive potential common shares					
Bonus to employees	<u>-</u>	<u>-</u>	<u>1,567</u>		
Diluted earnings per share					
Income for the year attributable to common shareholders plus effect of potential dilutive common shares	<u>\$ 6,256,367</u>	<u>\$ 5,258,388</u>	<u>3,799,612</u>	<u>\$ 1.65</u>	<u>\$ 1.38</u>
<u>For the six months ended June 30, 2014</u>					
Basic earnings per share	\$ 5,728,426	\$ 4,908,603	3,798,045	<u>\$ 1.51</u>	<u>\$ 1.29</u>
Effect of dilutive potential common shares					
Bonus to employees	<u>-</u>	<u>-</u>	<u>1,628</u>		
Diluted earnings per share					
Income for the year attributable to common shareholders plus effect of potential dilutive common shares	<u>\$ 5,728,426</u>	<u>\$ 4,908,603</u>	<u>3,799,673</u>	<u>\$ 1.51</u>	<u>\$ 1.29</u>

When calculating earnings per share, if the base date of allotment of stock grants is earlier than the issuing date of financial report, the influence of allotment of stock grants should be adjusted retrospectively. The basic and diluted after-tax earnings per share adjusted retrospectively for the six months ended June 30, 2013 were as follows:

Unit: NT\$ Per Share

	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic earnings per share	<u>\$1.32</u>	<u>\$1.29</u>
Diluted earnings per share	<u>\$1.32</u>	<u>\$1.29</u>

If the Bank offered to settle bonuses paid to employees in cash or shares, the Bank assumed the entire amount of the bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

33. RELATED-PARTY TRANSACTIONS

- a. The Bank's related parties were as follows:

Related Party	Relationship with the Bank
The SCSB Cultural & Educational Foundation	More than 1/3 of total fund was donated by the Bank
The SCSB Charity Foundation	More than 1/3 of total fund was donated by the Bank
Silks Place Taroko	Investment in Associate
BC Reinsurance Limited	Investment in Associate
Joint Electronic Teller Services Limited (JETCO)	Investment in Associate
Bank Consortium Holding Limited	Investment in Associate
Hong Kong Life Insurance Limited	Investment in Associate
i-Tech Solutions Limited	Investment in Associate
Hung Ta Investment Corporation	The chairman and the Bank's chairman are related by marriage
Hung Shen Investment Corporation	The chairman and the Bank's chairman are related by marriage
Others	The Bank's directors, supervisors, managers, and the relatives of the Bank's directors, supervisors and managers

- b. The significant transactions and account balances with the above parties (except those disclosed in other notes) are summarized as follows:

Balances and transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Bank and other related parties are disclosed below.

1) Deposits

	June 30, 2014			Six Months Ended June 30, 2014
	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Expense
Supervisors and management related	\$ 4,402,612	\$ 4,364,269	0.00-3.20	\$ 21,419
The SCSB Cultural & Educational Foundation	275,561	268,734	0.11-1.38	1,157
Employees	212,928	121,078	0.28-10.18	189
The SCSB Charity Foundation	90,248	90,248	0.28-1.31	346
Silks Place Taroko	9,356	303	0.00-1.31	2
Hung Ta Investment Corporation	3,970	358	0.00-0.17	-
Hung Shen Investment Corporation	<u>2,379</u>	<u>840</u>	0.17-0.17	<u>2</u>
	<u>\$ 4,997,054</u>	<u>\$ 4,845,830</u>		<u>\$ 23,115</u>

	December 31, 2013		
	Maximum Balance	Ending Balance	Interest Rate (%)
Supervisors and management related	\$ 2,532,827	\$ 2,445,599	0.00-3.25
The SCSB Cultural & Educational Foundation	295,723	275,560	0.11-1.38
Employees	246,338	123,616	0.28-10.20
The SCSB Charity Foundation	90,200	90,021	0.28-1.31
Hung Ta Investment Corporation	49,303	343	0.00-0.17
Silks Place Taroko	<u>13,858</u>	<u>305</u>	0.00-1.31
	<u>\$ 3,228,249</u>	<u>\$ 2,935,444</u>	

	June 30, 2013			Six Months Ended June 30, 2013
	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Expense
Supervisors and management related	\$ 3,168,379	\$ 3,175,364	0.00-3.20	\$ 89,847
The SCSB Cultural & Educational Foundation	280,750	269,923	0.11-1.38	1,578
Employees	154,591	74,801	0.35-10.19	137
The SCSB Charity Foundation	30,305	30,076	0.28-1.31	195
Hung Ta Investment Corporation	6,344	940	0.00-0.17	1
Silks Place Taroko	<u>167</u>	<u>113</u>	0.00-1.31	<u>1</u>
	<u>\$ 3,640,536</u>	<u>\$ 3,551,217</u>		<u>\$ 91,759</u>

2) Interest receivable (accounted for receivables, net)

	June 30, 2014	December 31, 2013	June 30, 2013
Supervisors and management related	\$ 171	\$ 147	\$ 156
Silks Place Taroko	<u>29</u>	<u>35</u>	<u>32</u>
	<u>\$ 200</u>	<u>\$ 182</u>	<u>\$ 188</u>

3) Interest payable (accounted for payables)

	June 30, 2014	December 31, 2013	June 30, 2013
Supervisors and management related	\$ 167	\$ 191	\$ 205
The SCSB Cultural & Educational Foundation	96	89	157
The SCSB Charity Foundation	<u>24</u>	<u>6</u>	<u>3</u>
	<u>\$ 287</u>	<u>\$ 286</u>	<u>\$ 365</u>

4) Guarantee deposits received (accounted for other liabilities)

	June 30, 2014	December 31, 2013	June 30, 2013
The SCSB Cultural & Educational Foundation	<u>\$ 211</u>	<u>\$ 211</u>	<u>\$ 211</u>

5) Rental income (accounted for other net revenues)

	For the Six Months Ended June 30	
	2014	2013
The SCSB Cultural & Educational Foundation	<u>\$ 421</u>	<u>\$ 421</u>

For the rental contracts with related parties, the rent is determined in proportion to the area rented by reference to the rent in neighborhood and received on a monthly basis.

6) Loans

June 30, 2014									
Category	Name	Maximum Balance	Ending Balance	Performance		Collateral	Interest Rate (%)	Difference of Terms of the Transactions with Unrelated Parties	Six Months Ended June 30, 2014 Interest Income
				Normal Loans	Non-performing Loans				
Loans for personal house mortgage	Supervisors and management related (17)	\$ 130,789	\$ 120,617	\$ 120,617	-	Real estate	1.58-2.87	None	\$ 1,335
Others	Supervisors and management related	1,181,905	1,179,490	1,179,490	-	Real estate	2.17-2.97	None	45,297
	Silks Place Taroko	<u>66,000</u>	<u>57,000</u>	<u>57,000</u>	-	Real estate	1.84-1.84	None	<u>963</u>
		<u>\$ 1,378,694</u>	<u>\$ 1,357,107</u>	<u>\$ 1,357,107</u>					<u>\$ 47,095</u>
December 31, 2013									
Category	Name	Maximum Balance	Ending Balance	Performance		Collateral	Interest Rate (%)	Difference of Terms of the Transactions with Unrelated Parties	Six Months Ended June 30, 2014 Interest Income
				Normal Loans	Non-performing Loans				
Loans for personal house mortgage	Supervisors and management related (16)	\$ 127,848	\$ 113,310	\$ 113,310	-	Real estate	1.58-2.17	None	
Others	Supervisors and management related	1,269,322	1,264,687	1,264,687	-	Real estate	2.17-2.97	None	
	Silks Place Taroko	<u>68,000</u>	<u>63,500</u>	<u>63,500</u>	-	Real estate	1.84-1.84	None	
		<u>\$ 1,465,170</u>	<u>\$ 1,441,497</u>	<u>\$ 1,441,497</u>					
June 30, 2013									
Category	Name	Maximum Balance	Ending Balance	Performance		Collateral	Interest Rate (%)	Difference of Terms of the Transactions with Unrelated Parties	Six Months Ended June 30, 2014 Interest Income
				Normal Loans	Non-performing Loans				
Loans for personal house mortgage	Supervisors and management related (14)	\$ 147,795	\$ 125,370	\$ 125,370	-	Real estate	1.58-2.61	None	\$ 1,199
Others	Supervisors and management related	2,017,988	2,013,778	2,013,778	-	Real estate	2.17-3.22	None	81,674
	Silks Place Taroko	<u>63,700</u>	<u>63,700</u>	<u>63,700</u>	-	Real estate	1.84-1.84	None	<u>323</u>
		<u>\$ 2,229,483</u>	<u>\$ 2,202,848</u>	<u>\$ 2,202,848</u>					<u>\$ 83,196</u>

Except for the additional disclosures made in the financial statements, the Group did not have material related party transactions. Employee deposits and loans have interest rates that are better than ordinary rates but within regulated limits, while other related party transactions have similar terms as non-related party transactions.

Under the provisions of Article 32 and 33 of the Banking Act, the Bank shall not make unsecured loans to related party, except for consumer loans under certain limit, and government loans. Secured loan to a related party should be fully guaranteed and its terms not superior to other similar credit client.

c. Compensation of directors, supervisors and management personnel:

	For the Six Months Ended June 30	
	2014	2013
Salaries and other short-term employee benefits	\$ 131,222	\$ 131,010
Remuneration to directors and supervisors	28,290	27,498
Bonus to employees	65,564	56,394
Post-employment benefits	14,059	12,945
Others	<u>120</u>	<u>371</u>
	<u><u>\$ 239,255</u></u>	<u><u>\$ 228,218</u></u>

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

34. PLEDGED ASSETS

Under the Central Bank's clearing system of Real-Time Gross Settlement (RTGS), on June 30, 2014, December 31, 2013 and June 30, 2013, the assets listed below had been provided as collateral for day-term overdraft with the pledged amount adjustable anytime.

	June 30, 2014	December 31, 2013	June 30, 2013	Guaranty Purpose
Held-to-maturity financial assets	\$19,000,000	\$ 8,600,000	\$ 9,000,000	Day-term overdraft with the pledge

On June 30, 2014, December 31, 2013 and June 30, 2013, the assets listed below had been provided as refundable deposits for operating guarantee and for executing legal proceedings against defaulting borrowers as required by the court.

	June 30, 2014	December 31, 2013	June 30, 2013	Guaranty Purpose
Held-to-maturity financial assets	\$ 205,817	\$ 205,807	\$ 207,444	Operating guarantee and executing legal proceedings against defaulted borrowers as required by the court
Available-for-sale financial assets	106,700	112,351	116,472	Operating guarantee and executing legal proceedings against defaulted borrowers as required by the court

On June 30, 2014, December 31, 2013 and June 30, 2013, SCB HK provided its held-to-maturity financial assets and discounts and loans listed below for overseas branch operating guarantee.

	June 30, 2014	December 31, 2013	June 30, 2013	Guaranty Purpose
Held-to-maturity financial assets	\$ 8,753,522	\$ 8,706,852	\$ 8,809,851	Overseas branch operating guarantee
Discounts and loans	218,332	218,139	224,768	Pledge to the California government under local law

35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. In addition to those disclosed in other notes, significant commitments and contingencies of the Bank as of June 30, 2014, December 31, 2013 and June 30, 2013 were as follows:

	June 30, 2014	December 31, 2013	June 30, 2013
Receivables under custody	35,340,683	37,189,408	35,118,115
Loans made on behalf of others	-	-	800,000
Consigned travelers' checks	270,698	242,685	254,572
Guarantee notes payable	95,194,038	78,588,623	79,687,375
Assets under trust	127,351,320	123,795,019	125,280,802
Securities in custody	240,649,410	237,795,019	206,774,188
Government bonds in brokerage accounts	37,020,600	22,308,300	24,425,000
Short-term bills in brokerage accounts	1,508,720	1,109,164	1,019,400
Commitments of forward contracts with customers	39,983,692	31,531,679	48,123,867

- b. Operational risk and legal risk

Item	Reason and Amount	
	Six Months Ended June 30	
	2014	2013
Chief director and staff indicted by prosecutor for breaking law in the conduct of operational activities in recent year	None	None
Violating the law and being punished by authorities in the recent year	None	None
Deficiency corrected by authorities in the recent year	None	None
Punished by authorities according to Bank law No. 61-1 in the recent year	None	None
A single or whole security events due to fraudulence, accident or against "Outlines Governing the Security Maintenance and Administration of Financial Institutions" which caused losses amount to \$50 million in the recent year.	None	None
Other	None	None

- c. Construction contracts

In order to expand the office space, SCB HK has signed a contract to rebuild its head office in 2013. The total amount of the contract is approximately HK\$556,700 thousand and among which HK\$54,496 thousand has been paid as of June 30, 2014.

36. FINANCIAL INSTRUMENTS

a. Fair value information

1) Financial instruments not measured at fair value

Except as detailed in the following table, the Group's management considers that the carrying amounts of financial instruments not measured at fair values approximate to their fair values or the fair values could not be reliably measured:

	June 30, 2014		December 31, 2013		June 30, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>						
Held-to-maturity financial assets	\$ 116,604,868	\$ 116,740,103	\$ 116,575,221	\$ 116,702,461	\$ 121,880,605	\$ 118,089,653
<u>Financial liabilities</u>						
Bank debentures	39,765,907	39,657,752	33,104,321	32,976,719	33,140,260	32,934,220

2) The evaluation method and assumptions used in measuring at fair value.

The fair value of financial assets and liabilities are determined as follows:

- The fair value of financial assets with standard clauses and terms is quoted market price.
- The fair value of derivative with active market is based on market price. The fair value of option derivative without market price is measured by using option pricing model. The fair value of non-option derivative without market price is measured by discounted cash flow method that uses the yield curve for the duration. The fair value of forward foreign exchange contract is measured by the forward exchange rate and the quoted interest rate which are derived from the yield curve of contractual maturity period. Interest rate swap contracts are measured based on the present value discounted from the estimated future cash flow.
- The fair value of financial instruments other than the above is determined by the discounted cash flow analysis or other generally accepted pricing models.

3) Fair value measurements recognized in the consolidated balance sheets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial Instruments Measured at Fair Value	June 30, 2014			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative instruments</u>				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks	\$ 659,150	\$ 659,150	\$ -	\$ -
Bonds	850,429	850,429	-	-
Other	29,119,466	10,150	29,109,316	-
Financial assets designated as at FVTPL	1,433,550	-	-	1,433,550
Available-for-sale financial assets				
Stocks	12,224,437	2,547,805	-	9,676,632
Bonds	128,280,344	44,230,630	83,339,398	710,316
Other	58,702,778	8,875,523	48,962,980	864,275
Other financial assets				
Debt investment with no active market	200,000	-	-	200,000
	<u>\$ 231,470,154</u>	<u>\$ 57,173,687</u>	<u>\$ 161,411,694</u>	<u>\$ 12,884,773</u>
<u>Derivative instruments</u>				
Assets				
Financial assets at fair value through profit or loss	\$ 683,394	\$ -	\$ 664,202	\$ 19,192
Derivative instruments held for hedging	65,865	-	65,865	-
	<u>\$ 749,259</u>	<u>\$ -</u>	<u>\$ 730,067</u>	<u>\$ 19,192</u>
Liabilities				
Financial liability at fair value through profit or loss	\$ 604,781	\$ -	\$ 591,586	\$ 13,195
Derivative instruments held for hedging	8,048	-	8,048	-
	<u>\$ 612,829</u>	<u>\$ -</u>	<u>\$ 599,634</u>	<u>\$ 13,195</u>
Financial Instruments Measured at Fair Value	December 31, 2013			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative instruments</u>				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks	\$ 753,428	\$ 753,428	\$ -	\$ -
Bonds	680,761	680,761	-	-
Other	28,479,295	10,177	28,469,118	-
Financial assets designated as at FVTPL	1,545,803	-	-	1,545,803
Available-for-sale financial assets				
Stocks	12,145,174	2,306,688	380,983	9,457,503
Bonds	117,685,040	47,574,706	69,664,812	445,522
Other	55,618,457	7,779,122	46,881,763	957,572
Other financial assets				
Debt investment with no active market	200,000	-	-	200,000
	<u>\$ 217,107,958</u>	<u>\$ 59,104,882</u>	<u>\$ 145,396,676</u>	<u>\$ 12,606,400</u>
<u>Derivative instruments</u>				
Assets				
Financial assets at fair value through profit or loss	\$ 1,584,187	\$ -	\$ 1,488,216	\$ 95,971
Derivative instruments held for hedging	104,418	-	104,418	-
	<u>\$ 1,688,605</u>	<u>\$ -</u>	<u>\$ 1,592,634</u>	<u>\$ 95,971</u>
Liabilities				
Financial liability at fair value through profit or loss	\$ 1,529,591	\$ -	\$ 1,439,520	\$ 90,071
Derivative instruments held for hedging	24,429	-	24,429	-
	<u>\$ 1,554,020</u>	<u>\$ -</u>	<u>\$ 1,463,949</u>	<u>\$ 90,071</u>

Financial Instruments Measured at Fair Value	June 30, 2013			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative instruments</u>				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks	\$ 641,754	\$ 641,754	\$ -	\$ -
Bonds	873,841	873,354	487	-
Other	28,818,252	15,661	28,802,591	-
Financial assets designated as at FVTPL	2,268,431	-	-	2,268,431
Available-for-sale financial assets				
Stocks	9,786,685	2,682,400	-	7,104,285
Bonds	113,440,808	46,595,259	66,043,202	802,347
Other	53,921,978	6,213,008	46,446,927	1,262,043
Other financial assets				
Debt investment with no active market	200,000	-	-	200,000
	<u>\$ 209,951,749</u>	<u>\$ 57,021,436</u>	<u>\$ 141,293,207</u>	<u>\$ 11,637,106</u>
<u>Derivative instruments</u>				
Assets				
Financial assets at fair value through profit or loss	\$ 2,271,444	\$ -	\$ 2,234,032	\$ 37,412
Derivative instruments held for hedging	140,528	-	140,528	-
	<u>\$ 2,411,972</u>	<u>\$ -</u>	<u>\$ 2,374,560</u>	<u>\$ 37,412</u>
Liabilities				
Financial liability at fair value through profit or loss	\$ 2,163,666	\$ -	\$ 2,135,503	\$ 28,163
Derivative instruments held for hedging	40,362	-	40,362	-
	<u>\$ 2,204,028</u>	<u>\$ -</u>	<u>\$ 2,175,865</u>	<u>\$ 28,163</u>

There were no transfers of financial instruments between level 1 and level 2 fair value measurement for the six months ended June 30, 2014 and 2013.

- 4) Reconciliation of level 3 fair value measurements of financial assets and liabilities for the six months ended June 30, 2014 and 2013 is as follows:

For the six months ended June 30, 2014

Item	Beginning Balance	Amount of Valuation Gain or Loss		Addition		Reduction		Ending Balance
		Included in Profit or Loss	Included in Other Comprehensive Income	Buy or Issue	Transferred In	Sell Out, Disposal or Settlement	Transferred Out from Third Level	
<u>Assets</u>								
Financial assets at FVTPL								
Held-for-trading financial assets	\$ 95,971	(\$ 69,977)	\$ -	\$ 12,923	\$ -	(\$ 19,725)	\$ -	\$ 19,192
Financial assets designated as at fair value	1,545,803	20,594	-	447,735	-	(580,582)	-	1,433,550
Available-for-sale financial assets	10,860,597	-	213,319	761,339	-	(584,032)	-	11,251,223
Other financial assets								
Debt investments with no active markets	200,000	-	-	-	-	-	-	200,000
<u>Liabilities</u>								
Financial liabilities at FVTPL								
Held-for-trading financial liabilities	90,071	(73,475)	-	6,461	-	(9,862)	-	13,195

For the six months ended June 30, 2013

Item	Beginning Balance	Amount of Valuation Gain or Loss		Addition		Reduction		Ending Balance
		Included in Profit or Loss	Included in Other Comprehensive Income	Buy or Issue	Transferred In	Sell Out, Disposal or Settlement	Transferred Out from Third Level	
<u>Assets</u>								
Financial assets at FVTPL								
Held-for-trading financial assets	\$ 32,678	\$ 6,059	\$ 1	\$ -	\$ -	(\$ 1,326)	\$ -	\$ 37,412
Financial assets designated as at fair value	2,636,578	31,254	86,280	299,890	-	(785,571)	-	2,268,431
Available-for-sale financial assets	7,955,290	-	267,780	1,262,619	-	(317,014)	-	9,168,675
Other financial assets								
Debt investments with no active markets	200,000	-	-	-	-	-	-	200,000
<u>Liabilities</u>								
Financial liabilities at FVTPL								
Held-for-trading financial liabilities	20,533	8,293	-	-	-	(663)	-	28,163

5) Sensitivity analysis for alternative assumptions of level 3 fair value measurements of financial instruments.

The Group reasonably measured the fair values of its financial instruments; however, using different valuation models, evaluation method and underlying assumptions may lead to different results. For those financial instruments classified as level 3 fair value measurement, if the parameters went up 1%, the influence on net income or other comprehensive income would be as follows:

June 30, 2014

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflected in Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
<u>Assets</u>				
Financial assets at FVTPL				
Held-for-trading financial assets	\$ 10,796	(\$ 479)	\$ -	\$ -
Financial assets designated as at fair value	-	(1,201)	-	-
Available-for-sale financial assets	-	-	96,766	(8,594)
<u>Liabilities</u>				
Financial liabilities at FVTPL				
Held-for-trading financial liabilities	-	(10,796)	-	-

December 31, 2013

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflected in Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
<u>Assets</u>				
Financial assets at FVTPL				
Held-for-trading financial assets	\$ 83,273	\$ (3,964)	\$ -	\$ -
Financial assets designated as at fair value	-	(1,198)	-	-
Available-for-sale financial assets	-	-	94,575	(5,612)
<u>Liabilities</u>				
Financial liabilities at FVTPL				
Held-for-trading financial liabilities	-	(83,273)	-	-

June 30, 2013

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflected in Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
<u>Assets</u>				
Financial assets at FVTPL				
Held-for-trading financial assets	\$ 20,496	\$ (3,283)	\$ -	\$ -
Financial assets designated as at fair value	-	(2,871)	-	-
Available-for-sale financial assets	-	-	71,043	(9,410)
<u>Liabilities</u>				
Financial liabilities at FVTPL				
Held-for-trading financial liabilities	-	(20,496)	-	-

For financial instruments those were classified as the level 3 if the parameters went down 1%, the influence of net income or other comprehensive income is as follows:

June 30, 2014

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflected in Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
<u>Assets</u>				
Financial assets at FVTPL				
Held-for-trading financial assets	\$ 2,556	(\$ 419)	\$ -	\$ -
Financial assets designated as at fair value	1,201	-	-	-
Available-for-sale financial assets	-	-	6,396	(96,766)
<u>Liabilities</u>				
Financial liabilities at FVTPL				
Held-for-trading financial liabilities	-	(2,556)	-	-

December 31, 2013

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflected in Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
<u>Assets</u>				
Financial assets at FVTPL				
Held-for-trading financial assets	\$ 77,086	\$ (3,938)	\$ -	\$ -
Financial assets designated as at fair value	1,198	-	-	-
Available-for-sale financial assets	-	-	5,870	(94,575)
<u>Liabilities</u>				
Financial liabilities at FVTPL				
Held-for-trading financial liabilities	-	(77,086)	-	-

June 30, 2013

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflected in Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
<u>Assets</u>				
Financial assets at FVTPL				
Held-for-trading financial assets	\$ 10,695	\$ (3,215)	\$ -	\$ -
Financial assets designated as at fair value	2,871	-	-	-
Available-for-sale financial assets	-	-	9,591	(71,043)
<u>Liabilities</u>				
Financial liabilities at FVTPL				
Held-for-trading financial liabilities	-	(10,695)	-	-

b. Financial risk management

1) Risk management

The Group's objective in risk management is to establish a risk control mechanism weighing the entire risk of the Group, restrictions from laws and regulations, to diversify, transfer, and avoid risk, and to pursue the maximum benefits of the Group's customers, shareholders, and employees. The Group's major risks include credit risk, market risk (interest rate, exchange rate and equity securities), operational risk, liquidity risk and so on.

The Group established written risk management policies and procedures that were considered and approved by the board to identify, measure, monitor, and control the credit risk, market risk, and liquidity risk.

The Group's risk management department performs the Group's risk management activities pursuant to the policies approve by the Board. Risk management department works with other business departments in order to identify, evaluate, and avoid any financial risks. The board formulates the written policies for risk management; the policy included specific exposures such as currency risk, interest rate risk, credit risk, derivative and non-derivative financial instruments. In addition, the department of internal audit is responsible for independent review of risk management and control environment.

2) Credit risks

Credit risk is the risk resulted from counterparties' failure to fulfill the contractual obligations causing the Group's financial losses. Both in-balance-sheet and off-balance-sheet items were covered in credit risks. For the Group's credit exposures, in-balance-sheet items are mainly consisted of discounts and loans, credit card business, due from and call loans to banks, debt investments, and derivatives instruments. Off-balance sheet items are mainly consisted of financial guarantee, acceptances, letters of credit, loan commitments, and other services which also generate credit exposure.

To ensure that the credit risk is controlled within a tolerable range, the Group established an internal standard for credit risk. In that standard, all transactions are analyzed whether in the banking book or in the trading book, and either in-balance-sheet or off-balance-sheet, to identify the inherent and potential risks. The Group examines and confirms credit risk in accordance with the rules before launching new products and business. Furthermore, the Group also establishes a risk management system for complicated credit business such as factoring, credit derivative financial instruments and so on.

The Group's foreign operation units adopt policies and standards same with above to assess their asset quality and provision for contingent loss, and also include policies that comply with the regulations of the local financial supervisory commission.

a) Procedures of credit risk management

Major procedures and methods for credit risk management are as follows:

i. Credit business (loan commitments and guarantees included)

The classification of credit assets and credit quality levels are as follows:

i) Classification of credit assets

Credit assets are divided into normal, notice, warning, difficult and uncollectible by the conditions of credit assets and the length of overdue time. The Bank established its "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" and "Credit Asset Valuation Guidelines" to manage credit issues related to nonperforming loans.

As for Shanghai Commercial Bank(HK), Credit assets are divided into "pass", "special mention", "substandard", "doubtful", and "loss".

ii) Credit quality rating

The Group establishes a credit quality rating guide (either using internal rating models or credit rating table) based on the business characteristics, scale and other factors and uses it in its risk management.

In order to assess the corporate clients' credit risk, the Group develops a credit rating model by using statistical methods or professional judgments and by considering clients' information. The model is reviewed regularly to determine whether the computation agrees to the actual situation, and makes adjustments to each parameter to optimize the calculation results.

For individual personal clients' credit loans and mortgage loans, internal credit rating model is used in the credit evaluation; other credits are assessed on a case by case basis.

The clients are assessed and ranked annually. In addition, to ensure the rationality of the credit rating system, the design, process and associated risk factors are reviewed and the models are evaluated based on the actual defaults on an annual basis.

ii. Due from and call loans to bank

The Group assesses the credit position of counterparties and consults a credit rating agency for credit rating information and set limits to the credit facilities.

iii. Debt investment and derivative financial instruments

For the credit risk management of debt investments, the Group identifies credit risk by using information from external institutions about credit ratings, quality of debts, region, and the risk of counterparties.

Most of the Group's counterparties in derivative transactions are assessed at higher than investment grade and the Group controls the investment according to counterparties' facilities (including call loans); counterparties that do not have credit ratings or are not assessed at investment grade are reviewed case by case. Counterparties which are non-financial or non-banking clients are assessed according to the general procedures for the approval of credit facilities and control of credit exposure situations of the counterparty.

iv. Other systems of credit risk management

The Group adopted a series of policies and measures to reduce credit risk for its loan business, among which requiring the borrower to provide collateral is frequently used. The Group has standard procedures for the assessment, management and disposal of collateral to ensure claims. The Group's loan contracts with clients include terms that lower the credit risks.

Collaterals of non-credit business are required depending on the nature of the financial instruments. Asset-based securities and other similar financial instruments are assessed as a group of assets or pool of financial instruments.

To avoid the risk of excessive concentration of credit, the Group has set a standard to limit credit to a single counterparty or a single group. In addition, the Group has set credit limits on industry, group companies, countries, business and other loans secured by stocks to control and monitor various asset concentration risk. And there is a system to monitor a single counterparty, group companies, affiliates, industry, nationality, ultimate risk country and other types of credit risk concentration.

The Group's transactions are usually settled on a gross basis, but some on a net basis, or upon default, all the transactions with the counterparty are terminated and settled on a net basis, in order to further reduce credit risk.

b) Credit risk exposures

The maximum exposure of the Group's assets in the balance sheet is equivalent to the book value, while the pledged assets and other credit instruments are not considered. The off-balance sheet items related to the maximum credit exposure (without considering collateral or other credit enhancements and irrevocable maximum exposure) are as follows:

	June 30, 2014	December 31, 2013	June 30, 2013
Developed and noncancelable loan commitments	\$ 335,590,753	\$ 327,153,669	\$ 337,218,816
Noncancelable credit card commitments	1,222,416	1,363,773	1,113,641
Issued but unused letters of credit	52,789,142	52,945,361	52,920,008
Other guarantees	53,952,809	49,525,790	49,544,828

The Group assessed that it could continually control and minimize its credit risk exposure of off-balance sheet items because it adopts stricter procedures and regularly audits credit accounts.

c) Information on concentration of credit risk

Concentration of credit risk exists if transaction counterparties significantly concentrated on same individuals or groups engaged in activities with similar economic characteristics, which may lead their ability to fulfill contractual obligations being affected by similar changes in economic or other conditions.

Concentration of credit risk can be on assets, liabilities or off-balance sheet items and can arise through the enforcement and implementation of transactions (regardless of products or service) or combination of exposures across categories, including credit, due from and call loans to banks, marketable securities, receivables and derivatives, etc. The Group maintains a diversified loan portfolio to mitigate the credit risk concentration to same customers; total discounts and loans transactions with same customers and non-performing loans were not material. The Group's most significant concentrations of credit risk of discounts and loans and non-performing loans by business, region, and collateral were summarized as follows:

i. Counterparty

Counterparty	June 30, 2014		December 31, 2013		June 30, 2013	
	Amount	% to Total	Amount	% to Total	Amount	% to Total
Private sector	\$ 511,328,364	62	\$ 493,088,791	63	\$ 455,185,815	62
Consumer	279,873,582	34	265,388,026	34	254,183,044	35
Financial institution	22,488,421	3	22,188,937	3	20,593,437	3
Others	4,871,234	1	3,449,819	-	3,463,941	-
	<u>\$ 818,561,601</u>	<u>100</u>	<u>\$ 784,115,573</u>	<u>100</u>	<u>\$ 733,426,237</u>	<u>100</u>

ii. Region

Region	June 30, 2014		December 31, 2013		June 30, 2013	
	Amount	% to Total	Amount	% to Total	Amount	% to Total
R.O.C.	\$ 469,251,339	57	\$ 457,077,635	58	\$ 430,776,243	59
Asia Pacific excluding R.O.C.	290,077,842	36	272,874,406	35	246,861,491	34
Others	59,232,420	7	54,163,532	7	55,788,503	7
	<u>\$ 818,561,601</u>	<u>100</u>	<u>\$ 784,115,573</u>	<u>100</u>	<u>\$ 733,426,237</u>	<u>100</u>

iii. Collaterals assumed

Collaterals Assumed	June 30, 2014		December 31, 2013		June 30, 2013	
	Amount	% to Total	Amount	% to Total	Amount	% to Total
Unsecured	\$ 144,508,864	18	\$ 149,758,521	19	\$ 142,357,394	19
Secured						
Properties	491,082,128	60	469,465,148	60	452,707,865	62
Guarantee	95,030,626	12	80,691,706	10	63,966,256	9
Financial collateral	36,704,587	4	35,718,402	5	38,642,030	5
Movable properties	10,467,808	1	11,225,797	1	11,274,060	2
Other collaterals	40,767,588	5	37,255,999	5	24,478,632	3
	<u>\$ 818,561,601</u>	<u>100</u>	<u>\$ 784,115,573</u>	<u>100</u>	<u>\$ 733,426,237</u>	<u>100</u>

d) Information on credit risk quality

Part of the financial assets held by the Group, cash and cash equivalents, financial assets at fair value through profit or loss, investment in bills and bonds with resale agreements, guarantee deposits paid, security business, and clearing and settlement fund, etc. are assessed to have very low credit risk because the counterparties have good credit ratings.

In addition to the above, the credit analysis of the remaining financial assets is as follows:

i. Credit quality analysis of discounts and loans and receivables

i) The Bank and its domestic subsidiaries

June 30, 2014	Neither Past Due Nor Impaired				Overdue but Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Allowance for impairment (D)		Net Amount (A)+(B)+(C)-(D)
	Strong	Moderate	Special Mention	Subtotal (A)				Objective Evidence of Impairment	No Objective Evidence of Impairment	
Receivables										
Credit card	\$ 1,437,228	\$ 652,919	\$ 65,471	\$ 2,155,618	\$ 52,670	\$ 92,837	\$ 2,301,125	\$ 75,868	\$ 100,433	\$ 2,124,824
Others	2,476,300	3,708,465	508,417	6,693,182	336,305	195,438	7,224,925	22,927	138,065	7,063,933
Discounts and loans	347,989,703	153,178,610	38,269,947	539,438,260	18,960,380	10,646,680	569,045,320	6,086,425	2,191,003	560,767,892

December 31, 2013	Neither Past Due Nor Impaired				Overdue but Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Allowance for impairment (D)		Net Amount (A)+(B)+(C)-(D)
	Strong	Moderate	Special Mention	Subtotal (A)				Objective Evidence of Impairment	No Objective Evidence of Impairment	
Receivables										
Credit card	\$ 1,399,884	\$ 652,385	\$ 71,228	\$ 2,123,497	\$ 54,010	\$ 97,887	\$ 2,275,394	\$ 23,687	\$ 139,683	\$ 2,112,024
Others	3,097,371	2,267,950	329,216	5,694,537	574,540	390,111	6,659,188	62,522	92,643	6,504,023
Discounts and loans	308,253,255	162,363,411	29,806,757	500,423,423	32,014,273	13,652,104	546,089,800	5,900,435	1,911,743	538,277,622

June 30, 2013	Neither Past Due Nor Impaired				Overdue but Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Allowance for impairment (D)		Net Amount (A)+(B)+(C)-(D)
	Strong	Moderate	Special Mention	Subtotal (A)				Objective Evidence of Impairment	No Objective Evidence of Impairment	
Receivables										
Credit card	\$ 1,840,923	\$ 727,968	\$ 81,833	\$ 2,650,724	\$ 55,039	\$ 103,690	\$ 2,809,453	\$ 25,334	\$ 123,882	\$ 2,660,237
Others	2,076,935	3,467,962	246,088	5,790,985	508,872	753,216	7,053,073	80,374	76,773	6,895,926
Discounts and loans	288,059,485	156,433,104	27,754,180	472,246,769	19,448,288	15,742,682	507,437,739	5,197,696	1,838,568	500,401,475

ii) SCB (HK)

June 30, 2014	Neither Past Due Nor Impaired Amount						Past Due but Not Impaired Amount (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Allowance for Impairment (D)		Net Amount (A)+(B)+(C)-(D)
	Pass	Special Mentioned	Sub-Standard	Doubtful	Loss	Subtotal (A)				Objective Evidence of Impairment	No Objective Evidence of Impairment	
Receivables												
Credit card	\$ 850,556	\$ 37,156	\$ -	\$ -	\$ -	\$ 887,712	\$ 11,607	\$ 16,849	\$ 916,168	\$ 6,266	\$ 20,522	\$ 889,380
Others	6,044,103	-	-	-	-	6,044,103	-	-	6,044,103	-	-	6,044,103
Discounts and loans	239,839,983	3,192,652	-	-	-	243,032,635	5,419,748	1,063,898	249,516,281	115,222	944,419	248,456,640

December 31, 2013	Neither Past Due Nor Impaired Amount						Past Due but Not Impaired Amount (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Allowance for Impairment (D)		Net Amount (A)+(B)+(C)-(D)
	Pass	Special Mentioned	Sub-Standard	Doubtful	Loss	Subtotal (A)				Objective Evidence of Impairment	No Objective Evidence of Impairment	
Receivables												
Credit card	\$ 1,006,426	\$ 28,515	\$ -	\$ -	\$ -	\$ 1,034,941	\$ 19,914	\$ 17,057	\$ 1,071,912	\$ 4,960	\$ 26,364	\$ 1,040,588
Others	5,597,323	-	-	-	-	5,597,323	-	-	5,597,323	-	-	5,597,323
Discounts and loans	226,900,524	4,401,808	-	-	-	231,302,332	5,296,227	1,427,214	238,025,773	124,818	911,291	236,989,664

June 30, 2013	Neither Past Due Nor Impaired Amount						Past Due but Not Impaired Amount (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Allowance for Impairment (D)		Net Amount (A)+(B)+(C)-(D)
	Pass	Special Mentioned	Sub-Standard	Doubtful	Loss	Subtotal (A)				Objective Evidence of Impairment	No Objective Evidence of Impairment	
Receivables												
Credit card	\$ 974,386	\$ 23,665	\$ -	\$ -	\$ -	\$ 998,051	\$ 13,195	\$ 16,578	\$ 1,027,824	\$ 5,648	\$ 25,455	\$ 996,721
Others	5,880,399	-	-	-	-	5,880,399	-	-	5,880,399	-	-	5,880,399
Discounts and loans	215,233,757	5,299,224	-	-	-	220,532,981	4,386,642	1,068,875	225,988,498	154,133	868,631	224,965,734

ii. Credit quality analysis of discounts and loans that are neither past due nor impaired

i) The Bank and its domestic subsidiaries

June 30, 2014	Neither Past Due Nor Impaired			
	Strong	Moderate	Special Mentioned	Total
Consumer banking				
Housing mortgage	\$ 156,415,101	\$ 10,038,050	\$ 1,976,594	\$ 168,429,745
Credit loans	221,478	169,944	160,242	551,664
Others	16,402,424	1,771,750	337,712	18,511,886
Corporate banking				
Secured	102,517,382	68,863,608	18,634,920	190,015,910
Unsecured	72,433,318	72,335,258	17,160,479	161,929,055
Total	\$ 347,989,703	\$ 153,178,610	\$ 38,269,947	\$ 539,438,260

December 31, 2013	Neither Past Due Nor Impaired			
	Strong	Moderate	Special Mentioned	Total
Consumer banking				
Housing mortgage	\$ 142,353,144	\$ 9,802,375	\$ 1,639,871	\$ 153,795,390
Credit loans	297,155	191,927	137,865	626,947
Others	13,837,889	1,615,484	278,070	15,731,443
Corporate banking				
Secured	81,111,034	83,538,413	16,866,302	181,515,749
Unsecured	70,654,033	67,215,212	10,884,649	148,753,894
Total	\$ 308,253,255	\$ 162,363,411	\$ 29,806,757	\$ 500,423,423

June 30, 2013	Neither Past Due Nor Impaired			
	Strong	Moderate	Special Mentioned	Total
Consumer banking				
Housing mortgage	\$ 139,439,726	\$ 10,501,468	\$ 1,332,813	\$ 151,274,007
Credit loans	374,264	217,365	196,613	788,242
Others	13,712,658	1,651,891	238,757	15,603,306
Corporate banking				
Secured	67,566,146	80,728,350	18,023,972	166,318,468
Unsecured	66,966,691	63,334,030	7,962,025	138,262,746
Total	\$ 288,059,485	\$ 156,433,104	\$ 27,754,180	\$ 472,246,769

ii) SCB (HK)

June 30, 2014	Neither Past Due Not Impaired					
	Pass	Special Mentioned	Sub-Standard	Doubtful	Loss	Subtotal
Consumer banking						
Housing mortgage	\$ 29,201,767	\$ 425,548	\$ -	\$ -	\$ -	\$ 29,627,315
Credit loans	1,202,652	35,792	-	-	-	1,238,444
Others	21,967,874	183,475	-	-	-	22,151,349
Corporate banking						
Secured	128,861,923	1,361,102	-	-	-	130,223,025
Unsecured	21,298,844	95,789	-	-	-	21,394,633
Discounts	2,222	-	-	-	-	2,222
Overdrafts	12,233,112	719,707	-	-	-	12,952,819
Inward/outward documentary bills	25,071,589	371,239	-	-	-	25,442,828
Total	\$ 239,839,983	\$ 3,192,652	\$ -	\$ -	\$ -	\$ 243,032,635

December 31, 2013	Neither Past Due Nor Impaired					
	Pass	Special Mentioned	Sub-Standard	Doubtful	Loss	Subtotal
Consumer banking						
Housing mortgage	\$ 27,507,554	\$ 502,112	\$ -	\$ -	\$ -	\$ 28,009,666
Credit loans	1,488,851	19,449	-	-	-	1,508,300
Others	21,061,291	225,641	-	-	-	21,286,932
Corporate banking						
Secured	120,427,856	2,067,939	-	-	-	122,495,795
Unsecured	22,104,764	195,639	-	-	-	22,300,403
Discounts	1,175	-	-	-	-	1,175
Overdrafts	11,855,327	925,390	-	-	-	12,780,717
Inward/outward documentary bills	22,453,706	465,638	-	-	-	22,919,344
Total	\$ 226,900,524	\$ 4,401,808	\$ -	\$ -	\$ -	\$ 231,302,332

June 30, 2013	Neither Past Due Nor Impaired					
	Pass	Special Mentioned	Sub-Standard	Doubtful	Loss	Subtotal
Consumer banking						
Housing mortgage	\$ 26,388,290	\$ 526,914	\$ -	\$ -	\$ -	\$ 26,915,204
Credit loans	877,778	39,806	-	-	-	917,584
Others	21,200,401	125,446	-	-	-	21,325,847
Corporate banking						
Secured	111,912,310	2,966,780	-	-	-	114,879,090
Unsecured	21,462,107	294,974	-	-	-	21,757,081
Discounts	1,191	-	-	-	-	1,191
Overdrafts	12,046,162	824,912	-	-	-	12,871,074
Inward/outward documentary bills	21,345,518	520,392	-	-	-	21,865,910
Total	\$ 215,233,757	\$ 5,299,224	\$ -	\$ -	\$ -	\$ 220,532,981

iii. Credit quality analysis of security investment

i) The Bank

June 30, 2014	Neither Past Due Nor Impaired						Past Due but Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Allowance for Impairment (D)	Net Amount (A)+(B)+(C)-(D)
	Excellent	Good	Moderate	Normal	Unrated	Subtotal (A)					
Available-for-sale financial assets											
Bonds	\$ 49,034,125	\$ 18,359,429	\$ 20,403,471	\$ 2,021,013	\$ 701,994	\$ 90,520,032	\$ -	\$ 89,547	\$ 90,609,579	\$ 89,547	\$ 90,520,032
Stocks	-	-	-	-	11,938,761	11,938,761	-	-	11,938,761	-	11,938,761
Bills	-	-	-	-	1,624,988	1,624,988	-	-	1,624,988	-	1,624,988
Held-to-maturity financial assets											
Bonds	253,819	-	294,975	-	-	548,794	-	-	548,794	-	548,794
Bills	106,500,000	-	-	-	-	106,500,000	-	-	106,500,000	-	106,500,000
Financial assets at FVTPL											
Bonds	-	-	90,345	-	1,343,205	1,433,550	-	-	1,433,550	-	1,433,550
Other financial assets											
Debt	-	-	-	-	200,000	200,000	-	-	200,000	-	200,000
Stocks	-	-	-	-	11,787	11,787	-	-	11,787	-	11,787

December 31, 2013	Neither Past Due Nor Impaired						Past Due but Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Allowance for Impairment (D)	Net Amount (A)+(B)+(C)-(D)
	Excellent	Good	Moderate	Normal	Unrated	Subtotal (A)					
Available-for-sale financial assets											
Bonds	\$ 39,471,416	\$ 16,758,748	\$ 19,118,209	\$ 735,326	\$ 195,022	\$ 76,278,721	\$ -	\$ 238,244	\$ 76,516,965	\$ 238,244	\$ 76,278,721
Stocks	-	1,105,544	374,600	-	9,213,313	10,693,457	-	23,150	10,716,607	23,150	10,693,457
Bills	-	-	-	-	1,683,836	1,683,836	-	-	1,683,836	-	1,683,836
Held-to-maturity financial assets											
Bonds	255,481	-	591,629	-	-	847,110	-	-	847,110	-	847,110
Bills	106,200,000	-	-	-	-	106,200,000	-	-	106,200,000	-	106,200,000
Financial assets at FVTPL											
Bonds	-	-	370,808	-	1,174,995	1,545,803	-	-	1,545,803	-	1,545,803
Other financial assets											
Debt	-	-	-	-	200,000	200,000	-	-	200,000	-	200,000
Stocks	-	-	-	-	11,787	11,787	-	-	11,787	-	11,787

June 30, 2013	Neither Past Due Nor Impaired						Past Due but Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Allowance for Impairment (D)	Net Amount (A)+(B)+(C)-(D)
	Excellent	Good	Moderate	Normal	Unrated	Subtotal (A)					
Available-for-sale financial assets											
Bonds	\$ 29,099,356	\$ 16,534,799	\$ 22,557,967	\$ 325,709	\$ 400,671	\$ 68,918,502	\$ -	\$ 539,742	\$ 69,458,244	\$ 539,742	\$ 68,918,502
Stocks	-	967,730	350,459	-	8,813,209	10,131,398	-	23,150	10,154,548	23,150	10,131,398
Bills	-	-	-	-	1,262,043	1,262,043	-	-	1,262,043	-	1,262,043
Held-to-maturity financial assets											
Bonds	257,078	-	299,372	298,964	-	855,414	-	-	855,414	-	855,414
Bills	111,385,618	-	-	-	-	111,385,618	-	-	111,385,618	-	111,385,618
Financial assets at FVTPL											
Bonds	-	-	795,564	299,890	1,172,977	2,268,431	-	-	2,268,431	-	2,268,431
Other financial assets											
Debt	-	-	-	-	200,000	200,000	-	-	200,000	-	200,000
Stocks	-	-	-	-	11,787	11,787	-	-	11,787	-	11,787

ii) SCB (HK)

June 30, 2014	Neither Past Due Nor Impaired						Past Due but Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Allowance for Impairment (D)	Net Amount (A)+(B)+(C)-(D)
	Pass	Special Mentioned	Sub-Standard	Doubtful	Loss	Subtotal (A)					
Available-for-sale financial assets											
Bonds	\$ 35,760,312	\$ -	\$ -	\$ -	\$ -	\$ 35,760,312	\$ -	\$ -	\$ 35,760,312	\$ -	\$ 35,760,312
Stocks	8,400,486	-	-	-	-	8,400,486	-	-	8,400,486	-	8,400,486
Bills	48,962,980	-	-	-	-	48,962,980	-	-	48,962,980	-	48,962,980
Held-to-maturity financial assets											
Bonds	9,257,582	-	-	-	-	9,257,582	-	-	9,257,582	-	9,257,582
Bills	298,492	-	-	-	-	298,492	-	-	298,492	-	298,492

December 31, 2013	Neither Past Due Nor Impaired						Past Due but Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Allowance for Impairment (D)	Net Amount (A)+(B)+(C)-(D)
	Pass	Special Mentioned	Sub-Standard	Doubtful	Loss	Subtotal (A)					
Available-for-sale financial assets											
Bonds	\$ 41,406,319	\$ -	\$ -	\$ -	\$ -	\$ 41,406,319	\$ -	\$ -	\$ 41,406,319	\$ -	\$ 41,406,319
Stocks	8,504,575	-	-	-	-	8,504,575	-	-	8,504,575	-	8,504,575
Bills	46,881,763	-	-	-	-	46,881,763	-	-	46,881,763	-	46,881,763
Held-to-maturity financial assets											
Bonds	9,528,111	-	-	-	-	9,528,111	-	-	9,528,111	-	9,528,111

June 30, 2013	Neither Past Due Nor Impaired						Past Due but Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Allowance for Impairment (D)	Net Amount (A)+(B)+(C)-(D)
	Pass	Special Mentioned	Sub-Standard	Doubtful	Loss	Subtotal (A)					
Available-for-sale financial assets											
Bonds	\$ 44,522,306	\$ -	\$ -	\$ -	\$ -	\$ 44,522,306	\$ -	\$ -	\$ 44,522,306	\$ -	\$ 44,522,306
Stocks	5,868,295	-	-	-	-	5,868,295	-	140,969	6,009,264	140,969	5,868,295
Bills	46,446,927	-	-	-	-	46,446,927	-	-	46,446,927	-	46,446,927
Held-to-maturity financial assets											
Bonds	9,639,573	-	-	-	-	9,639,573	-	-	9,639,573	-	9,639,573

The delay in the borrowers' processing and other administrative reasons may be the reason for the past due but not impaired financial assets.

Aging analysis of past due but not impaired financial assets is as follows:

Items	June 30, 2014			
	Past Due Upto a Month	Past Due One to Three Months	Past Due Over Three Months	Total
Receivables				
Credit card	\$ 55,038	\$ 9,194	\$ 45	\$ 64,277
Others	326,907	15,728	655	343,290
Discounts and loans				
Consumer banking				
Housing mortgage	4,376,991	750,146	2,295	5,129,432
Credit loans	33,010	1,527	-	34,537
Others	411,981	51,749	2,750	466,480
Corporate banking				
Secured	9,972,533	2,247,921	60,174	12,280,628
Unsecured	5,406,005	943,392	-	6,349,397
Subtotal loans	20,200,520	3,994,735	65,219	24,260,474
Overdrafts	-	59,850	-	59,850
Inward/outward documentary bills	42,023	17,781	-	59,804
Total	\$ 20,242,543	\$ 4,072,366	\$ 65,219	\$ 24,380,128

Items	December 31, 2013			
	Past Due Upto a Month	Past Due One to Three Months	Past Due Over Three Months	Total
Receivables				
Credit card	\$ 64,533	\$ 9,391	\$ -	\$ 73,924
Others	562,884	11,656	-	574,540
Discounts and loans				
Consumer banking				
Housing mortgage	8,897,936	494,673	5,874	9,398,483
Credit loans	31,333	2,667	-	34,000
Others	1,154,737	25,166	54,718	1,234,621
Corporate banking				
Secured	16,425,861	883,480	8,220	17,317,561
Unsecured	8,509,481	596,917	-	9,106,398
Subtotal loans	35,019,348	2,002,903	68,812	37,091,063
Overdrafts	-	69,558	-	69,558
Inward/outward documentary bills	90,705	58,579	595	149,879
Total	\$ 35,110,053	\$ 2,131,040	\$ 69,407	\$ 37,310,500

Items	June 30, 2013			
	Past Due Upto a Month	Past Due One to Three Months	Past Due Over Three Months	Total
Receivables				
Credit card	\$ 56,838	\$ 11,396	\$ -	\$ 68,234
Others	503,793	5,079	-	508,872
Discounts and loans				
Consumer banking				
Housing mortgage	3,371,866	1,183,564	5,973	4,561,403
Credit loans	32,733	3,933	-	36,666
Others	381,942	166,075	3,522	551,539
Corporate banking				
Secured	9,967,607	1,385,034	-	11,352,641
Unsecured	5,896,667	1,202,415	-	7,099,082
Subtotal loans	19,650,815	3,941,021	9,495	23,601,331
Overdrafts	-	56,551	-	56,551
Inward/outward documentary bills	108,787	68,261	-	177,048
Total	\$ 19,759,602	\$ 4,065,833	\$ 9,495	\$ 23,834,930

3) Market risk

a) The sources and definition of market risk

Market risk is the risk resulting from changes in fair value and future cash flows of on- and off-balance-sheet financial instruments caused by changes in market prices, interest rates, foreign exchange rate, including equity securities price and commodity price.

The Group's financial instruments are exposed to price, interest rate and foreign exchange rate risks. Major market price risk positions of equity securities include domestic listed stocks and funds. Major interest risks include bonds and interest rate derivative instruments such as fixed and floating interest rate swap and bond options. Major foreign exchange risks include foreign currency positions held by the Group.

b) Market risk management policies

The Group monitors its market risk and tolerable loss according to the risk management objectives and limits approved by the Board of Directors.

The Group also builds a market risk information system, which enables the Group to effectively monitor the management of the investment limits, assessment of gains and losses, and analysis of sensitivity factors. Such policies are reported to the Board of Directors in risk control meetings and serve as references for the decision making of the management.

The Group has split market risk exposures into trading and held-for-fixed-income portfolios which are controlled by both the Group's operation and risk management section. Routine control reports are reviewed by the Group's Board of Directors and relevant committees.

c) Market risk management process

i. Recognition and measurement

The Group's operation and risk management sections both identify market risk factors of exposure positions, which are used to measure market risks. Market risk factors include interest rates, foreign exchange rates and market price of equity securities, and exposures, gains and losses and sensitivity (PVO1, Delta, Beta) etc. Measurement of investment portfolio is affected by interest rate risk, foreign exchange risk and price of equity securities.

ii. Monitor and report

The Group's risk management department regularly reviews market risk management objective, positions and control of gains and losses, sensitivity analysis and pressure test and reports to the Board of Directors. Therefore, the Board of Directors could well understand market risk control. The Group has established explicit notification process, the limit and stop-loss regulation for various transactions. Stop-loss order must be taken when the limit is reached, otherwise the trading department's reasons and plans must be approved by the management, and the department should report to relevant committee regularly.

d) Interest rate management policies

i. Definition of interest rate risk

Interest rate risk represents risks of changes in fair value of investment portfolio and loss in earnings resulting from changes in interest rates. Major products include interest rate-related financial securities and derivative instruments.

ii. Purpose of interest risk management

Interest rate risk management enhances the Group's ability to deal with a contingency to measure, manage and avoid negative influence of earnings and economic values of balance sheet items affected by the changes in interest rate on, and expects to raise up the efficiency of capital and the business management.

iii. Procedures of interest risk management

The Group carefully chooses investment target through conducting research in issuers' credit, financial status, country risks and interest rate trend. The Group also establishes trading amount limit and stop-loss limit including limit for trading department, trading personnel and trading commodity, etc. which are approved by top management and the Board of Directors.

The Group identifies re-pricing risk of interest rate and yield curve risk and measures possible effects on the Group's earnings and economic values of changes in interest rate. On a monthly basis, the Group reports the analysis and monitoring of limit on interest rate risk position and various interest rate management objectives to the Assets and Liabilities Management Committee and the Board of Directors.

Report to the Assets and Liabilities Management Committee is required when certain risk management objective has exceeded limit in order to resolve response action.

iv. Measurement methods

The Group measures risks of price reset periods gap from difference in maturity date and price reset date of assets, liabilities, and off-balance sheet items. The Group also established interest rate sensitivity monitoring index for major periods in order to maintain long-term profitability and business growth. Such interest rate indexes and results of pressure test are reviewed by management personnel regularly. In addition, the Group regularly uses DV01 to measure portfolio that is affected by interest rate.

e) Foreign exchange rate risk management

i. Definition of foreign exchange risk

Foreign exchange risk means gains and losses resulting from currencies exchange at different times. The Group's foreign exchange rate risk results mainly from spot and forward foreign exchange. The Group's foreign exchange rate risk is relatively insignificant due to the fact that transactions are basically settled immediately on transaction date.

ii. Policies, procedures and measurement method for foreign exchange rate risk management

In order to control foreign exchange rate risk within tolerable range, the Group has established trading limit, stop-loss limit and maximum loss for trading department and trading personnel and the risk is controlled within the tolerable range.

The Group undertakes pressure test on a seasonal basis and uses 3% fluctuation in major foreign exchange rate (USD) as a scenario and reports test results to the Assets and Liabilities Management Committee.

f) Equity securities price risk management

i. Definition of equity securities price risk

The market risk of equity securities held by the Group includes individual and general risk from price fluctuations of both individual equity security and the entire equity security market.

ii. Purpose of equity security price risk management

The main purpose of equity security price risk management is to prevent financial status from deteriorating in earnings due to violent fluctuation in equity security prices to enhance capital efficiency and strengthen operation.

iii. Procedures of equity security price risk management

The Group regularly uses β value to measure the degree of influence on investment portfolio system risk. Stop-loss point is set according to the policy approved by the Assets and Liabilities Management Committee. Stop-loss action must be taken when limit is reached, otherwise the investment department must submit request to top management personnel for approval.

iv. Measurement method

The Group's control of security price risk is based on risk values.

g) Market valuation technique

The Group assesses its exposures to market risk and the anticipated loss under market pressures by using assumptions on several market position changes. Limits of various financial instruments are set by the Board of Directors and monitored by the Assets and Liabilities Management Committee. The Group also performs sensitivity analysis based on major risk factors of various financial instruments in order to monitor the changes in various market risk factors of financial instruments.

i. Sensitivity analysis

i) Interest rate risk

The Group has assessed the possible impact on income if global yield curve moves between -100 to +100 base points simultaneously on June 30, 2014, December 31, 2013 and June 30, 2013.

ii) Foreign exchange rate risk

The Group assesses the possible impact on income when various currencies to NTD exchange rate fluctuate between -3% and +3% while other factors remain unchanged.

The functional currency of SCB (HK) is HKD, and the net on-balance-sheet position of SCB (HK) was denominated in USD; these two currencies were closely connected, there is immaterial foreign exchange risk arising from the translation of foreign-currency denominated financial assets and financial liabilities into HKD.

iii) Equity securities price risk

The Group has assessed the possible impact on income when equity security prices on June 30, 2014, December 31, 2013 and June 30, 2013 rises or falls by 10% while other factors remain unchanged.

The above analysis assumes that the trends of equity instruments are consistent with historical data.

ii. Sensitivity analysis is summarized as follows:

June 30, 2014			
Major Risk	Variation Range	Amount	
		Equity	Profit or Loss
Foreign exchange risk	Various currencies/NTD increased 3%	\$ 1,430,520	\$ 21,601
Foreign exchange risk	Various currencies/NTD decreased 3%	(1,430,520)	(21,601)
Interest rate risk	Rate curve increased 100BPS	(3,948,273)	388,053
Interest rate risk	Rate curve decreased 100BPS	3,948,273	(388,053)
Price risk of equity securities	Price of equity securities increase 10%	1,800,997	61,290
Price risk of equity securities	Price of equity securities decrease 10%	(1,800,997)	(61,290)

December 31, 2013			
Major Risk	Variation Range	Amount	
		Equity	Profit or Loss
Foreign exchange risk	Various currencies/NTD increased 3%	\$ 1,398,977	\$ (69,141)
Foreign exchange risk	Various currencies/NTD decreased 3%	(1,398,977)	69,141
Interest rate risk	Rate curve increased 100BPS	(3,268,990)	331,837
Interest rate risk	Rate curve decreased 100BPS	3,404,360	(331,837)
Price risk of equity securities	Price of equity securities increase 10%	1,437,254	72,923
Price risk of equity securities	Price of equity securities decrease 10%	(1,437,254)	(72,923)

June 30, 2013			
Major Risk	Variation Range	Amount	
		Equity	Profit or Loss
Foreign exchange risk	Various currencies/NTD increased 3%	\$ 1,359,477	\$ 33,066
Foreign exchange risk	Various currencies/NTD decreased 3%	(1,359,477)	(33,066)
Interest rate risk	Rate curve increased 100BPS	(2,661,924)	(39,740)
Interest rate risk	Rate curve decreased 100BPS	2,787,692	40,830
Price risk of equity securities	Price of equity securities increase 10%	585,027	8,785
Price risk of equity securities	Price of equity securities decrease 10%	(585,027)	(8,785)

4) Liquidity risk

a) The sources and definition of liquidity risk

The liquidity risk is the possibility that the Group is unable to liquidate assets or obtain financing to fulfill matured financial liabilities which may result in financial loss. Liquidity risk may be present when, for example, deposits are withdrawn in advance of the original date of settlement, the market becomes worse and borrowing from other banks becomes difficult, the clients' credit deteriorates leading the occurrence of defaults, liquidation of financial instruments becomes difficult, early redemption of interest-sensitive instruments happens, etc. The aforementioned factors may reduce cash balance to be used in for the areas of loans, trading, and investment. In some extreme circumstances, the lack of liquidity may lead to the decrease in the overall assets and liabilities, the need to liquidate the Group's assets and the possibility of unable to fulfill loan commitments. Liquidity risks include inherent risks that may be affected by some specific industry events or overall market condition. These events include but are not limited to credit, merger and acquisitions, systemic breakdown and natural disasters.

b) The management policies are as follows:

The management procedures are monitored by the independent department of risk management; the procedures are as follows:

- i. Regular financing and monitoring of cash flows to ensure the fulfillment of the requirements in the future
- ii. Maintaining appropriate position of high liquidity assets which are easily realizable.

iii. Monitoring of liquidity ratios of the balance sheet according to the internal management purposes and external monitoring rules.

iv. Managing the maturity date of debt instruments.

The procedures for monitoring and reporting liquidation risk are applied and measured based on the estimated cash flows (the time gap is based on how the Group manages the liquidity risk) of 1 day, 10 days, and 1 month. Estimates of future cash flows are based on the maturity analysis of financial assets and liabilities. The risk management department also monitors the use of loan commitment, discount facilities, guarantee letters, and other types of contingent liabilities, and furthermore reports the related information to the risk management committee and the Board of Directors regularly.

The Group holds certain position of highly liquid interest bearing assets to fulfill its obligation and for future emergent needs. To manage the liquidity risk, the Group holds the following assets: Cash and cash equivalents, due from the Central Bank and banks, and financial assets at fair value through profit or loss, etc.

c) Maturity analysis

The analysis of cash outflows of non-derivative financial liabilities is illustrated according to the remaining terms from date of the balance sheet to maturity date of the contract. The disclosure of cash outflows of non-derivative financial liabilities is based on the cash flows of contracts so that the items could not correspond with all items in the balance sheet.

June 30, 2014	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Due to the Central Bank and banks	\$ 40,101,202	\$ 5,055,934	\$ 274,530	\$ 8,561	\$ 1,228,204	\$ 44,668,431
Borrowings from the Central Bank and banks	604,781	-	-	-	-	604,781
Securities sold under repurchase agreements	5,037,498	630,072	181,935	2,077,697	-	7,927,202
Payables	25,182,381	1,265,273	740,557	423,761	9,171	27,621,143
Deposits and remittances	688,422,450	224,821,014	139,381,877	119,655,310	9,575,054	1,181,855,705
Bank debentures	65,907	3,300,000	1,700,000	3,000,000	31,700,000	39,765,907
Other financial liabilities	6,392,553	-	-	-	-	6,392,553

December 31, 2013	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Due to the Central Bank and banks	\$ 31,009,535	\$ 2,723,198	\$ 4,819,262	\$ 447,195	\$ -	\$ 38,999,190
Borrowings from the Central Bank and banks	3,932,016	-	-	-	-	3,932,016
Securities sold under repurchase agreements	4,223,883	563,110	158,861	801,013	-	5,746,867
Payables	19,790,828	1,191,510	493,257	359,407	5,538	21,840,540
Deposits and remittances	673,261,463	225,417,556	131,540,720	139,343,197	9,702,649	1,179,265,585
Bank debentures	104,321	-	-	5,000,000	28,000,000	33,104,321
Other financial liabilities	6,680,824	-	-	-	-	6,680,824

June 30, 2013	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Due to the Central Bank and banks	\$ 32,223,973	\$ 314,270	\$ 205,638	\$ 2,762,402	\$ 464,607	\$ 35,970,890
Borrowings from the Central Bank and banks	1,499,450	-	-	-	-	1,499,450
Securities sold under repurchase agreements	3,217,971	637,483	146,076	216,575	-	4,218,105
Payables	29,658,565	1,024,725	383,222	62,913	1,499	31,130,924
Deposits and remittances	649,908,828	188,021,754	138,879,377	136,857,139	11,764,089	1,125,431,187
Bank debentures	140,260	-	-	-	33,000,000	33,140,260
Other financial liabilities	4,492,584	-	-	-	-	4,492,584

The Group evaluated the contractual maturity date to comprehend all derivative financial instruments on the consolidated balance sheet. Because the disclosure of maturity analysis for derivative financial liabilities amount is based on the contract cash flows, part of the amount would not correspond with related items on the consolidated balance sheet. Maturity analysis of derivative financial liabilities is as follows:

i. Derivative financial liabilities of net settlement

June 30, 2014	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives	\$ 20,776	\$ 30,223	\$ 35,223	\$ 43,777	\$ 2,046	\$ 132,045
Rate derivatives	-	8,048	54	180	48,243	56,525

December 31, 2013	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives	\$ 184,156	\$ 306,809	\$ 207,060	\$ 216,685	\$ 8,586	\$ 923,296
Rate derivatives	-	-	-	24,576	130,863	155,439

June 30, 2013	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives	\$ 122,599	\$ 274,981	\$ 417,020	\$ 648,573	\$ 20,251	\$ 1,483,424
Rate derivatives	-	-	-	-	189	189

ii. Derivative financial liabilities of total settlement

June 30, 2014	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	\$ 20,798,628	\$ 14,049,868	\$ 11,672,489	\$ 14,458,145	\$ 12,944	\$ 60,992,074
Cash outflow	20,890,855	14,125,464	11,713,886	14,503,946	13,117	61,247,268

December 31, 2013	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	\$ 14,620,253	\$ 18,843,063	\$ 10,021,167	\$ 4,343,290	\$ 119,113	\$ 47,946,886
Cash outflow	14,636,338	18,908,275	10,086,586	4,339,485	120,215	48,090,899

June 30, 2013	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Year	Due Between Year and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	\$ 31,665,016	\$ 14,036,634	\$ 8,735,313	\$ 9,759,601	\$ 288,549	\$ 64,485,113
Cash outflow	31,684,224	14,120,141	8,789,912	9,759,467	288,239	64,641,983

The analysis of cash outflows of off-balance-sheet items is illustrated according to the remaining terms from date of the balance sheet to maturity date of the contract. For financial guarantee contracts, the largest amount is categorized under the nearest time-zone of being asked to fulfill the guarantees. The disclosure of cash outflows of off-balance-sheet items is based on the cash flows of contracts so that part items could not correspond with all items in the balance sheet.

June 30, 2014	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Developed and noncancelable loan commitments	\$ 20,919,023	\$ 41,910,162	\$ 62,353,427	\$ 125,693,356	\$ 84,714,785	\$ 335,590,753
Noncancelable credit card commitments	77,379	154,758	232,137	464,273	293,869	1,222,416
Issued but unused letters of credit	44,822,663	6,546,621	598,822	634,992	186,044	52,789,142
Other guarantees	9,007,779	8,432,930	5,875,595	13,836,391	16,800,114	53,952,809

December 31, 2013	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Developed and noncancelable loan commitments	\$ 21,083,303	\$ 41,471,469	\$ 60,440,520	\$ 119,706,865	\$ 84,451,512	\$ 327,153,669
Noncancelable credit card commitments	86,327	172,654	258,980	517,961	327,851	1,363,773
Issued but unused letters of credit	45,682,343	5,114,987	783,483	1,249,312	115,236	52,945,361
Other guarantees	8,188,175	8,285,412	6,172,059	9,999,572	16,880,572	49,525,790

June 30, 2013	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Developed and noncancelable loan commitments	\$ 20,668,225	\$ 41,254,989	\$ 63,155,347	\$ 126,944,986	\$ 85,195,269	\$ 337,218,816
Noncancelable credit card commitments	70,494	140,987	211,480	422,961	267,719	1,113,641
Issued but unused letters of credit	46,266,722	5,548,038	725,837	220,077	159,334	52,920,008
Other guarantees	5,542,457	8,169,822	5,143,833	13,647,464	16,951,285	49,544,828

37. AVERAGE AMOUNT AND AVERAGE INTEREST RATE OF INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES

Average amount and average interest rate of interest-earning assets and interest-bearing liabilities that is affected by interest rate fluctuations was as follows:

Average balances were calculated by the daily average balances of interest-earning assets and interest-bearing liabilities.

a. The Bank

	Six Months Ended June 30, 2014	
	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>		
Cash and cash equivalents - due from other banks	\$ 15,003,494	2.68
Due from the Central Bank and call loans to banks	50,121,801	0.87
Financial assets at fair value through profit or loss	32,199,415	0.89
Securities purchased under agreement to resell	3,261,290	0.56
Credit card revolving balances	821,558	16.59
Discounts and loans (excluding nonperforming loans)	550,288,142	2.35
Available-for-sale financial assets	87,751,335	1.68
Held-to-maturity financial assets	107,127,663	0.87
Bills purchased	9,979	1.61

Interest-bearing liabilities

Due to the Central Bank and banks	16,895,264	0.90
Securities sold under agreement to repurchase	8,151,910	0.54
Borrowings from the Central Bank and banks	1,628,484	0.56
Negotiable certificates of deposits	3,506,280	0.70
Demand deposits	167,906,713	0.08
Savings deposits	114,985,204	0.38
Time deposits	334,324,875	1.11
Time-savings	121,555,848	1.32
Bank debentures	36,602,151	1.67
Appropriated loan funds	5,201,599	0.01
Structured deposit instruments principal	1,900,366	0.95

	Six Months Ended June 30, 2013	
	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>		
Cash and cash equivalent - due from other banks	\$ 3,864,574	0.55
Due from the Central Bank and call loans to banks	69,614,001	0.72
Financial assets at fair value through profit or loss	28,792,092	1.07
Securities purchased under agreement to resell	818,065	0.70

(Continued)

	Six Months Ended June 30, 2013	
	Average Balance	Average Rate (%)
Credit card revolving balances	\$ 896,943	16.57
Discounts and loans (excluding nonperforming loans)	483,543,564	2.30
Available-for-sale financial assets	66,438,067	1.76
Held-to-maturity financial assets	115,007,628	0.87
Bills purchased	10,521	1.39

Interest-bearing liabilities

Due to the Central Bank and banks	10,085,531	0.75
Securities sold under agreement to repurchase	5,645,415	0.64
Borrowings from the Central Bank and banks	644,988	0.31
Negotiable certificates of deposits	4,551,730	0.78
Demand deposits	155,117,195	0.07
Savings deposits	108,642,482	0.38
Time deposits	282,116,694	0.98
Time-savings	120,839,383	1.33
Bank debentures	34,483,871	1.62
Appropriated loan funds	2,534,029	0.01
Structured deposit instruments principal	3,687,688	0.81

(Concluded)

b. SCB (HK)

	Six Months Ended June 30, 2014	
	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>		
Due from other banks	\$ 181,570,792	1.85
Discounts and loans (excluding nonperforming loans)	246,268,289	3.20
Credit card revolving balances	246,178	26.65
Debt instruments (including available-for-sale financial assets, financial assets at fair value through profit or loss, and held-to-maturity financial assets)	96,951,039	2.44

Interest-bearing liabilities

Due to other banks	21,255,946	0.99
Demand deposits	162,322,126	0.03
Time deposits	278,040,815	1.41

	Six Months Ended December 31, 2013	
	Average Balance	Average Rate (%)
<u>Interest-earning assets</u>		
Due from other banks	\$ 186,106,339	1.33
Discounts and loans (excluding nonperforming loans)	216,463,283	3.17
Credit card revolving balances	283,291	29.93
Debt instruments (including available-for-sale financial assets, financial assets at fair value through profit or loss, and held-to-maturity financial assets)	101,376,715	2.56
<u>Interest-bearing liabilities</u>		
Due to other banks	15,177,169	1.10
Demand deposits	157,572,716	0.03
Time deposits	272,811,767	1.32

38. CAPITAL MANAGEMENT

All the Group's risks were included in the assessment of capital adequacy range according to "Regulations Governing the Capital Adequacy" annual. The business projects and budget objective were approved by the Board of Directors, and furthermore the Bank considered the development strategy, capital adequacy, debt ratio, and dividend policy. The contents are included in stress test, estimate of each capital adequacy ratio to ensure achieving the objective of capital adequacy and strengthening the capital structure.

According to the Banking Law and related regulations, the Group should maintain a capital adequacy ratio of at least 8% to strengthen the financial basis. If the capital adequacy ratio falls below 8%, the Central Regulator would restrict the distributed earnings.

The following table which lists the equity capital, risk-weighted assets, and risk exposure is calculated according to "Regulations Governing the Capital Adequacy and Capital Category of Banks" that was modified by Financial Supervisory Commission R.O.C (Ref. No. 10110007010) on November 26, 2012.

The Group conformed to the regulation on capital management on June 30, 2014, December 31, 2013 and June 30, 2013.

	<u>June 30, 2014</u>	<u>December 31, 2013</u>	<u>June 30, 2013</u>
Analysis items			
Eligible capital			
Common equity	\$ 105,289,565	\$ 105,080,449	\$ 99,844,211
Other Tier I capital	-	-	-
Tier II capital	<u>31,239,943</u>	<u>25,893,412</u>	<u>27,616,654</u>
Eligible capital	<u>\$ 136,529,508</u>	<u>\$ 130,973,861</u>	<u>\$ 127,460,865</u>

(Continued)

	<u>June 30, 2014</u>	<u>December 31, 2013</u>	<u>June 30, 2013</u>
Risk-weighted assets			
Credit risk			
Standardized approach	\$ 956,800,274	\$ 938,585,223	\$ 877,473,039
Credit valuation adjustment	223,285	331,797	536,086
Internal rating based approach	N/A	N/A	N/A
Synthetic securitization	805,440	814,876	1,008,621
Operational risk			
Basic indicator approach	44,858,190	44,858,190	42,822,376
Standardized approach/alternative standardized approach	N/A	N/A	N/A
Advanced measurement approach	N/A	N/A	N/A
Market risk			
Standardized approach	45,200,946	45,105,719	45,271,951
Internal models approach	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total risk-weighted assets	<u>\$ 1,047,888,135</u>	<u>\$ 1,029,695,805</u>	<u>\$ 967,112,073</u>
Capital adequacy ratio	13.03%	12.72%	13.18%
Ratio of common equity to risk-weighted assets	10.05%	10.20%	10.32%
Ratio of Tier I capital to risk-weighted assets	10.05%	10.20%	10.32%
Leverage ratio	4.17%	4.18%	3.78%
			(Concluded)

Note 1: Eligible capital and risk-weighted assets are calculated under the “Regulations Governing the Capital Adequacy Ratio of Banks” and “Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks”.

Note 2: Formulas used were as follows:

- 1) Eligible capital = Common equity + Other Tier I capital + Tier II capital.
- 2) Total risk-weighted assets = Risk-weighted assets for credit risk + Capital requirements for operational risk and market risk × 12.5.
- 3) Capital adequacy ratio = Eligible capital ÷ Total risk-weighted assets.
- 4) Ratio of common equity to risk-weighted assets = Common equity ÷ Total risk-weighted assets.
- 5) Ratio of Tier I capital to risk-weighted assets = (Common equity + Other Tier I capital) ÷ Total risk-weighted assets.
- 6) Leverage ratio = Average net value of tier I capital of recent 3 months ÷ Average net value of exposure measurement of recent 3 months

39. ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND MATURITY ANALYSIS OF ASSETS AND LIABILITIES

a. Assets quality: As stated in Table 1

b. Concentration of credit risks

Top 10 credit extensions information of head office and SCB (HK) was as below:

Ranking (Note 1)	June 30, 2014					
	The Bank			SCB (HK)		
	Group Enterprise (Note 2)	Total Balances of Credit Extensions (Note 3)	Ratio of Credit Extensions to Net Worth (%)	Group Enterprise (Note 2)	Total Balances of Credit Extensions (Note 3)	Ratio of Credit Extensions to Net Worth (%) (Note 4)
1	A Group (plastic leather, plates, pipe manufacturing)	\$ 6,901,591	6.96	a Group (hotels and property development)	\$ 5,665,397	6.94
2	B Group (real estate development)	4,618,135	4.66	b Group (automobile dealer)	3,146,057	3.85
3	C Group (real estate rental)	3,993,370	4.03	c Group (hotels and property development)	2,615,255	3.20
4	D Group (liquid fuel, gas and related industries)	3,735,859	3.77	d Inc. (property investment)	2,330,465	2.85
5	E Group (head offices)	2,984,900	3.01	e Group (property investment)	2,298,466	2.82
6	F Inc. (civil aviation)	2,946,007	2.97	f Group (property investment and construction)	2,170,221	2.66
7	G Group (head offices)	2,722,238	2.74	g Group (trading of hardware, steel and plastics)	2,166,281	2.65
8	H Inc. (wholesale of other specialized wholesale trade not elsewhere classified)	2,598,623	2.62	h Group (hotels and property investment)	2,134,563	2.61
9	I Inc. (wholesale of other fuels)	2,147,434	2.16	i Group (import and export of garments and accessories)	1,939,443	2.38
10	J Inc. (wholesale of other specialized wholesale trade not elsewhere classified)	1,674,364	1.69	j Group (retailing of gold and jewelries)	1,816,211	2.22

Ranking (Note 1)	December 31, 2013					
	The Bank			SCB (HK)		
	Group Enterprise (Note 2)	Total Balances of Credit Extensions (Note 3)	Ratio of Credit Extensions to Net Worth (%)	Group Enterprise (Note 2)	Total Balances of Credit Extensions (Note 3)	Ratio of Credit Extensions to Net Worth (%) (Note 4)
1	B Group (journalism publishing)	\$ 5,508,541	5.57	a Group (hotels and property development)	\$ 5,509,099	7.00
2	L Group (computer manufacturing)	3,676,123	3.72	g Group (automobile dealer)	3,612,464	4.59
3	C Group (real estate rental)	3,588,084	3.63	i Group (hotels and property development)	2,601,747	3.30
4	F Group (civil aviation)	2,896,951	2.93	b Inc. (property investment)	2,533,084	3.22
5	M Group (knitting outerwear manufacturing)	2,797,756	2.83	d Group (property investment)	2,365,604	3.00
6	G Group (head offices)	2,771,514	2.80	c Group (property investment and construction)	2,353,073	2.99
7	N Group (computer manufacturing)	2,607,190	2.64	f Group (trading of hardware, steel and plastics)	2,240,536	2.85
8	O Inc. (paper exportation)	1,851,781	1.87	k Group (hotels and property investment)	2,100,199	2.67
9	K Inc. (real estate development)	1,609,000	1.63	n Group (import and export of garments and accessories)	1,955,456	2.48
10	J Inc. (wholesale of other specialized wholesale trade not elsewhere classified)	1,584,557	1.60	e Group (retailing of gold and jewelries)	1,849,212	2.35

Ranking (Note 1)	June 30, 2013					
	The Bank			SCB (HK)		
	Group Enterprise (Note 2)	Total Balances of Credit Extensions (Note 3)	Ratio of Credit Extensions to Net Worth (%) (Note 4)	Group Enterprise (Note 2)	Total Balances of Credit Extensions (Note 3)	Ratio of Credit Extensions to Net Worth (%) (Note 4)
1	B Group (journalism publishing)	\$ 7,127,759	7.70	a Group (hotels and property development)	\$ 4,866,095	6.38
2	A Group (petroleum and coal)	5,924,116	6.40	g Group (trading of hardware, steel and plastics)	3,787,872	4.97
3	C Group (real estate rental)	3,607,000	3.90	i Group (knitting outerwear manufacturing)	2,889,738	3.79
4	L Group (computer manufacturing)	3,577,395	3.87	b Group (automobile dealer)	2,862,749	3.75
5	F Group (civil aviation)	3,050,958	3.30	d Inc. (property investment)	2,594,022	3.40
6	Q Inc. (ocean freight transportation forwarding services)	2,554,050	2.76	c Group (hotels and property investment)	2,306,830	3.02
7	O Inc. (paper exportation)	1,875,578	2.03	f Group (property investments)	2,162,104	2.83
8	R Inc. (chemical materials)	1,699,508	1.84	k Group (property investments)	2,086,686	2.73
9	S Group (ocean freight transportation)	1,558,420	1.68	n Group (hotels and property development)	1,969,491	2.58
10	J Inc. (wholesale of other specialized wholesale trade not elsewhere classified)	1,532,181	1.66	e Group (property investments)	1,846,078	2.42

Note 1: The ranking is made by total credit balance, which excluded government-owned or state-run enterprises. If the borrower is an affiliate of a group enterprise, the credit balance of the borrower is then aggregated to the Group enterprise's credit balance. The borrower is marked by specific codes as well as its major industry. The major industry of a borrower is determined by its maximum exposures by industries. The classification of industry should be in line with the Standard Industrial Classification System of the Republic of China published by the Directorate-general of Budget, Accounting and Statistics under the Executive Yuan.

Note 2: "Group Enterprise" conforms to the definition of Article 6 in "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings."

Note 3: Credit balance includes each item of loan (included import bill negotiated, export bill negotiated, discounts, overdrafts, short-term loans, short-term secured loans, marginal receivables, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans and nonperforming loans), exchange bills negotiated, accounts receivable - without recourse factoring, acceptances receivable and grantees issued.

Note 4: It is net equity of SCB (HK).

c. Interest rate sensitivity information

1) The Bank

Interest Rate Sensitivity Analysis
June 30, 2014

(In NT\$ Thousands)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to 1 Year (Included)	Over 1 Year	Total
Interest-sensitive assets	\$ 557,419,859	\$ 3,924,697	\$ 3,869,235	\$ 48,069,071	\$ 613,282,862
Interest-sensitive liabilities	247,218,069	225,826,436	53,236,394	34,918,040	561,198,939
Interest sensitivity gap	310,201,790	(221,901,739)	(49,367,159)	13,151,031	52,083,923
Net equity					99,207,148
Ratio of interest-sensitive assets to liabilities					109.28%
Ratio of interest sensitivity gap to net equity					52.50%

Interest Rate Sensitivity Analysis
December 31, 2013

(In NT\$ Thousands)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to 1 Year (Included)	Over 1 Year	Total
Interest-sensitive assets	\$ 562,472,052	\$ 350,835	\$ 1,487,523	\$ 48,047,790	\$ 612,358,200
Interest-sensitive liabilities	251,096,785	229,578,782	60,766,562	31,482,494	572,924,623
Interest sensitivity gap	311,375,267	(229,227,947)	(59,279,039)	16,565,296	39,433,577
Net equity					98,919,316
Ratio of interest-sensitive assets to liabilities					106.88%
Ratio of interest sensitivity gap to net equity					39.86%

Interest Rate Sensitivity Analysis
June 30, 2013

(In NT\$ Thousands)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to 1 Year (Included)	Over 1 Year	Total
Interest-sensitive assets	\$ 549,263,228	\$ 1,052,039	\$ 551,951	\$ 47,389,082	\$ 598,256,300
Interest-sensitive liabilities	227,000,753	222,435,591	64,412,165	33,883,698	547,732,207
Interest sensitivity gap	322,262,475	(221,383,552)	(63,860,214)	13,505,384	50,524,093
Net equity					95,529,561
Ratio of interest-sensitive assets to liabilities					109.22%
Ratio of interest sensitivity gap to net equity					54.60%

Note 1: The tables above refer only to the financial assets/liabilities denominated in N.T. dollars held by the whole bank, contingent assets and liabilities excluded.

Note 2: Interest rate-sensitive assets/liabilities refer to financial assets/liabilities which returns are driven by interest rate fluctuations.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities. (The interest rate-sensitive assets and liabilities are in New Taiwan dollars).

Interest Rate Sensitivity Analysis
June 30, 2014

(In US\$ Thousands)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to 1 Year (Included)	Over 1 Year	Total
Interest-sensitive assets	\$ 5,084,424	\$ 55,444	\$ 86,835	\$ 442,509	\$ 5,669,212
Interest-sensitive liabilities	2,058,032	3,331,592	444,346	38	5,384,008
Interest sensitivity gap	2,026,392	(3,276,148)	(357,511)	442,471	(164,796)
Net equity					3,323,634
Ratio of interest-sensitive assets to liabilities					97.18%
Ratio of interest sensitivity gap to net equity					(4.96%)

Interest Rate Sensitivity Analysis
December 31, 2013

(In US\$ Thousands)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to 1 Year (Included)	Over 1 Year	Total
Interest-sensitive assets	\$ 5,238,148	\$ 46,883	\$ 39,443	\$ 467,504	\$ 5,791,978
Interest-sensitive liabilities	2,248,078	3,124,225	429,973	60	5,865,336
Interest sensitivity gap	2,990,070	(3,077,342)	(453,530)	467,444	(73,358)
Net equity					3,320,777
Ratio of interest-sensitive assets to liabilities					98.75%
Ratio of interest sensitivity gap to net equity					(2.21%)

Interest Rate Sensitivity Analysis
June 30, 2013

(In US\$ Thousands)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to 1 Year (Included)	Over 1 Year	Total
Interest-sensitive assets	\$ 4,808,930	\$ 63,665	\$ 60,454	\$ 362,311	\$ 5,295,360
Interest-sensitive liabilities	1,940,027	3,082,320	398,860	21	5,421,228
Interest sensitivity gap	2,868,903	(3,018,655)	(338,406)	362,290	(125,868)
Net equity					3,085,450
Ratio of interest-sensitive assets to liabilities					97.68%
Ratio of interest sensitivity gap to net equity					(4.08%)

Note 1: The tables above refer only to the financial assets/liabilities denominated in U.S. dollars held by the whole bank, contingent assets and liabilities excluded.

Note 2: Interest rate-sensitive assets/liabilities refer to financial assets/liabilities which returns are driven by interest rate fluctuations.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities. (The interest rate-sensitive assets and liabilities are in U.S. dollars).

2) SCB (HK)

Interest Rate Sensitivity Analysis
June 30, 2014

(In US\$ Thousands)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to 1 Year (Included)	Over 1 Year	Total
Interest-sensitive assets	\$ 4,060,725	\$ 678,522	\$ 461,945	\$ 587,781	\$ 5,788,973
Interest-sensitive liabilities	4,025,935	648,014	248,008	25,099	4,947,056
Interest sensitivity gap	34,790	30,508	213,937	562,682	841,917
Net equity					2,618,429
Ratio of interest-sensitive assets to liabilities					117.02%
Ratio of interest sensitivity gap to net equity					32.15%

Interest Rate Sensitivity Analysis
December 31, 2013

(In US\$ Thousands)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to 1 Year (Included)	Over 1 Year	Total
Interest-sensitive assets	\$ 3,673,563	\$ 553,702	\$ 432,930	\$ 650,373	\$ 5,310,568
Interest-sensitive liabilities	3,859,940	339,700	472,636	13,588	4,685,864
Interest sensitivity gap	(186,377)	214,002	(39,706)	636,785	624,704
Net equity					2,610,550
Ratio of interest-sensitive assets to liabilities					113.33%
Ratio of interest sensitivity gap to net equity					23.93%

Interest Rate Sensitivity Analysis
June 30, 2013

(In US\$ Thousands)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to 1 Year (Included)	Over 1 Year	Total
Interest-sensitive assets	\$ 3,953,493	\$ 349,624	\$ 326,630	\$ 655,143	\$ 5,284,890
Interest-sensitive liabilities	3,733,004	546,764	186,135	35,551	4,501,454
Interest sensitivity gap	220,489	(197,140)	140,495	619,592	783,436
Net equity					2,432,080
Ratio of interest-sensitive assets to liabilities					117.40%
Ratio of interest sensitivity gap to net equity					32.21%

Note 1: The tables above refer only to the financial assets/liabilities denominated in U.S. dollars held by SCB (HK), contingent assets and liabilities excluded.

Note 2: Interest rate-sensitive assets/liabilities refer to financial assets/liabilities which returns are driven by interest rate fluctuations.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities. (The interest rate-sensitive assets and liabilities are in U.S. dollars).

d. Profitability

The Bank

Items		June 30, 2014	June 30, 2013
Return on total assets	Before income tax	1.33%	1.30%
	After income tax	1.12%	1.11%
Return on equity	Before income tax	12.63%	12.34%
	After income tax	10.62%	10.57%
Profit margin		56.18%	56.46%

Note 1: Return on total assets = Income before (after) income tax ÷ Average total assets.

Note 2: Return on equity = Income before (after) income tax ÷ Average equity.

Note 3: Profit margin = Income after income tax ÷ Total net revenues.

Note 4: Income before (after) income tax represents income for the six months.

Note 5: The profitability disclosed each quarter is calculated as annual percentage rate.

e. Maturity analysis of assets and liabilities

1) The Bank

a) New Taiwan dollars (thousands)

	Total	June 30, 2014					
		By Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 653,489,917	\$ 110,941,175	\$ 85,022,450	\$ 23,934,983	\$ 33,122,429	\$ 47,875,401	\$ 352,593,479
Main capital outflow on maturity	831,452,403	39,833,066	75,229,057	139,540,059	113,492,302	167,643,398	295,714,521
Gap	(177,962,486)	71,108,109	9,793,393	(115,605,076)	(80,369,873)	(119,767,997)	56,878,958

	Total	December 31, 2013					
		By Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 657,452,875	\$ 131,972,215	\$ 87,389,345	\$ 26,306,543	\$ 30,585,471	\$ 43,097,264	\$ 338,102,037
Main capital outflow on maturity	825,821,246	27,658,695	68,939,078	134,593,653	120,881,143	180,572,057	293,176,350
Gap	(168,368,371)	104,313,520	18,450,267	(108,287,110)	(90,295,942)	(137,474,793)	44,925,687

	Total	June 30, 2013					
		By Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 637,604,173	\$ 125,523,912	\$ 99,794,166	\$ 12,787,740	\$ 28,565,338	\$ 42,750,729	\$ 328,182,288
Main capital outflow on maturity	812,685,221	28,222,742	77,607,357	110,092,109	121,593,818	188,755,174	286,414,021
Gap	(175,081,048)	97,301,170	22,186,809	(97,304,369)	(93,028,480)	(146,004,445)	41,768,267

Note: This table includes only financial assets/liabilities denominated in New Taiwan dollars held by the head office and domestic branches.

b) U.S. dollars (thousands)

	Total	June 30, 2014				
		By Remaining Period to Maturity				
		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 8,104,535	\$ 1,075,685	\$ 962,189	\$ 3,071,741	\$ 1,132,813	\$ 1,862,107
Main capital outflow on maturity	11,742,730	2,549,400	1,807,622	1,983,066	3,322,480	2,080,162
Gap	(3,638,195)	(1,473,715)	(845,433)	1,088,675	(2,089,667)	(218,055)

	Total	December 31, 2013				
		By Remaining Period to Maturity				
		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 7,252,139	\$ 1,114,425	\$ 1,056,177	\$ 2,249,733	\$ 663,832	\$ 2,167,972
Main capital outflow on maturity	10,829,266	1,821,573	1,746,227	1,857,449	3,377,455	2,026,562
Gap	(3,577,127)	(707,148)	(690,050)	392,284	(2,713,623)	141,410

	Total	June 30, 2013				
		By Remaining Period to Maturity				
		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 7,323,270	\$ 1,401,308	\$ 907,216	\$ 2,263,266	\$ 842,207	\$ 1,909,273
Main capital outflow on maturity	11,140,915	2,017,093	1,822,212	1,914,203	3,358,216	2,029,191
Gap	(3,817,645)	(615,785)	(914,996)	349,063	(2,516,009)	(119,918)

Note: This table includes only financial assets/liabilities denominated in U.S. dollars held by the head office, domestic branches and OBU.

2) SCB (HK)

U.S. dollars (thousands)

	Total	June 30, 2014				
		By Remaining Period to Maturity				
		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 6,322,713	\$ 1,076,351	\$ 932,993	\$ 858,233	\$ 901,706	\$ 2,553,430
Main capital outflow on maturity	5,075,148	3,307,449	866,331	618,063	240,360	42,945
Gap	1,247,565	(2,231,098)	66,662	240,170	661,346	2,510,485

	Total	December 31, 2013				
		By Remaining Period to Maturity				
		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 15,090,221	\$ 1,020,868	\$ 1,202,425	\$ 949,013	\$ 2,163,177	\$ 9,754,738
Main capital outflow on maturity	4,842,724	3,062,002	926,517	385,124	469,081	-
Gap	10,247,497	(2,014,134)	275,908	563,889	1,694,096	9,754,738

	Total	June 30, 2013				
		By Remaining Period to Maturity				
		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	\$ 5,724,577	\$ 1,237,509	\$ 973,679	\$ 458,517	\$ 722,305	\$ 2,332,567
Main capital outflow on maturity	4,688,360	2,914,202	1,012,403	485,259	226,022	5,474
Gap	1,036,217	(1,676,693)	(38,724)	(26,742)	496,283	2,282,093

Note: This table includes only financial assets/liabilities denominated in U.S. dollars held by the head office, and domestic branches.

40. THE CONTENTS AND AMOUNTS OF TRUST ACTIVITIES BY PROCESSING TRUST ENTERPRISE ACT

The trust account balance sheets, income statements and the details of trust assets are as follows:

Balance Sheet of Trust Account							
Trust Assets	June 30, 2014	December 31, 2013	June 30, 2013	Trust Liabilities	June 30, 2014	December 31, 2013	June 30, 2013
Bank deposit	\$ 2,788,913	\$ 2,876,769	\$ 2,473,736	Depository of security payable	\$ 37,567,446	\$ 39,634,525	\$ 41,693,040
Short-term investments	69,202,042	65,359,013	66,910,282	Trust capital	89,693,846	82,803,992	83,724,433
Net asset value of collective investment trust fund	4,220,319	2,955,896	2,886,968	Accumulated (loss) gain and equity	(141,201)	(17,282)	(136,671)
Account receivable	13,834	112,005	181,997				
Land	13,148,610	11,299,486	10,971,488				
Buildings and improvement, net	111,865	116,455	100,936				
Depository of security	37,567,446	39,634,525	41,693,040				
Other assets	67,062	67,086	62,355				
Total trust assets	<u>\$ 127,120,091</u>	<u>\$ 122,421,235</u>	<u>\$ 125,280,802</u>	Total trust liabilities	<u>\$ 127,120,091</u>	<u>\$ 122,421,235</u>	<u>\$ 125,280,802</u>

Trust Asset Lists

Item	June 30, 2014	December 31, 2013	June 30, 2013
Cash in banks	\$ 2,788,913	\$ 2,876,769	\$ 2,473,736
Short-term investment			
Funds	60,931,309	58,666,252	59,997,267
Bonds	5,548,995	4,690,407	4,278,405
Common stocks	2,721,738	2,002,354	2,634,610
Net asset value of collective trust accounts	4,220,319	2,955,896	2,886,968
Receivable	13,834	112,005	181,997
Land	13,148,610	11,299,486	10,971,488
Buildings and improvement, net	111,865	116,455	100,936
Depository of securities	37,567,446	39,634,525	41,693,040
Other assets	<u>67,062</u>	<u>67,086</u>	<u>62,355</u>
Total	<u>\$ 127,120,091</u>	<u>\$ 122,421,235</u>	<u>\$ 125,280,802</u>

Income Statements of Trust Account

	For the Six Months Ended June 30	
	2014	2013
Trust income		
Interest revenue	\$ 5,179	\$ 3,931
Realized investment gain	-	653
Realized capital gain	5,391	9,700
Unrealized capital gain	171,675	81,001
Other revenue	<u>34</u>	<u>35</u>
	<u>182,279</u>	<u>95,320</u>
Trust expenses		
Tax expenditures	657	1,628
Management fee	1,082	1,010
Service fee	20,099	8,871
Realized investment loss	6	-
Realized capital losses	2	2,822
Unrealized capital losses	9,277	38,938
Other expenses	<u>10</u>	<u>9</u>
	<u>31,133</u>	<u>53,278</u>
Income before income tax	151,146	42,042
Income tax expense	<u>-</u>	<u>-</u>
Net income	<u>\$ 151,146</u>	<u>\$ 42,042</u>

41. EXCHANGE RATE INFORMATION FOR FOREIGN FINANCIAL ASSETS AND LIABILITIES

The information regarding financial assets/liabilities denominated in significant foreign currencies held by the Group was as follows:

a. The Bank

	June 30, 2014			December 31, 2013			June 30, 2013		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Finance assets</u>									
Monetary items									
Cash and cash equivalents									
CNY	\$ 2,813,329	4.8046	\$13,516,921	\$ 1,639,501	4.9141	\$ 8,056,672	\$ 472,659	4.8794	\$ 2,306,292
USD	58,154	29.8490	1,735,839	195,586	29.7880	5,826,116	29,361	29.9890	880,507
EUR	10,940	40.7333	445,622	9,909	41.1283	407,540	11,434	39.1666	447,831
Due from the Central Bank and call loans to banks									
USD	383,614	29.8490	11,450,494	498,514	29.7880	14,849,735	603,364	29.9890	18,094,283
CNY	1,004,706	4.8046	4,827,210	469,648	4.9141	2,307,897	1,163,700	4.8794	5,678,158
JPY	1,109,500	0.2947	326,970	4,616,500	0.2840	1,311,086	1,306,500	0.3037	396,784
Receivables									
USD	89,882	29.8490	2,682,887	57,628	29.7880	1,716,623	130,799	29.9890	3,922,531
EUR	27,784	40.7334	1,131,737	23,568	41.1283	969,312	12,495	39.1701	489,430
JPY	2,282,800	0.2947	672,741	348,596	0.2840	99,001	1,089,171	0.3037	330,781
Discounts and loans									
USD	4,601,303	29.8490	137,344,293	4,476,876	29.7880	133,357,182	4,144,087	29.9890	124,277,025
CNY	2,857,986	4.8046	13,731,479	2,586,160	4.9141	12,708,649	1,606,604	4.8794	7,839,264
HKD	2,282,378	3.8509	8,789,209	2,167,054	3.8416	8,324,955	2,112,886	3.8661	8,168,629
Option contract									
USD	4,445	29.8490	132,678	30,670	29.7880	913,598	48,965	29.9890	1,468,411
Nonmonetary items									
Structured corporate bonds contracts									
USD	48,027	29.8490	1,433,558	45,445	29.7880	1,353,716	60,109	29.9890	1,802,609
HKD	-	-	-	50,000	3.8416	192,080	50,000	3.8661	193,305
Structured bank debenture contracts									
USD	-	-	-	-	-	-	9,087	29.9890	272,510
Equity investments under the equity method									
USD	1,602,323	29.8490	47,827,739	1,594,655	29.7880	47,501,583	1,492,304	29.9890	44,752,710
HKD	56,808	3.8509	218,763	55,326	3.8416	212,540	54,224	3.8661	209,635
<u>Financial liabilities</u>									
Monetary items									
Payables									
USD	96,786	29.8490	2,888,965	92,171	29.7880	2,745,590	116,193	29.9890	3,484,512
JPY	2,535,115	0.2947	747,098	1,324,265	0.2840	376,091	1,380,464	0.3037	419,247
EUR	5,207	40.7334	212,100	6,647	41.1283	273,380	11,178	39.1701	437,843
Due to the Central Bank and banks									
USD	167,737	29.8490	5,006,781	326,051	29.7880	9,712,407	228,011	29.9890	6,837,822
AUD	57,105	28.1178	1,605,667	27,875	4.9141	136,981	13,433	27.7323	372,528
HKD	362,013	3.8509	1,394,076	200,000	3.8416	768,320	379,546	3.8661	1,467,363
Borrowings from the Central Bank and banks									
USD	-	-	-	132,000	29.7880	3,932,016	50,000	29.9890	1,499,450
Deposits and remittances									
USD	5,692,302	29.8490	169,909,522	5,387,498	29.7880	160,482,790	5,122,965	29.9890	153,632,597
CNY	6,886,603	4.8046	33,087,372	5,061,147	4.9141	24,870,982	3,441,032	4.8794	16,790,172
AUD	233,854	28.1174	6,575,366	275,678	26.5947	7,331,574	247,414	27.7323	6,861,359

b. SCB (HK)

	June 30, 2014			December 31, 2013			June 30, 2013		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Finance assets</u>									
Monetary items									
Cash and cash equivalents									
USD	\$ 69,091	29.8489	\$ 2,062,290	\$ 54,670	29.7880	\$ 1,628,510	\$ 65,080	29.9584	\$ 1,949,693
JPY	172,503	0.2947	50,837	338,886	0.2840	96,244	206,155	0.3031	62,486
Due from the Central Bank and call loans to banks									
USD	1,792,344	29.8489	53,499,497	1,619,676	29.7880	48,246,909	1,814,438	29.9584	54,357,659
EUR	70,990	0.2947	20,921	50,108	41.1283	2,060,857	67,050	39.1602	2,625,691
Receivables									
USD	60,980	29.8489	1,820,186	52,029	29.7880	1,549,840	60,987	29.9584	1,827,073
EUR	2,969	40.7274	120,920	3,748	41.1283	154,149	3,125	39.1602	122,376
JPY	247,138	0.2947	72,832	326,958	0.2840	92,856	212,221	0.3031	64,324
Discounts and loans									
USD	2,979,852	29.8489	88,945,304	2,717,880	29.7880	80,960,209	2,413,130	29.9584	72,293,514
JPY	3,545,875	0.2947	1,044,969	3,484,145	0.2840	989,497	3,554,432	0.3031	1,077,324
<u>Financial liabilities</u>									
Monetary items									
Payables									
USD	73,550	29.8489	2,195,387	69,126	29.7880	2,059,125	75,616	29.9584	2,265,334
EUR	2,766	40.7274	112,652	3,616	41.1283	148,720	3,042	39.1602	119,125
JPY	238,282	0.2947	70,222	318,646	0.2840	90,495	202,377	0.3031	61,340
Due to the Central Bank and banks									
USD	568,445	29.8489	16,967,458	416,258	29.7880	12,399,493	341,379	29.9584	10,227,169
Deposits and remittances									
USD	4,424,939	29.8489	132,079,561	4,350,741	29.7880	129,599,873	4,265,043	29.9584	127,773,864
AUD	724,581	28.1057	20,364,856	777,187	26.5947	20,669,055	801,242	27.7340	22,221,646
EUR	103,675	40.7274	4,222,413	97,512	41.1283	4,010,503	106,469	39.1602	4,169,347

42. ADDITIONAL DISCLOSURES

a. and b. Additional disclosures for the Bank and investees are the following:

- 1) Financing provided: The Bank - not applicable; investees - not applicable or none.
- 2) Endorsement/guarantee provided: The Bank - not applicable; investees - not applicable or none.
- 3) Marketable securities held: The Bank - not applicable; investees - Table 2.
- 4) Marketable securities (for investees) or investee investment (for the Bank) acquired and disposed of, at costs or prices of at least NT\$300 million or 10% of the issued capital: None.
- 5) Acquisition of individual real estate at costs of at least \$300 million or 10% of the issued capital: None.
- 6) Disposal of individual real estate at prices of at least \$300 million or 10% of the issued capital: None
- 7) Allowance for service fees to related-parties amounting to more than \$5 million: None.
- 8) Receivables from related parties amounting to at least \$300 million or 10% of the issued capital: None
- 9) Sale of non-performing loans: Table 3.
- 10) Application for approval of securitization product types and information according to Financial Asset Securitization Clause of the Real State Securitization Act: None.
- 11) Other significant transactions which may have effects on decision making of financial statement users: None.
- 12) Names, locations, and other information of investees on which the Bank exercises significant influence: Table 4.
- 13) Derivative financial transactions: Notes 8 on which the Bank exercises significant influence have no such transactions.

c. Investment in Mainland China:

- 1) Name of the investees in Mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in Mainland China: Table 5.
- 2) Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss: Table 5.

d. Significant transactions and the amount among the parent and its subsidiaries: Table 6.

43. SEGMENT INFORMATION

Information reported to the chief operating decision maker focuses on the principal geographical areas and profit or loss of the segments. The Group's main reportable segments were Taiwan, Hong Kong and others.

The Bank provides income before tax of each operating segment to the chief operating decision maker as the basis of resource allocation and assessment of segment performance.

The significant accounting policies of each operating segment are the same with the Group's significant accounting policies stated in Note 4.

The operating Segments information is as follows:

Six Months Ended June 30, 2014					
	Taiwan	Hong Kong	Others	Other Adjustments	Total
Net interest	\$ 5,113,178	\$ 4,806,576	\$ 24,840	\$ -	\$ 9,944,594
Net revenues other than interest	<u>4,246,235</u>	<u>2,047,888</u>	<u>145,563</u>	<u>(2,184,373)</u>	<u>4,255,313</u>
Net revenues	9,359,413	6,854,464	170,403	(2,184,373)	14,199,907
Provision for credit allowance	(299,850)	(39,322)	(12,428)	-	(351,600)
Operating expenses	<u>(2,803,196)</u>	<u>(2,261,933)</u>	<u>(87,631)</u>	<u>1,699</u>	<u>(5,151,061)</u>
Income before income tax	<u>\$ 6,256,367</u>	<u>\$ 4,553,209</u>	<u>\$ 70,344</u>	<u>(\$ 2,182,674)</u>	<u>\$ 8,697,246</u>
Six Months Ended June 30, 2013					
	Taiwan	Hong Kong	Others	Other Adjustments	Total
Net interest	\$ 4,458,922	\$ 4,101,962	\$ 19,419	\$ 34	\$ 8,580,337
Net revenues other than interest	<u>4,234,941</u>	<u>2,314,307</u>	<u>79,452</u>	<u>(1,989,973)</u>	<u>4,638,727</u>
Net revenues	8,693,863	6,416,269	98,871	(1,989,939)	13,219,064
Provision for credit allowance	(385,501)	(138)	(16,852)	-	(402,491)
Operating expenses	<u>(2,579,936)</u>	<u>(2,171,623)</u>	<u>(66,353)</u>	<u>26,779</u>	<u>(4,791,133)</u>
Income before income tax	<u>\$ 5,728,426</u>	<u>\$ 4,244,508</u>	<u>\$ 15,666</u>	<u>(\$ 1,963,160)</u>	<u>\$ 8,025,440</u>

The Group did not periodically provide all information of assets of each operating segment to the operating decision maker, thus the measurement of assets were zero.

Main operating clients

The Group's revenue from single external client did not exceed 10% of the total revenue, thus main operating clients were not disclosed.

TABLE 1

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

OVERDUE LOANS AND RECEIVABLE
JUNE 30, 2014, DECEMBER 31, 2013 AND JUNE 30, 2013
(In Thousands of New Taiwan Dollars, %)

Date			June 30, 2014					December 31, 2013					June 30, 2013				
Business			Nonperforming Loans (Note 1)	Loans	Ratio of Nonperformi ng Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperformi ng Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperformi ng Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		\$ 565,877	\$ 176,793,261	0.32	\$ 3,258,223	575.78	\$ 608,568	\$ 175,731,075	0.35	\$ 2,166,704	356.03	\$ 496,307	\$ 157,993,939	0.31	\$ 1,811,240	364.94
	Unsecured		375,678	169,726,587	0.22	3,051,248	812.20	923,632	160,744,816	0.57	3,837,722	415.50	1,535,130	149,337,359	1.03	3,607,066	234.97
Consumer banking	Housing mortgage (Note 4)		163,300	123,571,209	0.13	1,160,620	710.73	229,899	119,224,125	0.19	1,075,437	467.79	173,258	115,744,566	0.15	967,492	558.41
	Cash card		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Small scale credit loans (Note 5)		13,871	593,104	2.34	33,437	241.06	14,821	684,718	2.16	24,945	168.31	14,739	826,934	1.78	22,272	151.11
	Other (Note 6)	Secured	36,131	92,973,757	0.04	695,232	1,924.20	68,652	84,905,554	0.08	643,244	936.96	39,973	78,377,463	0.05	575,919	1,440.77
		Unsecured	16,338	5,387,402	0.30	78,668	481.50	18,045	4,799,512	0.38	64,126	355.37	7,349	5,157,478	0.14	52,275	711.32
Total			1,171,195	569,045,320	0.21	8,277,428	706.75	1,863,617	546,089,800	0.34	7,812,178	419.19	2,266,756	507,437,739	0.45	7,036,264	310.41
			Nonperforming Receivables (Note 1)	Accounts Receivable	Ratio of Nonperformi ng Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Receivables (Note 1)	Accounts Receivable	Ratio of Nonperformi ng Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Receivables (Note 1)	Accounts Receivable	Ratio of Nonperformi ng Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Credit card			11,346	2,298,784	0.49	176,301	1,553.86	13,894	2,274,361	0.61	163,370	1,175.83	15,084	2,808,133	0.54	149,216	989.23
Accounts receivable factored without recourse (Note 7)			-	1,629,665	-	16,297	-	-	1,301,819	-	13,018	-	-	1,464,217	-	14,642	-
Excluded NPL as a result of debt consultation and loan agreements (Note 8)			-					-					-				
Excluded overdue receivables as a result of debt consultation and loan agreements (Note 8)			-					-					-				
Excluded NPL as a result of consumer debt clearance (Note 9)			-					-					-				
Excluded overdue receivables as a result of consumer debt clearance (Note 9)			53,054					55,917					57,250				

Note 1: Nonperforming loans represent the amounts of nonperforming loans reported to the authorities and disclosed to the public, as required by the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans.” Nonperforming credit card receivables represent the amounts of nonperforming receivables reported to the authorities and disclosed to the public, as required by the Banking Bureau’s letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.
Ratio of nonperforming credit cards receivables: Nonperforming credit cards receivables ÷ Outstanding credit cards receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses on loans ÷ Nonperforming loans.
Coverage ratio of credit cards receivable: Allowance for possible losses on credit cards receivable ÷ Nonperforming credit cards receivable.

Note 4: Housing mortgage is fully secured by house, which is purchased (owned) by the borrower, the spouse or the minor children of the borrower and the rights on mortgage are pledged to the financial institution, for the purpose of purchasing or decorating house.

Note 5: Small scale credit loans, as categorized in accordance with the Banking Bureau’s letter dated December 19, 2005 (Ref. No. 09440010950), are unsecured loans with small amounts exclusive of credit cards and cash cards.

Note 6: Other loans of consumer banking refer to secured or unsecured loans exclusive of housing mortgage, cash card, small scale credit loans and credit card.

Note 7: As required by the Banking Bureau’s letter dated July 19, 2005 (Ref. No. 0945000494), factoring without recourse is disclosed as nonperforming receivables in three months after the factors or insurance companies reject indemnification.

Note 8: The disclosure of excluded NPLs and excluded overdue receivables resulting from debt consultation and loan agreements is based on the Banking Bureau’s letter dated April 25, 2006 (Ref. No. 09510001270).

Note 9: The disclosure of excluded NPLs and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau’s letter dated September 15, 2008 (Ref. No. 09700318940).

TABLE 2

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
JUNE 30, 2014
(Amounts in Thousands of New Taiwan Dollars)

Holding Company Name	Name	Security Issuer's Relationship with Holding Company	Financial Statement Account	June 30, 2014				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Shancom Reconstruction Inc.	Empresa Inversiones Generales, S.A.	Indirect subsidiary	Equity investments under the equity method	1	\$ 1,622,361	100.00	\$ 1,622,361	Note
	Krinein Company	Indirect subsidiary	Equity investments under the equity method	2	467,113	100.00	467,113	Note
	Safehaven Investment Corporation	Indirect subsidiary	Equity investments under the equity method	1	46,171	100.00	46,171	Note
Wresqueue Limitada	Prosperity Realty Inc.	Indirect subsidiary	Equity investments under the equity method	4	68,653	100.00	(20,769)	Note
China Travel Service (Taiwan)	Silks Place Taroko	-	Equity investments under the equity method	20,372	84,444	45.00	84,444	Note
	CTS Travel International Ltd.	Indirect subsidiary	Equity investments under the equity method	600	6,694	100.00	6,694	
	Joy Tour Service Co., Ltd.	-	Financial assets carried at cost	100	1,000	10.00	-	
SCSB Life Insurance Agency	Geniron.Com.	-	Financial assets carried at cost	950	5,394	4.13	-	
	Prism Communication International Limited	-	Financial assets carried at cost	1,250	-	-	-	
SCSB Property Insurance Agency	Geniron.Com.	-	Financial assets carried at cost	950	5,393	4.13	-	
	Prism Communication International Limited	-	Financial assets carried at cost	1,250	-	-	-	
SCSB Asset Management Ltd.	SCSB Leasing (China) Co., Ltd.	Indirect subsidiary	Equity investments under the equity method	N/A	652,612	100.00	652,612	Note
Krinein Company	Shanghai Commercial Bank (HK)	Indirect subsidiary	Equity investments under the equity method	1,920	7,610,689	9.60	7,610,689	Note
Empresa Inversiones Generales, S.A.	Shanghai Commercial Bank (HK)	Indirect subsidiary	Equity investments under the equity method	9,600	38,053,446	48.00	38,053,446	Note

Note: A consolidated entity; the related intercompany transaction was eliminated in the consolidated financial statements.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

SALE OF NONPERFORMING LOANS
JUNE 30, 2014
(In Thousands of New Taiwan Dollars)

Summary of sale of nonperforming loans

Transaction Date	Counterparty	Content	Carrying Value (Note)	Selling Price	Gain (Loss) on Disposal	Other Terms	Nature of Relationship
January 15, 2014	Macquarie Bank Limited	Loans	\$ 396,722	\$ 519,838	\$ 123,116	None	None
February 27, 2014	Deutsche Bank	Loans	99,945	162,951	63,006	None	None

Note: The carrying value is the balance after being full or partial write-off.

TABLE 4

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

RELATED INFORMATION OF INVESTEEES
SIX MONTHS ENDED JUNE 30, 2014
(In Thousands of New Taiwan Dollars) (Share in Thousands)

Investee Company	Location	Main Businesses and Products	Percentage of Ownership (%)	Carrying Amount	Investment Income (Loss) Recognized	Consolidated Investment (Note 2)				Note
						Shares (In Thousands)	Shares (Pro forma)	Shares (In Thousands)	Percentage of Ownership (%)	
<u>Equity investments under the equity method</u>										
<u>Financial business</u>										
SCSB Asset Management Ltd.	Taipei City	Purchase and management of creditor’s rights of financial institutions	100.00	\$ 1,188,413	\$ 461	120,000	-	120,000	100.00	Note 3
SCSB Life Insurance Agency	Taipei City	Insurance	100.00	176,993	44,332	5,000	-	5,000	100.00	Note 3
SCSB Property Insurance Agency	Taipei City	Insurance	100.00	95,972	1,879	5,000	-	5,000	100.00	Note 3
SCSB Marketing Ltd.	Taipei City	Marketing	100.00	10,080	316	500	-	500	100.00	Note 3
Paofoong Insurance Company Ltd.	Hong Kong	Insurance	40.00	218,763	5,939	500	-	500	100.00	Note 3
Shanghai Commercial Bank (HK)	Hong Kong	Banking and financial	57.60	45,664,135	2,119,633	11,520	-	11,520	57.60	Note 3
<u>Non-financial business</u>										
China Travel Service (Taiwan)	Taipei City	Travel services	99.99	198,779	10,140	38,943	-	38,943	99.99	Note 3
Kuo Hai Real Estate Management	Taipei City	Building material distribution	34.69	-	-	3,000	-	3,000	34.69	
Shancom Reconstruction Inc.	Liberia	Securities investment	100.00	47,539,054	2,116,986	5	-	5	100.00	Note 3
Wresqueue Limitada	Liberia	Securities investment	100.00	288,685	2,683	176	-	176	100.00	Note 3
Empresa Inversiones Generales, S.A.	Panama	Securities investment	100.00	1,622,361	1,647,373	1	-	1	100.00	Note 3
Krinein Company	Cayman Islands	Securities investment	100.00	467,113	329,850	2	-	2	100.00	Note 3
Safehaven Investment Corporation	Liberia	Securities investment	100.00	46,171	136	1	-	1	100.00	Note 3
Prosperity Realty Inc.	America	Real estate services	100.00	68,653	-	4	-	4	100.00	Note 3
Silks Place Taroko	Hualien	Travel services	45.00	84,444	5,196	20,372	-	20,372	45.00	
CTS Travel International Ltd	Taipei City	Travel services	100.00	6,694	43	600	-	600	100.00	Note 3
SCSB Leasing (China) Co., Ltd.	China	Leasing operation	100.00	652,612	(105)	N/A	-	N/A	100.00	Note 3

Note 1: Investees are categorized into financial business and non-financial business.

Note 2: The Bank, board chairman, supervisors, managing directors, and the stock of investee companies invested by related parties which comply with corporation law are considered.

Note 3: Framework for the preparation of consolidated financial statement requires write-off of the whole amount in preparing the consolidated financial statements.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
JUNE 30, 2014
(Amounts in Thousands of New Taiwan Dollars and Foreign Currency)

1. Investee company name, main business and products, total amount of paid-in capital, investment type, investment outflows and inflows, % ownership, investment gain (loss), carrying value as of June 30, 2013 and inward remittance of earnings:

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment as of December 31, 2013	Investment Flows		Accumulated Outflow of Investment as of June 30, 2014	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Notes 2 and 6)	Carrying Value as of June 30, 2014 (Note 4)	Accumulated Inward Remittance of Earnings as of June 30, 2014
					Outflow	Inflow					
SCSB Leasing (China) Co., Ltd.	Leasing operation	US\$ 21,947	(3)	US\$ 20,000	US\$ 1,947	US\$ -	US\$ 21,947	100.00	\$ (105) (-US\$ 3)	\$ 652,612 (US\$ 21,864)	\$ -
Bank of Shanghai	Approved by local government	US\$ 776,015	(Note 5)	US\$ 41,400	US\$ -	US\$ -	US\$ 41,400	3.00	-	8,003,920 (US\$ 268,147)	-
Shanghai Commercial Bank Ltd. - Shenzhen Branch	Approved by local government	US\$ 66,226	(Note 5)	US\$ 36,339	US\$ -	US\$ -	US\$ 36,339	57.60	112,466 (US\$ 3,726)	1,548,913 (US\$ 51,892)	-
Shanghai Commercial Bank Ltd. - Shanghai Branch	Approved by local government	US\$ 31,854	(Note 5)	US\$ 18,348	US\$ -	US\$ -	US\$ 18,348	57.60	14,689 (US\$ 487)	950,801 (US\$ 31,854)	-

2. Upper limit on investment in Mainland China:

Accumulated Investment in Mainland China as of June 30, 2014 (Note 4)	Investment Amounts Authorized by Investment Commission, MOEA (Notes 4 and 7)	Upper Limit on Investment Authorized by Investment Commission MOEA (Note 3)
\$3,523,197 (US\$118,034)	\$4,929,443 (US\$165,146)	\$79,612,913

- Note 1: Routes of investment in Mainland China are listed below:
(1) To directly invest.
(2) To invest via third place company.
(3) Others.
- Note 2: In the column of “Investment Gain (Loss)”
(1) It should be specified if it is preparing for establishment and no investment gain (loss).
(2) It should be specified if the investment gain (loss) is divided into the following three categories:
A. Financial report audited by international accounting firm associated with accounting firm in R.O.C.
B. Financial report audited by the accounting firm associated with the parent company in R.O.C.
C. Others.
- Note 3: Under the “Regulatory Principles for Investments in Mainland China Enterprises by Banks, Financial Holding Companies, and Their Affiliated Enterprises”, when a Taiwan bank or its third-area subsidiary bank applies to establish a branch or subsidiary bank, or make equity investment in Mainland Area, or a subsidiary company with over 50 percent of total outstanding voting shares or capital owned by Taiwan bank makes investments in Mainland Area, the cumulative allocated operating capital and total amount of investment combined shall not exceed 15 percent of the bank's net worth at the time of application.
- Note 4: Calculated using the exchange rate on June 30, 2014.
- Note 5: To invest via sub-subsidiary of the Bank, “Shanghai Commercial Bank (HK)”.

TABLE 6-1

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
SIX MONTHS ENDED JUNE 30, 2014
(Amounts in Thousands of New Taiwan Dollars)

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transaction			
				Financial Statements Item	Amount	Term	Percentage of Consolidated Total Gross Sales or Total Assets (Note 3)
0	The Shanghai Commercial & Savings Bank, Ltd.	SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Accounts receivables	\$ 19,989	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Accounts payables	2	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Deposits and remittances	189,662	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Other liabilities	197	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Interest expenses	1,026	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Service fee incomes, net	132,347	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Net revenues other than interest	395	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Accounts receivables	352	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Deposits and remittances	90,542	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Other liabilities	197	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Interest expenses	488	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Service fee incomes, net	5,952	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Net revenues other than interest	395	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Deposits and remittances	371,878	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Other liabilities	47	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Interest expenses	2,621	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Net revenues other than interest	83	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Deposits and remittances	12,598	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Other liabilities	20	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Interest expenses	44	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Net revenues other than interest	37	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Other general and administrative	27,503	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Deposits and remittances	36,839	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Other liabilities	180	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Interest expenses	221	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Net revenues other than interest	360	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Other general and administrative	430	Note 4	-
		CTS Travel International Ltd.	Represents the transactions from parent company to subsidiary	Deposits and remittances	5,140	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from parent company to subsidiary	Cash and cash equivalents	209,323	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from parent company to subsidiary	Due to the Central Bank and banks	346,581	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from parent company to subsidiary	Due to the Central Bank and banks	234,955	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from parent company to subsidiary	Due to the Central Bank and banks	152	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from parent company to subsidiary	Accounts payables	1,915	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from parent company to subsidiary	Deposits and remittances	1,362,291	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from parent company to subsidiary	Interest revenues	5,467	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from parent company to subsidiary	Interest expenses	6,393	Note 4	-

(Continued)

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transaction			
				Financial Statements Item	Amount	Term	Percentage of Consolidated Total Gross Sales or Total Assets (Note 3)
1	SCSB Life Insurance Agency	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	\$ 189,662	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts receivables	2	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other assets	197	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts payables	19,989	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenues	1,026	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	132,347	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other general and administrative expense	395	Note 4	-
2	SCSB Property Insurance Agency	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	90,542	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other assets	197	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts payables	352	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenues	488	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	5,952	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other general and administrative expense	395	Note 4	-
3	SCSB Asset Management Ltd.	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	371,878	Note 4	
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other assets	47	Note 4	
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenues	2,621	Note 4	
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other general and administrative expense	83	Note 4	
4	SCSB Marketing	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	12,598	Note 4	
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other assets	20		
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenues	44	Note 4	
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	27,503	Note 4	
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	37	Note 4	
5	China Travel Service (Taiwan)	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	36,839	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other assets	180	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenues	221	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	430	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other general and administrative expense	360	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	454	Note 4	
		CTS Travel International Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	57	Note 4	
		CTS Travel International Ltd.	Represents the transactions from subsidiary to subsidiary	Other general and administrative expense	1,224	Note 4	-
6	CTS Travel International Ltd.	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	5,140	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from subsidiary to parent company	Net revenues other than interest	1,224	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from subsidiary to parent company	Other general and administrative expense	57	Note 4	-

(Continued)

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transaction			
				Financial Statements Item	Amount	Term	Percentage of Consolidated Total Gross Sales or Total Assets (Note 3)
7	Shancom Reconstruction Inc.	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	\$ 234,955	Note 4	
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	152	Note 4	
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Due from the Central Bank and call loans to banks	1,362,291	Note 4	
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Due from the Central Bank and call loans to banks	346,581	Note 4	
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts receivables	1,915	Note 4	
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Due to the Central Bank and banks	209,323	Note 4	
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenues	6,393	Note 4	
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest expenses	5,467	Note 4	
		China Travel Service (Taiwan)	Represents the transactions from subsidiary to subsidiary	Deposits and remittances	454	Note 4	

Note 1: The transactions between parent company and subsidiaries should indicate the number filled in the column like follows:

- i. Parent company fill in 0.
- ii. Subsidiaries in accordance with the company are numbered sequentially from 1.

Note 2: There are three types of relations in companies and only have to mark their type in nature of relationship column:

- i. Transactions from parent company to subsidiary.
- ii. Transactions from subsidiary to parent company.
- iii. Transactions from subsidiary to subsidiary.
- iv. Transactions from parent company to Indirect subsidiar.
- v. Transactions from Indirect subsidiar to parent Company.

Note 3: The percentages are calculated by the consolidated total assets or the consolidated total net sales. If the account belongs to balance sheets, it will be counted by the percentage of its final amount divided by the consolidated total assets. Otherwise, if the account belongs to income statement, it will be counted by the percentage of its average amount divided by the consolidated total net revenue.

Note 4: All transactions with related parties were carried at arm’s length.

(Concluded)

TABLE 6-2

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
SIX MONTHS ENDED DECEMBER 31, 2013
(Amounts in Thousands of New Taiwan Dollars)

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transaction			
				Financial Statements Item	Amount	Term	Percentage of Consolidated Total Gross Sales or Total Assets (Note 3)
0	The Shanghai Commercial & Savings Bank, Ltd.	SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Accounts receivables	\$ 8,408	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Accounts payables	117	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Deposits and remittances	151,188	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Other liabilities	197	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Interest expenses	994	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Service fee incomes, ne	78,667	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Net revenues other than interest	395	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Accounts receivables	404	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Accounts payables	60	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Deposits and remittances	87,733	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Other liabilities	197	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Interest expenses	450	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Service fee incomes, ne	6,234	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Net revenues other than interest	395	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Accounts payables	171	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Deposits and remittances	335,741	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Other liabilities	47	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Interest expenses	858	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Net revenues other than interest	94	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Accounts payables	5	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Deposits and remittances	11,570	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Other liabilities	20	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Interest expenses	38	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Net revenues other than interest	39	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Other general and administrative	23,455	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Accounts payables	1	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Deposits and remittances	27,408	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Other liabilities	4,000	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Other liabilities	180	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Interest expenses	34	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Net revenues other than interest	360	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Other general and administrative	354	Note 4	-
		CTS Travel International Ltd.	Represents the transactions from parent company to subsidiary	Accounts payables	9	Note 4	-
		CTS Travel International Ltd.	Represents the transactions from parent company to subsidiary	Deposits and remittances	5,050	Note 4	-
		CTS Travel International Ltd.	Represents the transactions from parent company to subsidiary	Deposits and remittances	1,646	Note 4	-
		CTS Travel International Ltd.	Represents the transactions from parent company to subsidiary	Interest expenses	4	Note 4	-

(Continued)

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transaction			
				Financial Statements Item	Amount	Term	Percentage of Consolidated Total Gross Sales or Total Assets (Note 3)
		Shancom Reconstruction Inc. Shancom Reconstruction Inc.	Represents the transactions from parent company to subsidiary Represents the transactions from parent company to subsidiary	Cash and cash equivalents Due from the Central Bank and call loans to banks	\$ 226,316 1,546,440	Note 4 Note 4	- -
		Shancom Reconstruction Inc. Shancom Reconstruction Inc. Shancom Reconstruction Inc. Shancom Reconstruction Inc. Shancom Reconstruction Inc. Shancom Reconstruction Inc.	Represents the transactions from parent company to subsidiary Represents the transactions from parent company to subsidiary Represents the transactions from parent company to subsidiary Represents the transactions from parent company to subsidiary Represents the transactions from parent company to subsidiary Represents the transactions from parent company to subsidiary	Due to the Central Bank and banks Due to the Central Bank and banks Accounts payables Deposits and remittances Interest revenues Interest expenses	84 1,113,437 1,641 1,315,202 7,583 6,505	Note 4 Note 4 Note 4 Note 4 Note 4 Note 4	- - - - - -
1	SCSB Life Insurance Agency	The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company	Cash and cash equivalents Accounts receivables Other assets Accounts payables Interest revenues Service fee incomes, ne Net revenues other than interest	151,188 117 197 8,408 994 78,667 395	Note 4 Note 4 Note 4 Note 4 Note 4 Note 4 Note 4	- - - - - - -
2	SCSB Property Insurance Agency	The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company	Cash and cash equivalents Accounts receivables Other assets Accounts payables Interest revenues Service fee incomes, ne Net revenues other than interest	87,733 60 197 404 450 6,234 395	Note 4 Note 4 Note 4 Note 4 Note 4 Note 4 Note 4	- - - - - - -
3	SCSB Asset Management Ltd.	The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company	Cash and cash equivalents Accounts receivables Other assets Interest revenues Net revenues other than interest	335,741 171 47 858 94	Note 4 Note 4 Note 4 Note 4 Note 4	- - - - -
4	SCSB Marketing	The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company	Cash and cash equivalents Accounts receivables Other assets Interest revenues Net revenues other than interest Net revenues other than interest	11,570 5 20 38 23,455 39	Note 4 Note 4 Note 4 Note 4 Note 4 Note 4	- - - - - -
5	China Travel Service (Taiwan)	The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company	Cash and cash equivalents Accounts receivables Other assets Other assets Interest revenues Net revenues other than interest	27,408 1 4,000 180 34 354	Note 4 Note 4 Note 4 Note 4 Note 4 Note 4	- - - - - -

(Continued)

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transaction			
				Financial Statements Item	Amount	Term	Percentage of Consolidated Total Gross Sales or Total Assets (Note 3)
		The Shanghai Commercial & Savings Bank, Ltd. Shancom Reconstruction Inc. CTS Travel International Ltd.	Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to subsidiary Represents the transactions from parent company to subsidiary	Other general and administrative Cash and cash equivalents Other general and administrative	\$ 360 961 1,200	Note 4 Note 4 Note 4	- - -
6	CTS Travel International Ltd.	The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd. China Travel Service (Taiwan)	Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to subsidiary	Cash and cash equivalents Accounts receivables Other assets Interest revenues Net revenues other than interest	5,050 9 1,646 4 1,200	Note 4 Note 4 Note 4 Note 4 Note 4	- - - - -
7	Shancom Reconstruction Inc.	The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd. The Shanghai Commercial & Savings Bank, Ltd. China Travel Service (Taiwan)	Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to parent company Represents the transactions from subsidiary to subsidiary	Cash and cash equivalents Cash and cash equivalents Due from the Central Bank and call loans to banks Accounts receivables Due to the Central Bank and banks Due to the Central Bank and banks Interest revenues Interest expenses Deposits and remittances	1,315,202 84 1,113,437 1,641 1,546,440 226,316 6,505 7,583 961	Note 4 Note 4 Note 4 Note 4 Note 4 Note 4 Note 4 Note 4 Note 4	- - - - - - - - -

Note 1: The transactions between parent company and subsidiaries should indicate the number filled in the column like follows:

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- Subsidiaries in accordance with the company are numbered sequentially from 1.

Note 2: There are three types of relations in companies and only have to mark their type in nature of relationship column:

- Transactions from parent company to subsidiary.
- Transactions from subsidiary to parent company.
- Transactions from subsidiary to subsidiary.
- Transactions from parent company to Indirect subsidiar.
- Transactions from Indirect subsidiar to parent company.

Note 3: The percentages are calculated by the consolidated total assets or the consolidated total net sales. If the account belongs to balance sheets, it will be counted by the percentage of its final amount divided by the consolidated total assets. Otherwise, if the account belongs to income statement, it will be counted by the percentage of its average amount divided by the consolidated total net revenue.

Note 4: All transactions with related parties were carried at arm's length.

(Concluded)