Stock Code:2807

Standard Chartered 渣打銀行

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Financial Statements

With Independent Auditors' Report
For the Six Months Ended June 30, 2019 and 2018

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Independent Auditors' Report

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

Opinion

We have audited the financial statements of Standard Chartered Bank (Taiwan) Limited ("the Bank"), which comprise the balance sheets as of June 30, 2019, December 31 and June 30, 2018, the statements of comprehensive income, changes in equity and cash flows for the six months ended June 30, 2019 and 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of June 30, 2019, December 31 and June 30, 2018, and its financial performance and its cash flows for the six months ended June 30, 2019 and 2018, in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and the International Accounting Standard 34 "Interim Financial Reporting" endorsed by the FSC.

Basis for Opinion

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

Key Audit Matters

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

1. Impairment of loans and receivables

   Refer to note 4(e) "Financial instruments" for the accounting policies of impairment. Refer to note 5(a) "Impairment evaluation of loans and receivables" for the uncertainty of accounting estimates and assumptions for loans and advances impairment. Refer to notes 6(h), (j) and (am) "Information on financial risk" for the description of loans and advances loss provision and impairment assessment.

1) Risk and descriptions of the key audit matter:

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

Wholesale banking clients have struggled for revenue and profitability against heating up China-US trade friction, increase in global trade and economic uncertainty, and intense industry competition. These factors bring uncertainty to the recoverability on loans and advances; residential mortgage is one of the major components of loans. Due to the correction of property market in recent years, causing the values of the collaterals to drop which increased the probability of insufficient guarantee. This matter requires significant attention of our audit for the financial statements.

2) Procedures performed:

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

2. Valuation of financial instruments

Refer to note 4(e) "Financial instruments" for the accounting policy of financial instruments valuation. Refer to note 5(b)" Valuation of financial instruments" for the uncertainty of accounting estimates and assumption for the financial instruments valuation. Refer to note 6(am) for the fair value hierarchy information of financial instruments.

1) Risk and descriptions of the key audit matter:

The risk is that the valuation of financial instruments may be misstated due to the application of valuation techniques which often involve the exercise of judgment and the use of assumptions and estimates. Of the financial instruments that are held at fair value through profit and loss or at fair value through other comprehensive income in the Bank's balance sheet, majority were qualified as being measured using level 1 or 2 inputs in the fair value hierarchy as of June 30, 2019. This means they were valued using prices that were observable in the market place or through models with market observable inputs, including those inputs that can be observed directly (quoted prices) or indirectly (derived from quoted prices) from active markets, resulting in the valuation risk being low. The measurement of the fair value of the input parameters of Level 3 are not based on observable market data, therefore, during the valuation process, those related to the modeling assumptions used by the Bank in measuring expected exposures of derivatives and the appropriateness of the proxies used (for estimating loss rates) for counterparties may cause differences in calculation.

2) Procedures performed:

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

- Understanding and assessing the Bank's valuation models and valuation methodology for financial instruments.

- Testing, for a selection of pricing inputs used, whether they were externally sourced and were correctly input into pricing models.

- Verifying the fair value of the selected samples for debt securities, equity investments and derivative instruments positions, and comparing their valuation to the Bank's valuation.

- We also performed a range of additional procedures on the credit and funding valuations adjustments which included:

  — Assessing the appropriateness of the methodology and the key underlying models used.

  — Checked the samplings of counterparties' exposures and assessed whether these were appropriately netted in arriving at the final exposures.

  — Assessed the appropriateness of the Bank's credit risk valuation adjustment.

3. Recognition of deferred tax assets

Refer to note 4(o) "Income tax" for the accounting policy of deferred tax assets. Refer to note 5(c) "Recognition of deferred tax assets" for the uncertainty of accounting estimates and assumption for the deferred tax assets recognition. Refer to note 6(y) for further description of disclosures on deferred tax assets.

1) Risk and descriptions of the key audit matter:

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

2) Procedures performed:

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

- Comparing the relating assumption on the prediction of future operation with the Bank's financial forecast, and taking into account the quality of profit forecast and book-tax difference of prior years.

- Evaluating the assumption of growth rate made by the Bank, based on our understanding and relating information of banking industry.

- Assessing whether the disclosures of the deferred tax assets are appropriate.

4. Disclosures on related party transactions

Refer to note 7 for further description of disclosures on related party transactions.

1) Risk and descriptions of the key audit matter:

The Bank is one of the subsidiaries under Standard Chartered PLC ("The SC PLC Group"). The Bank has service agreements with multiple individuals under the Group, with significant amount. Main services include interbank fund transferring, trading of derivatives, service income and cost, etc. There are potential undisclosed related party transactions.

2) Procedures performed:

- Understanding of the Bank's related party recognition process.
- Cross checking the balance of related party transactions with the Bank's financial statements to ensure the consistency. Otherwise, the balance is being reconciled.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

KPMG

KPMG

Taipei, Taiwan (Republic of China)
August 30, 2019

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Balance Sheets

June 30, 2019, December 31, 2018, and June 30, 2018

(Expressed in thousands of New Taiwan Dollars)

	Assets	June 30, 2019 Amount	%	December 31, 2018 Amount	%	June 30, 2018 Amount	%
11000	Cash and cash equivalents (notes 6(a) and 7)	$ 22,516,989	4	23,637,632	4	18,765,683	3
11500	Due from the Central Bank and call loans to banks (notes 6(a), (b) and 7)	99,930,646	16	81,627,972	13	84,025,675	13
12000	Financial assets at fair value through profit or loss (notes 6(c) and 7)	18,757,467	3	16,331,428	3	26,757,912	4
12100	Financial assets at fair value through other comprehensive income (notes 6(d) and (f))	155,871,424	24	162,495,083	26	169,103,717	28
12200	Debt instrument investment measured at amortized cost (note 6(e))	1,933,133	-	1,937,067	-	-	-
12300	Financial assets for hedging (note 6(f))	1,025,979	-	247,374	-	97,307	-
12500	Securities purchased under resell agreements and debt instruments (notes 6(a), (g) and 7)	3,764,637	1	11,738,716	2	3,329,259	1
13000	Receivables − net (notes 6(h), (j) and 7)	24,754,536	4	24,576,560	4	14,816,977	2
13200	Current tax assets (note 6(y))	294,430	-	448,497	-	388,997	-
13300	Assets held-for-sale (note 6(i))	391,275	-	-	-	-	-
13500	Discounts and loans − net (notes 6(f), (j) and 7)	282,863,817	43	277,484,777	44	270,464,977	45
15500	Other financial assets − net (notes 6(k) and 8)	17,652,259	3	15,145,361	2	7,054,002	1
18500	Property and equipment − net (note 6(l))	3,859,323	1	4,351,057	1	4,463,735	1
18600	Right-of-use assets-net (note 6(m))	1,886,739	-	-	-	-	-
19000	Intangible assets − net (note 6(n))	3,268,576	1	3,258,021	1	3,156,048	1
19300	Deferred tax assets (note 6(y))	1,288,977	-	1,596,681	-	1,378,146	-
19500	Other assets − net (notes 6(o), 7 and 8)	1,802,161	-	1,696,566	-	3,789,040	1
	Total assets	$ 641,862,368	100	626,572,792	100	607,591,475	100

	Liabilities and Equity	June 30, 2019 Amount	%	December 31, 2018 Amount	%	June 30, 2018 Amount	%
	Liabilities:						
21000	Deposits from the Central Bank and banks (notes 6(p) and 7)	$ 30,969,221	5	36,496,273	6	54,259,495	9
22000	Financial liabilities at fair value through profit or loss (notes 6(c) and 7)	8,655,103	1	8,105,768	1	14,246,467	2
22300	Financial liabilities for hedging (notes 6(f) and 7)	11,604	-	8,518	-	15,217	-
23000	Payables (note 6(q))	6,848,252	1	4,790,749	1	4,072,476	1
23100	Related parties payable (note 7)	7,007,398	1	6,231,122	1	9,514,945	2
23200	Current tax liabilities (note 6(y))	50,589	-	18,611	-	8,646	-
23500	Deposits and remittances (notes 6(r) and 7)	524,017,114	83	510,768,268	82	463,312,435	77
24000	Financial debentures (notes 6(s) and 7)	8,217,443	1	8,149,671	1	8,102,300	1
25500	Other financial liabilities (note 6(t))	774,345	-	329,190	-	1,641,978	-
25600	Provisions (notes 6(u) and (x))	1,541,455	-	1,601,731	-	1,586,253	-
26000	Lease liabilities (note 6(v))	1,844,560	-	-	-	-	-
29300	Deferred tax liabilities (note 6(y))	833,507	-	851,943	-	819,795	-
29500	Other liabilities (notes 6(w) and 7)	6,059,458	1	4,075,166	1	5,834,364	1
	Total liabilities	596,830,049	93	581,427,010	93	563,414,371	93
	Equity:						
31101	Common stock (note 6(z))	29,105,720	5	29,105,720	5	29,105,720	5
31500	Capital surplus (note 6(z))	5,794,771	1	5,794,771	1	5,794,771	1
	Retained earnings:						
32001	Legal reserve (note 6(z))	7,907,463	1	7,090,437	1	7,090,437	1
32003	Special reserve (note 6(z))	294,696	-	354,033	-	354,033	-
32005	Unappropriated earnings (note 6(z))	1,823,175	-	2,756,697	-	1,782,210	-
		10,025,334	1	10,201,167	1	9,226,680	1
32500	Other equity interest (note 6(z))	106,494	-	44,124	-	49,933	-
	Total equity	45,032,319	7	45,145,782	7	44,177,104	7
	Total liabilities and equity	$ 641,862,368	100	626,572,792	100	607,591,475	100

See accompanying notes to financial statements.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Statements of Comprehensive Income

For the six months ended June 30, 2019 and 2018

(expressed in thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		For the six months ended June 30			
		2019		2018	
		Amount	%	Amount	%
41000	**Interest income (notes 6(ac) and 7)**	$ 5,741,520	83	4,896,659	70
51000	**Less：Interest expense (notes 6(ac) and 7)**	3,733,309	54	2,696,172	38
	Net interest income	2,008,211	29	2,200,487	32
	Net non-interest income				
49100	Net service fee income (notes 6(ad) and 7)	2,373,761	34	2,457,552	35
49200	Gain on financial assets or liabilities at fair value through profit or loss (notes 6(ae) and 7)	3,272,669	48	2,001,950	28
49310	Realized gain on financial assets at fair value through other comprehensive income (notes 6(d) and (af))	6,488	-	11,061	-
49600	Foreign exchange (loss) gain	(777,111)	(11)	341,745	5
49700	Impairment losses on assets (note 6(ah))	(1,173)	-	(3,306)	-
49800	Net other non-interest income (notes 6(f), (ag) and 7)	32,935	-	3,391	-
	Net revenue	6,915,780	100	7,012,880	100
58200	Bad debt expense, commitment and guarantee liability provision (note 6(ai))	233,784	3	199,122	3
	Operating expenses:				
58500	Employee benefits expenses (notes 6(x), (aa), (aj) and 7)	2,579,044	37	2,619,272	37
59000	Depreciation and amortization expenses (notes 6(l), (m), (n) and (ak))	277,262	4	81,658	1
59500	Other general and administrative expenses (notes 6(al) and 7)	1,835,548	27	2,182,839	31
	Total operating expenses	4,691,854	68	4,883,769	69
	Profit from continuing operations before tax	1,990,142	29	1,929,989	28
61003	Less: Income tax expenses (note 6(y))	319,188	5	242,811	3
	Profit	1,670,954	24	1,687,178	25
65000	**Other comprehensive income:**				
65200	**Components of other comprehensive income that will not be reclassified to profit or loss**				
65201	Remeasurements of defined benefit plans	850	-	17,856	-
65204	Unrealized (losses) gains from investments in equity instruments measured at fair value through other comprehensive income	(45,223)	(1)	102,817	1
65220	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(y))	(170)	-	(1,412)	-
		(44,543)	(1)	119,261	1
65300	**Components of other comprehensive income that will be reclassified to profit or loss**				
65305	Gains on hedging instrument (note 6(z))	98,267	1	8,408	-
65309	Revaluation gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	28,624	-	(57,417)	(1)
65310	Reversal of impairment loss from investments in debt instruments measured at fair value through other comprehensive income	1,095	-	805	-
65320	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(y))	(20,393)	-	318	-
	Components of other comprehensive income that will be reclassified to profit or loss	107,593	1	(47,886)	(1)
65000	**Other comprehensive income**	63,050	-	71,375	-
	Total comprehensive income	**$ 1,734,004**	**24**	**1,758,553**	**25**
	Basic earnings per share (NTD) (note 6(ab))	**$ 0.57**		**0.58**	

See accompanying notes to financial statements.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Statements of Changes in Equity

For the six months ended June 30, 2019 and 2018

(expressed in thousands of New Taiwan Dollars)

	Share capital		Retained earnings			Other items in stockholders' equity				
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	Gains (losses) on hedging instruments	Total equity
Balance at January 1, 2018	$ 29,105,720	5,794,771	6,431,895	343,057	2,108,311	-	64,612	(10,967)	-	43,837,399
Effects of retrospective application	-	-	-	-	78,588	5,969	(64,612)	10,967	(10,967)	19,945
Equity at beginning of period after adjustments	29,105,720	5,794,771	6,431,895	343,057	2,186,899	5,969	-	-	(10,967)	43,857,344
Appropriation and distribution of retained earnings:										
Legal reserve (note 6(z))	-	-	658,542	-	(658,542)	-	-	-	-	-
Special reserve (note 6(z))	-	-	-	10,976	(10,976)	-	-	-	-	-
Cash dividends of ordinary share (note 6(z))	-	-	-	-	(1,438,793)	-	-	-	-	(1,438,793)
Net income	-	-	-	-	1,687,178	-	-	-	-	1,687,178
Other comprehensive income	-	-	-	-	16,444	47,808	-	-	7,123	71,375
Total comprehensive income	-	-	-	-	1,703,622	47,808	-	-	7,123	1,758,553
Balance at June 30, 2018	**$ 29,105,720**	**5,794,771**	**7,090,437**	**354,033**	**1,782,210**	**53,777**	**-**	**-**	**(3,844)**	**44,177,104**
Balance at January 1, 2019	$ 29,105,720	5,794,771	7,090,437	354,033	2,756,697	52,269	-	-	(8,145)	45,145,782
Appropriation and distribution of retained earnings:										
Legal reserve (note 6(z))	-	-	817,026	-	(817,026)	-	-	-	-	-
Special reserve (note 6(z))	-	-	-	13,617	(13,617)	-	-	-	-	-
Cash dividends of ordinary share (note 6(z))	-	-	-	-	(1,847,467)	-	-	-	-	(1,847,467)
Reversal of special reserve (note 6(z))	-	-	-	(72,954)	72,954	-	-	-	-	-
Net income	-	-	-	-	1,670,954	-	-	-	-	1,670,954
Other comprehensive income	-	-	-	-	680	(16,244)	-	-	78,614	63,050
Total comprehensive income	-	-	-	-	1,671,634	(16,244)	-	-	78,614	1,734,004
Balance at June 30, 2019	**$ 29,105,720**	**5,794,771**	**7,907,463**	**294,696**	**1,823,175**	**36,025**	**-**	**-**	**70,469**	**45,032,319**

See accompanying notes to financial statements.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Statements of Cash Flows

For the six months ended June 30, 2019 and 2018

(expressed in thousands of New Taiwan Dollars)

		For the six months ended June 30	
		2019	2018
Cash flows from (used in) operating activities:			
Profit before tax	$	1,990,142	1,929,989
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		267,503	81,658
Amortization expense		9,759	-
Bad debt expense, commitment and guarantee liability provision		233,784	199,122
Interest expense		3,733,309	2,696,172
Interest income		(5,741,520)	(4,896,659)
Net change in other provisions		(26,327)	(14,113)
Gain on disposal of property and equipment		(28,042)	-
Impairment losses on assets		1,173	3,306
Total adjustments to reconcile profit (loss)		(1,550,361)	(1,930,514)
Changes in operating assets and liabilities:			
Changes in operating assets:			
Due from the Central Bank and call loans to banks		(929,904)	(7,891,127)
Financial assets at fair value through profit or loss		(2,426,039)	(10,842,809)
Financial assets at fair value through other comprehensive income		6,600,434	16,335,665
Debt instrument investment measured at amortized cost		3,817	-
Receivables		(650,584)	5,704,151
Discounts and loans		(5,672,209)	(7,823,518)
Other financial assets		(2,484,361)	410,573
Total changes in operating assets		(5,558,846)	(4,107,065)
Changes in operating liabilities:			
Deposits from the Central Bank and banks		(5,527,052)	(4,833,032)
Financial liabilities at fair value through profit or loss		549,335	6,861,563
Payables		3,141,363	1,424,920
Deposits and remittances		13,248,846	(42,097,825)
Other financial liabilities		445,155	377,592
Other liabilities		1,984,292	3,802,131
Total changes in operating liabilities		13,841,939	(34,464,651)
Total changes in operating assets and liabilities		8,283,093	(38,571,716)
Total adjustments		6,732,732	(40,502,230)
Cash inflow (outflow) generated from operations		8,722,874	(38,572,241)
Interest received		6,217,877	5,241,782
Interest paid		(4,021,163)	(2,563,308)
Income taxes refunded (paid)		135,796	(118,967)
Net cash flows from (used in) operating activities		11,055,384	(36,012,734)
Cash flows used in investing activities:			
Acquisition of property and equipment		(88,320)	(122,637)
Proceeds from disposal of property and equipment		129,166	-
Increase in derivatives collateral		(77,611)	(2,540,300)
Acquisition of intangible assets		(20,314)	-
Increase in other assets		(9,074)	(137,712)
Net cash flows used in investing activities		(66,153)	(2,800,649)
Cash flows used in financing activities:			
Increase in financial instruments for hedging		(670,858)	(91,932)
Decrease in financial debentures		-	(6,567,046)
Payment of lease liabilities		(260,630)	-
Cash dividends paid		(1,847,467)	(1,438,793)
Net cash flows used in financing activities		(2,778,955)	(8,097,771)
Change in foreign exchange rate		67,772	130,543
Net increase (decrease) in cash and cash equivalents		8,278,048	(46,780,611)
Cash and cash equivalents at beginning of period		90,713,130	116,225,381
Cash and cash equivalents at end of period	$	**98,991,178**	**69,444,770**
Composition of cash and cash equivalents:			
Cash and cash equivalents reported in the statement of financial position	$	22,516,989	18,765,683
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7		72,709,552	47,349,828
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7		3,764,637	3,329,259
Cash and cash equivalents at end of period	$	**98,991,178**	**69,444,770**

See accompanying notes to financial statements.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

June 30, 2019 and 2018

(Expressed in thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Standard Chartered Bank (Taiwan) Limited (the "Bank") was established on September 15, 1948, in the Taoyuan, Hsinchu, and Miaoli areas. The original name of the Bank was Hsinchu District's Mutual Loan Inc., which specialized in the mutual loan business, deposits, loans, and payment collection. In compliance with the Banking Act of the Republic of China ("ROC"), the Bank restructured to become The Small and Medium Business Bank of Hsinchu District on January 1, 1978, and in addition to the original lines of business, the Bank started to conduct checking deposit and regular banking businesses.

Pursuant to an approval granted by the Securities and Futures Commission ("SFC"), which subsequently changed its name to the Securities and Futures Bureau ("SFB") on July 1, 2004, the Bank's shares were authorized to be publicly issued beginning March, 1982 and publicly traded beginning March 22, 1983. Additionally, pursuant to approval granted by the Ministry of Finance ("MOF"), the Bank established a Trust Department in January 1989, pursuant to approval granted by the SFC, the Bank established the securities trading business in October 1989 and established the securities broker business in July 1992. In March 1993, pursuant to approval granted by the MOF, the Bank established the International Business Department to operate the foreign exchange business, which was formally operated in August at the same year. In September 1994, pursuant to approval granted by the Taiwan provincial government MOF, the Bank started cross-regional operations. On January 16, 1995, the Bank established an Offshore Banking Unit ("OBU"), which began operations immediately.

The Bank was approved by the MOF to operate as a commercial bank in September 1998 and changed its name to Hsinchu International Bank Co., Ltd. on April 20, 1999.

During 2006, Standard Chartered Bank provided a tender offer to acquire the outstanding shares of Hsinchu International Bank Co., Ltd. Accordingly, Standard Chartered Bank acquired over 95% of the outstanding. After completion of the acquisition of shares, Hsinchu International Bank Co., Ltd. immediately submitted the delisting application, which was approved by the related authorities on January 18, 2007. On June 30, 2007, the operations of Standard Chartered Bank, Taipei Branch were transferred to Hsinchu International Bank Co., Ltd.; subsequently, Hsinchu International Bank Co., Ltd. was renamed Standard Chartered Bank (Taiwan) Limited on July 2, 2007. As of June 30, 2019, the Bank comprises 65 branches, a business department, a trust department, and an offshore banking unit.

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

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

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

(Continued)

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

Approved by the board of directors in June 2016 and by the Insurance Bureau in July 2016, Standard Chartered Life Insurance Agency Co. Ltd. ("SCLIA") and Taiwan Standard Chartered Insurance Agency Co. Ltd. ("TSCIA"), which were 100 percent owned subsidiaries, were merged into the Bank through absorption on October 1, 2016. The Bank's stockholders' equity was not affected by the mergers. After the mergers, the assets, liabilities, rights and obligations of these two subsidiaries, as of the date of mergers, were generally assumed by the Bank. Since the Bank no longer has other subsidiaries, therefore, the Bank only issues individual financial statements as of the fourth quarter of 2016.

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

(2) Approval date and procedures of the financial statements:

The financial statements were authorized for issuance by the Board of Directors on August 30, 2019.

(3) New standards, amendments and interpretations adopted:

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

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

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Bank applied IFRS 16 using the modified retrospective approach. The details of the changes in accounting policies are disclosed below:

(i) Definition of a lease

Previously, the Bank determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Bank assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 4(i).

(Continued)

On transition to IFRS 16, the Bank elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Bank applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

(ii) As a lessee

As a lessee, the Bank previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Bank. Under IFRS 16, the Bank recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

The Bank decided to apply recognition exemptions to short-term leases.

Leases classified as operating under IAS 17. At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Bank' s incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured as an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

In addition, the Bank used the following practical expedients when applying IFRS 16 to leases.

1) Applied a single discount rate to a portfolio of leases with similar characteristics.

2) Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.

3) Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term.

4) Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

5) Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(iii) As a lessor

No adjustment to lessor accounting has been made when the Bank transited to IFRS 16. The adoption of lease accounting complied with IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

(iv) Impacts on financial statements

On transition to IFRS 16, the Bank recognized additional $1,992,594 thousands of right-of-use assets and $1,975,987 thousands of lease liabilities. There was no impact on retained earnings when measuring lease liabilities, the Bank discounted lease payments using its incremental borrowing rate at January 1, 2019. The range of weighted-average rate applied is 1.54% to 2.49%.

(Continued)

The explanation of differences between operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and lease liabilities recognized in the statement of financial position at the date of initial application disclosed as follows:

		January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Bank's financial statements	$	905,878
Recognition exemption for:		
short-term leases		(39,723)
leases of low-value assets		(1,026)
Extension options reasonably certain to be exercised		1,074,470
Reassessments of lease contracts which were service contracts in origin		261,477
Other		(3,578)
	$	**2,197,498**
Discounted using the incremental borrowing rate at January 1, 2019	$	1,975,987
Finance lease liabilities recognized as at December 31, 2018		-
Lease liabilities recognized at January 1, 2019	$	**1,975,987**

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Bank assessed that the adoption of the abovementioned standards may not be relevant to the Bank on its financial statements.

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

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021

The Bank assessed that the adoption of the abovementioned standards may not be relevant to the Bank.

(Continued)

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

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

The financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, and International Accounting Standard 34 "Interim Financial Reporting" endorsed by FSC which have already taken effect and do not include all of the information required by Regulations, International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), International Financial Reporting Interpretations Committee ("IFRICs"), and the Standing Interpretations Committee ("SICs") endorsed by the FSC (hereinafter referred to as "the IFRSs endorsed by the FSC") for full annual financial statements.

(b) Basis of preparation

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

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

(ii) Financial instruments at fair value through other comprehensive income;

(iii) Financial instruments for hedging at fair value;

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

(v) Net defined benefit liability represents the difference between the Funds and the present value of the defined benefit obligation.

(c) Foreign currency transactions

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

(d) Cash and cash equivalents

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

(e) Financial instruments

(i) Financial assets

Financial assets held by the Bank are recorded on the trading date.

Financial assets are recognized when the Bank becomes the party of a financial instrument contract.

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL).

The Bank shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

a) Debt instrument investment measured at amortized cost

when a financial asset meets both of the following conditions and is not designated as at FVTPL, it measured at amortized cost;

-it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

-its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

b) Securities under repurchase/resell agreements and debt instruments

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

c) Loans, receivables and allowance for bad debts

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Credit maturing less than one year is called short-term credit; credit maturing more than one year but less than seven years is called medium-term credit; and credit maturing more than seven years is called long-term credit. Loans with collateral, pledged assets, qualified guarantees and other legally guaranteed objects to secure credit are secured loans.

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

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

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

Loans and receivables should be evaluated at every reporting date whether or not the credit risks have increased significantly after initial recognition. One estimate is by comparing the default risk at reporting date and initial recognition date, and considering the reasonableness and verifiable information of the increase in credit risk since initial recognition as the estimate basis for default risk and expected loss rate to calculate the expected credit loss. Another estimate follows Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/ Non-accrual Loans issued by the FSC and other related regulations. Final provision will be based on the higher of the two estimates.

Reserves for guarantees and financing commitments are appropriately provided, based on the possibilities of bad debts arising from off balance sheet loan commitments and financial guarantee contracts.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

-it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

-its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instrument investments at fair value through other comprehensive income should be valued at fair value on the reporting date, and the changes in value shall be listed in other comprehensive income as adjustment items. It should also use the effective rate to amortize the discount premium and calculate the interest receivable on an accrual basis, as well as recognize the credit impairment loss. If the impairment loss related to the events after impairment recognition is reduced in the subsequent period, it is reversed and recognized as profit or loss in the current period. The reversal is limited by the fact that other comprehensive income recognized as impairment adjustment items cannot be negative. Prior to derecognition, the changes in the remaining book values of financial assets, other than foreign currency related financial asset exchange losses, interest income calculated according to effective interest rate, and impairment losses recognized in income, should be recognized in other comprehensive income and accumulated under equity in " Unrealized profit or loss on financial assets at fair value through other comprehensive income." Upon derecognition, the accumulated profit or loss under equity should be reclassified as profit or loss in the current period.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Dividends deriving from equity investments are recognized as income in profit or loss, and other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of equity investments are reclassified to retained earnings.

(Continued)

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets and accounts receivable (except for those presented as accounts receivable but measured at FVTPL). On initial recognition, the Bank may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

4) Impairment of financial assets

The Bank assesses whether the financial assets have been credit impaired on the reporting date. The financial assets have been credit impaired when an event with negative impact on the estimated future cash flow of the financial assets has occurred.

The Bank measures loss allowances for expected credit losses on financial assets measured at amortized cost, debt investments measured at FVOCI, accounts receivable and contract assets.

The Bank takes into consideration the reasonable information supported by evidence that can be obtained without excessive cost or input, which includes qualitative and quantitative information, an analysis based on the Bank's past experience, credit evaluation, and prospective information, when determining whether there is a significant increase in the credit risk of financial assets since initial recognition. If a financial asset or portfolio of financial assets does not experience a significant increase in credit risk since initial recognition, the loss allowances are measured at 12-month ECL; and such assets are classified as stage 1 assets. However, if a financial asset, or portfolio of financial assets, experiences a significant increase in credit risk since initial recognition, an ECL allowance should be recognized for default events that may occur over the lifetime of the asset; and such assets are classified as stage 2 assets.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Bank is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses during the expected lifetime of financial assets. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Bank assesses whether financial assets at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Bank recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Bank determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

Please refer to note 6(am) for information on financial risks for the Bank's judgment on whether the credit risk has significantly increased after initial recognition and prospective adjustments.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Bank transfers substantially all the risks and rewards of ownership of the financial assets.

If majority of the risks and rewards are not kept nor transferred, while the Bank still possess the ownership of the financial assets, then the Bank shall continuously recognize it as assets according to the extent of its own involvement.

6) Reclassification of financial assets

Only when the business model of financial assets management is changed does the Bank reclassifies the affected financial assets according to regulations.

(ii) Financial liabilities

The financial liabilities held by the Bank include financial liabilities measured at fair value through profit or loss (including the instruments designated at fair value through profit or loss), financial liabilities at amortized cost and hedge derivatives.

1) Financial liabilities at fair value through profit or loss

A financial liability is held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. A derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument, is classified as instrument held for trading as well. Financial liabilities held for trading include obligations to deliver financial assets borrowed by a short seller.

2) Financial liabilities at amortized cost

Financial liabilities, except for financial liabilities measured at fair value through profit or loss, hedged derivatives financial liability, financial guarantee contracts, commitments to provide a loan at a below-market interest rate and financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, are classified at amortized cost of financial liabilities.

3) Financial debentures

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

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

4) Derecognition of a financial liability

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

(iii) Derivatives and hedging accounting

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

(Continued)

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

For derivatives embedded in non-derivative host contracts that are financial assets within the scope of IFRS 9, the whole hybrid contracts shall be measured as one and the classification is determined by the entire hybrid contract and initially recognized at fair value through profit or loss, at fair value through other comprehensive income, or at amortized cost.

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

1) Fair value hedge:

   Changes in the fair value of derivatives that are designated and qualified as fair value hedging instruments against the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment are recognized through profit or loss in the current period.

2) Cash flow hedge:

   Where a derivative financial instrument is designated as a hedge of the volatility in cash flow of a recognized asset or liability or a highly foreseeable forecast transaction, the effective hedged portion of any gain or loss on remeasurement of the derivative financial instrument to fair value is recognized directly under other comprehensive income. When the hedged transaction actually affects the profit or loss, the gain or loss previously recognized under other comprehensive income shall be recognized through current profit or loss. Any gain or loss from the change in fair value relating to an ineffective hedged portion of the hedge transaction is recognized immediately through profit or loss in the current period.

(f) Non-financial asset impairment

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

(g) Property and equipment

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

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

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

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

(h) Intangible assets

(i) Computer software

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

(ii) Goodwill

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

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

(iii) Research and development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

(Continued)

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

1) The technical feasibility of completing the intangible asset so that it will be available for use or sale.

2) The intention to complete the intangible asset and use or sell it.

3) The ability to use or sell the intangible asset.

4) How the intangible asset will generate probable future economic benefits.

5) The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.

6) The ability to measure reliably the expenditure attributable to the intangible asset during its development. The amount of the expenditure exceeds USD $500 thousand.

Capitalized development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

(i) Leases ((i), (ii), (iii) Applicable after January 1, 2019)

(i) Identifying a lease

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(ii) As a leasee

The Bank recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

(Continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including substantial fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change of assessment on the lease term if a change in the Bank's estimate of exercising the extension or termination option happens; or
- there is any lease modifications.

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Bank accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Bank presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Bank has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) As a lessor

When the Bank acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Bank makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(Continued)

(iv) Lease classification (adopted before January 1, 2019)

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

The Bank classifies all its leases as operating leases.

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

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

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

(k) Provisions

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

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

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

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

The Bank shall not recognize provisions for future operating losses.

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

(Continued)

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

(l) Revenue and expense recognition

Other than those classified as financial assets at fair value through profit or loss, all the interests and expenses resulting from the interest accrual financial instruments are required to be calculated using the effective interest rate method according to the related policies, and recognized in the income statement under "Interest income" and "Income expense".

Service fee income and expenses can only be recognized after the completion of loans and other services; if the service fee are earned from performing major projects, it should only be recognized after completion of the major projects. For example, service fee resulting from syndication loans, the service fee income and expenses are related to subsequent loans, it should amortize according to the materiality within the service period or included in the calculation of the effective rates of loans and receivables.

(m) Employee benefit

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

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

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

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

(n) Share-based compensation

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

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

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

(Continued)

(o) Income tax

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

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

In accordance with the Income Tax Act, a surtax of 5 percent on undistributed earnings is recognized as current income tax expense in the year of the resolution of earnings distribution proposal by its board of directors on behalf of the shareholders' meeting.

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

(p) Earnings per share of common stock

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

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

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

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

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

(a) Impairment evaluation of loans and receivables

The Bank' s financial asset impairment losses are measured using the 12-months and lifetime expected credit loss value based on whether the credit risks after initial recognition has significant increase or not. To measure expected credit loss, the Bank considers the default rate of the financial assets, issuer, or the counterparty, and multiply by the default exposure value after including in the default loss rate as well as taking into the consideration the impact of time value of money, to estimate the 12-months and lifetime expected credit losses. The Bank' s assumption is based on historical experiences, current market conditions and prospective information. The impairment valuation inputs are then determined subsequently. Please refer to note 6(am) for detailed information of primary assumption and inputs.

(b) Valuation of financial instruments

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

(c) Recognition of deferred tax assets

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

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Notes to the Financial Statements

(d) Goodwill impairment

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

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	June 30, 2019	December 31, 2018	June 30, 2018
Cash on hand	$ 3,414,108	3,464,926	3,717,884
Checks for clearing	92,315	109,863	601,087
Deposits with other banks	4,449,730	4,452,856	6,434,342
Deposits with other banks－affiliates	14,561,065	15,610,062	8,012,651
Subtotal	22,517,218	23,637,707	18,765,964
Less: allowance for bad debts	229	75	281
Total	$ 22,516,989	23,637,632	18,765,683

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

	June 30, 2019	December 31, 2018	June 30, 2018
Cash and cash equivalents reported in the statement of balance sheets	$ 22,516,989	23,637,632	18,765,683
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	72,709,552	55,336,782	47,349,828
Securities purchased under resell agreements and debt instruments qualifying for cash and cash equivalents under the definition of IAS 7	3,764,637	11,738,716	3,329,259
Cash and cash equivalents reported in the statement of cash flows	$ 98,991,178	90,713,130	69,444,770

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Notes to the Financial Statements

Changes in the allowance for bad debts of cash and cash equivalents, and due from the Central Bank and call loans to banks are as below:

	For the six months ended June 30, 2019							
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment losses according to IFRS 9 (total)	Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	Total
Beginning balance	$ 75	-	-	-	-	75	-	75
Changes due to financial instrument recognition:								
Financial assets derecognized during the period	(772)	-	-	-	-	(772)	-	(772)
New financial assets originated or purchased	1,948	-	-	-	-	1,948	-	1,948
Foreign currency exchange and other changes	(1,022)	-	-	-	-	(1,022)	-	(1,022)
Ending balance	$ 229	-	-	-	-	229	-	229

	For the six months ended June 30, 2018							
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment losses according to IFRS 9 (total)	Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	Total
Beginning balance	$ 285	6	-	-	-	291		291
Changes due to financial instrument recognition:								
Transferred to 12-months expected credit losses	19	(19)	-	-	-	-	-	-
Financial assets derecognized during the period	(268)	(14)	-	-	-	(282)	-	(282)
New financial assets originated or purchased	728	46	-	-	-	774	-	774
Foreign currency exchange and other changes	(478)	(19)	-	-	-	(497)	-	(497)
Ending balance	$ 286	-	-	-	-	286	-	286

(b) Due from the Central Bank and call loans to banks

	June 30, 2019	December 31, 2018	June 30, 2018
Required reserve—checking account	$ 7,840,398	6,198,363	6,390,026
Required reserve—demand account	10,776,521	11,111,655	11,154,933
Required reserve—foreign currency	248,610	245,899	213,504
Required reserve—settlement account	1,503,211	1,506,088	800,530
Call loans to banks	26,247,588	22,443,194	13,245,188
Call loans to banks—affiliates	53,314,318	40,122,773	51,639,469
Trade finance receivables	-	-	582,030
Subtotal	99,930,646	81,627,972	84,025,680
Less: allowance for bad debts	-	-	5
Total	$ 99,930,646	81,627,972	84,025,675

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

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

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

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

For the six months ended June 30, 2018, change in the allowance for bad debts of due from the Central Bank and call loans to banks please refer to note 6(a).

(c) Financial instruments at fair value through profit or loss

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

	June 30, 2019	December 31, 2018	June 30, 2018
Designation as financial assets at fair value through profit or loss:			
Government bonds	$ 7,727,417	6,975,343	6,781,392
Corporate bonds	603,851	1,559,691	1,612,969
Financial debentures	-	-	100,002
Subtotal	8,331,268	8,535,034	8,494,363
Financial assets mandatorily measured at fair value through profit or loss:			
Interest rate swap	2,783,215	1,825,915	1,830,500
Interest rate option	92,286	103,898	91,378
Spot/forward/swap	7,004,124	5,460,247	15,922,039
Cross currency swap	407,708	150,972	33,694
Foreign exchange option	134,777	255,362	356,683
Commodity swap	3,505	-	29,255
Commodity option	584	-	-
Subtotal	10,426,199	7,796,394	18,263,549
Total	$ 18,757,467	16,331,428	26,757,912

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

	June 30, 2019	December 31, 2018	June 30, 2018
Derivative financial liabilities			
Interest rate swap	$ 2,620,388	1,797,086	1,767,954
Interest rate option	9,758	4,108	-
Spot/forward/swap	5,853,058	5,845,608	11,230,299
Cross currency swap	34,168	204,826	863,341
Foreign exchange option	133,637	254,140	355,593
Commodity swap	3,510	-	29,280
Commodity option	584	-	-
Total	$ 8,655,103	8,105,768	14,246,467

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Notes to the Financial Statements

(d) Financial assets at fair value through other comprehensive income

	June 30, 2019	December 31, 2018	June 30, 2018
Debt instrument:			
Negotiable certificates of deposit	$ 87,972,742	97,513,252	95,845,168
Treasury Bills	15,484,799	999,728	12,985,819
Government bonds	52,072,064	63,595,061	59,903,231
Subtotal	155,529,605	162,108,041	168,734,218
Equity instrument:			
Non-listed stock	341,819	387,042	369,499
Total	$ 155,871,424	162,495,083	169,103,717
The total calculation above includes the revaluation adjustment of hedge items	$ 6,394	6,396	8,655

Please refer to note 6(am) for credit risk and market risk information.

As of June 30, 2019, December 31 and June 30, 2018, the Bank's financial assets at fair value through other comprehensive income mentioned above have adopted interest rate swaps as instruments for fair value hedging in order to reduce the impacts of fluctuations in interest rates on the fair values.

For the six months ended June 30, 2019 and 2018, dividend income of the above debt instrument investments were $110 thousand and $247 thousand, respectively, recorded under realized gain on financial assets at fair value through other comprehensive income.

As of June 30, 2019, December 31 and June 30, 2018, the Bank's allowance for impairments of the above financial assets at fair value through other comprehensive income were $4,822 thousand, $3,961 thousand and $5,784 thousand, respectively.

Changes in the allowance for impairments of the above debt instrument investments are as follows:

	For the six months ended June 30, 2019				
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment Losses according to IFRS 9 (total)
Beginning balance	$ 3,961	-	-	-	3,961
Financial assets derecognized during the period	(31,427)	-	-	-	(31,427)
New financial assets originated or purchased	32,522	-	-	-	32,522
Other	(234)	-	-	-	(234)
Ending Balance	$ 4,822	-	-	-	4,822

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	For the six months ended June 30, 2018				
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment Losses according to IFRS 9 (total)
Beginning balance	$ 4,978	-	-	-	4,978
Financial assets derecognized during the period	(31,553)	-	-	-	(31,553)
New financial assets originated or purchased	32,359	-	-	-	32,359
Ending Balance	$ 5,784	-	-	-	5,784

Changes in the book value of the financial assets at fair value through other comprehensive income-debt instruments mentioned above are as follow:

	For the six months ended June 30, 2019				
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment Losses according to IFRS 9 (total)
Beginning balance	$ 162,108,041	-	-	-	162,108,041
Financial assets derecognized during the period	(718,445,059)	-	-	-	(718,445,059)
New financial assets originated or purchased	724,607,106	-	-	-	724,607,106
Foreign currency exchange and other changes	(12,740,483)	-	-	-	(12,740,483)
Ending Balance	$ 155,529,605	-	-	-	155,529,605

	For the six months ended June 30, 2018				
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment Losses according to IFRS 9 (total)
Beginning balance	$ 185,135,013	-	-	-	185,135,013
Financial assets derecognized during the period	(753,844,213)	-	-	-	(753,844,213)
New financial assets originated or purchased	737,932,747	-	-	-	737,932,747
Foreign currency exchange and other changes	(489,329)	-	-	-	(489,329)
Ending Balance	$ 168,734,218	-	-	-	168,734,218

(e) Amortized cost financial assets

	June 30, 2019	December 31, 2018	June 30, 2018
Government bonds	$ 1,933,133	1,937,067	-

As of June 30, 2019, December 31 and June 30, 2018, allowance for impairments of the above bonds were $117 thousand, $0 thousand and $0 thousand, respectively.

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Changes in the allowance for impairments of the above debt instrument investments are as follows:

	For the six months ended June 30, 2019				
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment Losses according to IFRS 9 (total)
Beginning balance	$ -	-	-	-	-
New financial assets originated or purchased	117	-	-	-	117
Ending Balance	$ 117	-	-	-	117

(f) Financial instruments for hedging

Financial assets for hedging were as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Cash flow hedge:			
Cross currency swap	$ 1,025,979	247,374	97,307

Financial liabilities for hedging were as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Fair value hedge:			
Interest rate swap	$ 11,604	8,518	15,217

(i) Fair value hedge

A fair value hedge is the hedging of the hedged items exposure to change in fair value of recognized assets or liabilities that are attributable to particular hedged risks that could affect profit or loss. As of June 30, 2019, December 31 and June 30, 2018, mark-to-market adjustments of hedged items and the corresponding hedging instruments accounted as fair value hedge were as follows:

Hedged items		Hedging instruments	
Underlying instruments	June 30, 2019	Contract type	June 30, 2019
Financial assets at fair value through other comprehensive income:			
Government bonds—revaluation adjustment	$ 6,394	Interest rate swap	$ (11,604)

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Hedged items		Hedging instruments	
Underlying instruments	**December 31, 2018**	**Contract type**	**December 31, 2018**
Financial assets at fair value through other comprehensive income:			
Government bonds — revaluation adjustment	$ 6,396	Interest rate swap	$ (8,518)

Hedged items		Hedging instruments	
Underlying instruments	**June 30, 2018**	**Contract type**	**June 30, 2018**
Financial assets at fair value through other comprehensive income:			
Government bonds — revaluation adjustment	$ 8,655	Interest rate swap	$ (15,217)

For the six months ended June 30, 2019 and 2018, net losses on the hedging financial instruments listed above amounted to $331 thousand and $15,086 thousand, respectively. For the six months ended June 30, 2019 and 2018, net gains from the hedged risk of the hedged items amounted to $809 thousand and $15,414 thousand, respectively.

(ii) Cash flow hedge

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

		Designated hedging instruments Fair value		
Hedged items	**Financial instruments designated as hedging instruments**	**June 30, 2019**	**December 31, 2018**	**June 30, 2018**
Discounts and loans—floating interest rate	Cross currency swap	$ 1,025,979	247,374	97,307

(g) Securities purchased under resell agreements and debt instruments

	June 30, 2019	December 31, 2018	June 30, 2018
Securities purchased under resell agreements	$ 3,764,637	11,738,716	3,329,259
Face value of debt instruments	$ 3,771,125	11,848,111	3,358,957
Interest rate	0.48%~2.47%	0.40%~2.65%	0.34%~2.05%
Last settlement date	108.7.24	108.1.22	107.7.19
Resell price	$ 3,766,424	11,741,474	3,330,420

As of June 30, 2019, December 31 and June 30, 2018, allowance for impairments of the above debt securities purchased under resell agreements and instruments were $34 thousand, $63 thousand and $18 thousand, respectively.

(Continued)

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Changes in the allowance for bad debts of securities purchased under resell agreements and instruments are as below:

	For the six months ended June 30, 2019							
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment losses according to IFRS 9 (total)	Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	Total
Beginning balance	$ 63	-	-	-	-	63	-	63
Changes due to financial instrument recognition :								
Financial assets derecognized during the period	(353)	-	-	-	-	(353)	-	(353)
New financial assets originated or purchased	324	-	-	-	-	324	-	324
Ending balance	$ 34	-	-	-	-	34	-	34

	For the six months ended June 30, 2018							
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment losses according to IFRS 9 (total)	Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	Total
Beginning balance	$ 10	-	-	-	-	10	-	10
Changes due to financial instrument recognition :								
Financial assets derecognized during the period	(52)	-	-	-	-	(52)	-	(52)
New financial assets originated or purchased	60	-	-	-	-	60	-	60
Ending balance	$ 18	-	-	-	-	18	-	18

(h) Receivables—net

	June 30, 2019	December 31, 2018	June 30, 2018
Accounts receivable factoring	$ 12,517,437	15,315,482	6,482,769
Credit cards accounts receivable	5,424,848	4,740,800	4,742,609
Accounts receivable	644,515	670,803	702,095
Interest receivable	1,413,139	1,854,547	1,493,560
Acceptances receivable	891,254	1,048,000	293,628
Accounts receivable－related parties	675,007	882,854	1,130,600
Unsettled trades receivable	3,316,518	315,940	56,740
Other	306,242	238,515	311,160
Subtotal	25,188,960	25,066,941	15,213,161
Less: allowance for bad debts	434,424	490,381	396,184
Total	$ 24,754,536	24,576,560	14,816,977

Please refer to note 6(am) for relating information on credit risk and market risk.

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

Changes in the allowance for bad debts of receivables listed above are as below:

	For the six months ended June 30, 2019							
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment losses according to IFRS 9 (total)	Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	Total
Beginning balance	$ 63,350	6,757	-	245,345	-	315,452	174,929	490,381
Changes due to financial instrument recognition :								
Transferred to lifetime expected credit losses	(6,412)	7,601	-	(1,189)	-	-	-	-
Transferred to credit impaired financial asset	(260)	(13,318)	-	13,578	-	-	-	-
Transferred to 12-months expected credit losses	4,991	(4,344)	-	(647)	-	-	-	-
Financial assets derecognized during the period	(19,609)	(4,129)	-	(14,209)	-	(37,947)	-	(37,947)
New financial assets originated or purchased	28,186	1,723	-	16,046	-	45,955	-	45,955
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	(33,703)	(33,703)
Bad-Debt Write offs	(145)	(19)	-	(49,836)	-	(50,000)	-	(50,000)
Foreign currency exchange and other changes	(7,291)	12,112	-	14,917	-	19,738	-	19,738
Ending balance	$ 62,810	6,383	-	224,005	-	293,198	141,226	434,424

	For the six months ended June 30, 2018							
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment losses according to IFRS 9 (total)	Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	Total
Beginning balance	$ 51,555	7,391	-	277,922	-	336,868	129,242	466,110
Changes due to financial instrument recognition :								
Transferred to lifetime expected credit losses	(6,545)	7,533	-	(988)	-	-	-	-
Transferred to credit impaired financial asset	(3,981)	(12,172)	-	16,153	-	-	-	-
Transferred to 12-months expected credit losses	3,653	(2,605)	-	(1,048)	-	-	-	-
Financial assets derecognized during the period	(23,468)	(2,747)	-	(17,748)	-	(43,963)	-	(43,963)
New financial assets originated or purchased	39,324	1,836	-	25,083	-	66,243	-	66,243
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	(56,795)	(56,795)
Bad-Debt Write offs	(560)	(741)	-	(60,147)	-	(61,448)	-	(61,448)
Foreign currency exchange and other changes	(4,240)	9,948	-	20,329	-	26,037	-	26,037
Ending balance	$ 55,738	8,443	-	259,556	-	323,737	72,447	396,184

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

Changes in the book value of receivables are as below:

	For the six months ended June 30, 2019							
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment losses according to IFRS 9 (total)	Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	Total
Beginning balance	$ 20,993,807	1,528,563	-	565,156	-	23,087,526	1,979,415	25,066,941
Changes due to financial instrument recognition：								
Transferred to lifetime expected credit losses	(1,823,619)	1,824,968	-	(1,349)	-	-	-	-
Transferred to credit impaired financial asset	(197)	(37,284)	-	37,481	-	-	-	-
Transferred to 12-months expected credit losses	1,965,622	(1,965,227)	-	(395)	-	-	-	-
Financial assets derecognized during the period	(36,928,013)	(2,229,912)	-	(27,984)	-	(39,185,909)	-	(39,185,909)
New financial assets originated or purchased	33,386,100	1,201,967	-	26,402	-	34,614,469	-	34,614,469
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	2,858,795	2,858,795
Bad-Debt Write offs	(145)	(19)	-	(49,836)	-	(50,000)	-	(50,000)
Foreign currency exchange and other changes	1,535,496	373,972	-	(24,804)	-	1,884,664	-	1,884,664
Ending balance	$ 19,129,051	697,028	-	524,671	-	20,350,750	4,838,210	25,188,960

	For the six months ended June 30, 2018							
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment losses according to IFRS 9 (total)	Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	Total
Beginning balance	$ 14,231,633	2,541,822	-	83,768	-	16,857,223	4,465,265	21,322,488
Changes due to financial instrument recognition：								
Transferred to lifetime expected credit losses	(64,916)	66,101	-	(1,185)	-	-	-	-
Transferred to credit impaired financial asset	(532,203)	(38,111)	-	570,314	-	-	-	-
Transferred to 12-months expected credit losses	927,560	(912,264)	-	(15,296)	-	-	-	-
Financial assets derecognized during the period	(16,191,003)	(3,797,951)	-	(11,064)	-	(20,000,018)	-	(20,000,018)
New financial assets originated or purchased	11,584,850	3,095,632	-	28,567	-	14,709,049	-	14,709,049
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	(1,430,663)	(1,430,663)
Bad-Debt Write offs	(568)	(840)	-	(60,040)	-	(61,448)	-	(61,448)
Foreign currency exchange and other changes	683,785	(16,413)	-	6,381	-	673,753	-	673,753
Ending balance	$ 10,639,138	937,976	-	601,445	-	12,178,559	3,034,602	15,213,161

(Continued)

(i) Assets held-for-sale

	June 30, 2019
Property and equipment	$ 391,275

The Board of Directors authorized the sale of property on June 25, 2019. This disposal is expected to proceed within 12 months, and reclassified to asset held-for-sale under IFRS 5.

(j) Discounts and loans—net

	June 30, 2019	December 31, 2018	June 30, 2018
Bills negotiations and bills and notes discounted	$ 1,007,404	1,283,594	864,820
Short-term loans and overdrafts	44,038,055	42,282,793	46,901,592
Short-term secured loans	8,341,633	6,663,986	7,433,408
Medium-term loans	46,297,431	45,726,084	43,291,404
Medium-term secured loans	2,448,890	3,360,990	3,522,892
Long-term loans	8,842,036	8,342,852	6,439,601
Long-term secured loans	176,282,425	174,162,652	166,458,716
Overdue loans	263,973	429,658	237,559
Subtotal	287,521,847	282,252,609	275,149,992
Add: premium adjustments on discounts and loans	80,839	53,559	18,295
Less: allowance for bad debts	4,738,869	4,821,391	4,703,310
Total	$ 282,863,817	277,484,777	270,464,977

Please refer to note 6(am) for relating information on credit risk and market risk.

As of June 30, 2019, December 31 and June 30, 2018, the Bank's loan with floating rate mentioned above has adopted cross currency swap as the instrument for cash flow hedging in order to reduce the impact of cash flow that was affected by interest rate fluctuation.

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

As of June 30, 2019, December 31 and June 30, 2018, the amounts of outstanding loans with interest charges suspended amounted to $263,973 thousand, $429,658 thousand and $237,559 thousand, respectively. The amounts of interest not accrued derived from the aforementioned loans were $5,424 thousand, $8,102 thousand and $7,059 thousand, respectively.

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

Changes in the allowance for bad debts of discounts and loans are as below:

	For the six months ended June 30, 2019							
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment Losses according to IFRS 9 (total)	Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	Total
Beginning balance	$ 607,739	254,192	-	1,522,134	-	2,384,065	2,437,326	4,821,391
Changes due to financial instrument recognition :								
Transferred to lifetime expected credit losses	(154,741)	173,818	-	(19,077)	-	-	-	-
Transferred to credit impaired financial asset	(1,201)	(171,555)	-	172,756	-	-	-	-
Transferred to 12-months expected credit losses	311,185	(303,083)	-	(8,102)	-	-	-	-
Financial assets derecognized during the period	(82,916)	(126,153)	-	(107,122)	-	(316,191)	-	(316,191)
New financial assets originated or purchased	270,670	17,461	-	55,818	-	343,949	-	343,949
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	329,683	329,683
Bad-Debt Write offs	(114)	(390)	-	(499,082)	-	(499,586)	-	(499,586)
Foreign currency exchange and other changes	(408,993)	491,449	-	(22,833)	-	59,623	-	59,623
Ending balance	$ 541,629	335,739	-	1,094,492	-	1,971,860	2,767,009	4,738,869

	For the six months ended June 30, 2018							
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment Losses according to IFRS 9 (total)	Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	Total
Beginning balance	$ 535,352	344,806	-	1,750,161	-	2,630,319	1,938,503	4,568,822
Changes due to financial instrument recognition :								
Transferred to lifetime expected credit losses	(45,892)	60,282	-	(14,390)	-	-	-	-
Transferred to credit impaired financial asset	(3,600)	(117,429)	-	121,029	-	-	-	-
Transferred to 12-months expected credit losses	326,702	(318,334)	-	(8,368)	-	-	-	-
Financial assets derecognized during the period	(49,213)	(45,445)	-	(111,749)	-	(206,407)	-	(206,407)
New financial assets originated or purchased	177,139	31,707	-	56,119	-	264,965	-	264,965
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	465,508	465,508
Bad-Debt Write offs	(13)	(2,559)	-	(338,869)	-	(341,441)	-	(341,441)
Foreign currency exchange and other changes	(457,913)	276,440	-	133,336	-	(48,137)	-	(48,137)
Ending balance	$ 482,562	229,468	-	1,587,269	-	2,299,299	2,404,011	4,703,310

(Continued)

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

Changes in the book values of discounts and loans are as below:

	For the six months ended June 30, 2019							
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment losses according to IFRS 9 (total)	Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	Total
Beginning balance	$ 270,739,494	6,130,072	-	5,383,043	-	282,252,609		282,252,609
Changes due to financial instrument recognition :								
Transferred to lifetime expected credit losses	(6,552,807)	6,602,763	-	(49,956)	-	-	-	-
Transferred to credit impaired financial asset	(85,091)	(319,125)	-	404,216	-	-	-	-
Transferred to 12-months expected credit losses	5,526,614	(5,455,300)	-	(71,314)	-	-	-	-
Financial assets derecognized during the period	(111,290,675)	(2,355,491)	-	(372,614)	-	(114,018,780)	-	(114,018,780)
New financial assets originated or purchased	135,559,644	1,686,201	-	168,908	-	137,414,753	-	137,414,753
Bad-Debt Write offs	(114)	(390)	-	(499,082)	-	(499,586)	-	(499,586)
Foreign currency exchange and other changes	(16,615,713)	(869,811)	-	(141,625)	-	(17,627,149)	-	(17,627,149)
Ending balance	$ 277,281,352	5,418,919	-	4,821,576	-	287,521,847	-	287,521,847

	For the six months ended June 30, 2018							
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment losses according to IFRS 9 (total)	Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	Total
Beginning balance	$ 253,090,680	8,363,644	-	6,054,347	-	267,508,671		267,508,671
Changes due to financial instrument recognition :								
Transferred to lifetime expected credit losses	(5,474,110)	5,529,290	-	(55,180)	-	-	-	-
Transferred to credit impaired financial asset	(65,285)	(295,507)	-	360,792	-	-	-	-
Transferred to 12-months expected credit losses	5,885,477	(5,833,693)	-	(51,784)	-	-	-	-
Financial assets derecognized during the period	(101,369,420)	(7,541,802)	-	(402,240)	-	(109,313,462)	-	(109,313,462)
New financial assets originated or purchased	124,265,390	4,909,947	-	165,587	-	129,340,924	-	129,340,924
Bad-Debt Write offs	(6)	(2,460)	-	(338,975)	-	(341,441)	-	(341,441)
Foreign currency exchange and other changes	(11,518,571)	(300,417)	-	(225,712)	-	(12,044,700)	-	(12,044,700)
Ending balance	$ 264,814,155	4,829,002	-	5,506,835	-	275,149,992	-	275,149,992

(k) Other financial assets

	June 30, 2019	December 31, 2018	June 30, 2018
Restricted assets-debt instruments	$ 17,652,259	15,145,361	7,054,002
Overdue receivables	7,791	30,327	45,787
Less: allowance for bad debts-overdue receivables	7,791	30,327	45,787
Total	$ 17,652,259	15,145,361	7,054,002

(Continued)

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

Changes in the allowance for bad debts of overdue receivables are as below:

	For the six months ended June 30, 2019							
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment losses according to IFRS 9 (total)	Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	Total
Beginning balance	$ -	-	-	22,879	-	22,879	7,448	30,327
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	(19,307)	(19,307)
Foreign currency exchange and other changes	-	-	-	(3,229)	-	(3,229)	-	(3,229)
Ending balance	$ -	-	-	19,650	-	19,650	(11,859)	7,791

	For the six months ended June 30, 2018							
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment losses according to IFRS 9 (total)	Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	Total
Beginning balance	$ -	-	-	45,213	-	45,213	5,059	50,272
Changes due to financial instrument recognition：								
Financial assets derecognized during the period	-	-	-	(113)	-	(113)	-	(113)
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	10,292	10,292
Bad-Debt Write offs	-	-	-	(15,653)	-	(15,653)	-	(15,653)
Foreign currency exchange and other changes	-	-	-	989	-	989	-	989
Ending balance	$ -	-	-	30,436	-	30,436	15,351	45,787

(l) Property and equipment—net

June 30, 2019	Cost	Accumulated depreciation	Accumulated impairment	Net
Land	$ 2,370,310	-	44,245	2,326,065
Buildings	2,416,855	1,206,415	59,502	1,150,938
Office equipment	347,770	339,271	-	8,499
Leasehold improvements	604,545	470,799	-	133,746
Other equipment	521,869	345,789	-	176,080
Work in progress	63,995	-	-	63,995
Total	$ 6,325,344	2,362,274	103,747	3,859,323

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

December 31, 2018	Cost	Accumulated depreciation	Accumulated impairment	Net
Land	$ 2,653,772	-	83,975	2,569,797
Buildings	2,774,228	1,280,824	59,502	1,433,902
Office equipment	355,850	350,322	-	5,528
Leasehold improvements	607,366	479,402	-	127,964
Other equipment	525,748	347,323	-	178,425
Work in progress	35,441	-	-	35,441
Total	$ 6,952,405	2,457,871	143,477	4,351,057

June 30, 2018	Cost	Accumulated depreciation	Accumulated impairment	Net
Land	$ 2,653,772	-	20,632	2,633,140
Buildings	2,762,338	1,235,161	-	1,527,177
Office equipment	430,913	428,153	-	2,760
Leasehold improvements	584,750	475,297	-	109,453
Other equipment	509,717	357,598	-	152,119
Work in progress	39,086	-	-	39,086
Total	$ 6,980,576	2,496,209	20,632	4,463,735

Change in cost movement:

	January 1, 2019	Increase	Decrease	Reclassify	June 30, 2019
Land	$ 2,653,772	-	140,855	(142,607)	2,370,310
Buildings	2,774,228	-	22,030	(335,343)	2,416,855
Office equipment	355,850	4,600	12,680	-	347,770
Leasehold improvements	607,366	22,755	25,576	-	604,545
Other equipment	525,748	32,411	36,290	-	521,869
Work in progress	35,441	28,554	-	-	63,995
Total	$ 6,952,405	88,320	237,431	(477,950)	6,325,344

	January 1, 2018	Increase	Decrease	Reclassify	June 30, 2018
Land	$ 2,653,772	-	-	-	2,653,772
Buildings	2,776,918	1,595	16,175	-	2,762,338
Office equipment	453,445	798	23,330	-	430,913
Leasehold improvements	640,675	12,337	68,262	-	584,750
Other equipment	449,012	68,821	8,116	-	509,717
Work in process	-	39,086	-	-	39,086
Total	$ 6,973,822	122,637	115,883	-	6,980,576

Change in accumulated depreciation:

	January 1, 2019	Increase	Decrease	Reclassify	June 30, 2019
Buildings	$ 1,280,824	34,296	22,030	(86,675)	1,206,415
Office equipment	350,322	1,629	12,680	-	339,271
Leasehold improvements	479,402	16,973	25,576	-	470,799
Other equipment	347,323	34,757	36,291	-	345,789
Total	$ 2,457,871	87,655	96,577	(86,675)	2,362,274

	January 1, 2018	Increase	Decrease	Reclassify	June 30, 2018
Buildings	$ 1,214,261	37,075	16,175	-	1,235,161
Office equipment	450,650	833	23,330	-	428,153
Leasehold improvements	525,350	18,209	68,262	-	475,297
Other equipment	340,173	25,541	8,116	-	357,598
Total	$ 2,530,434	81,658	115,883	-	2,496,209

The reclassification of cost and accumulated depreciation in the six-month period ended June 30, 2019, was reclassified to assets held-for-sale. Please refer to note 6(i) for futher information.

Change in accumulated impairment:

	January 1, 2019	Increase	Decrease	June 30, 2019
Land	$ 83,975	-	39,730	44,245
Buildings	59,502	-	-	59,502
Total	$ 143,477	-	39,730	103,747

	January 1, 2018	Increase	Decrease	June 30, 2018
Land	$ 20,632	-	-	20,632

(m) Right-of-use assets—net

June 30, 2019	Cost	Accumulated depreciation	Accumulated impairment	Net
Buildings	$ 1,780,472	145,758	-	1,634,714
Transportation	6,450	901	-	5,549
Other equipment	279,467	32,991	-	246,476
Total	$ 2,066,389	179,650	-	1,886,739

Change in cost movement:

	January 1, 2019	Increase	Decrease	Other	June 30, 2019
Buildings	$ 1,710,391	70,903	822	-	1,780,472
Transportation	2,736	4,275	561	-	6,450
Other equipment	279,467	-	-	-	279,467
Total	$ 1,992,594	75,178	1,383	-	2,066,389

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

Change in accumulated depreciation:

	January 1, 2019	Increase	Decrease	Reclassify	June 30, 2018
Buildings	$ -	145,758	-	-	145,758
Transportation	-	1,099	198	-	901
Other equipment	-	32,991	-	-	32,991
Total	$ -	179,848	198	-	179,650

(n) Intangible assets—net

	June 30, 2019	December 31, 2018	June 30, 2018
Goodwill	$ 3,156,048	3,156,048	3,156,048
Other	112,528	101,973	-
Total	$ 3,268,576	3,258,021	3,156,048

Change in intangible assets:

	January 1, 2019	Increase	Decrease	June 30, 2019
Goodwill	$ 3,156,048	-	-	3,156,048
Other	101,973	20,314	9,759	112,528
Total	$ 3,258,021	20,314	9,759	3,268,576

	January 1, 2018	Increase	Decrease	June 30, 2018
Goodwill	$ 3,156,048	-	-	3,156,048

(o) Other assets—net

	June 30, 2019	December 31, 2018	June 30, 2018
Refundable deposits	$ 290,825	260,504	262,643
Refundable deposits－derivative financial instruments	1,258,399	1,180,788	3,248,833
Prepaid fee	230,426	245,768	265,297
Other	22,511	9,506	12,267
Total	$ 1,802,161	1,696,566	3,789,040

As of June 30, 2019, December 31 and June 30, 2018, allowance for impairments of the above debt other assets were $1 thousand, $9 thousand and $76 thousand, respectively, recorded under refundable deposits.

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

Changes in the allowance for impairments of other assets are as below:

	For the six months ended June 30, 2019							
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment losses according to IFRS 9 (total)	Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	Total
Beginning balance	$ 9	-	-	-	-	9	-	9
Changes due to financial instrument recognition:								
Financial assets derecognized during the period	(31)	-	-	-	-	(31)	-	(31)
New financial assets originated or purchased	23	-	-	-	-	23	-	23
Ending balance	$ 1	-	-	-	-	1	-	1

	For the six months ended June 30, 2018							
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment losses according to IFRS 9 (total)	Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	Total
Beginning balance	$ 12	-	-	-	-	12	-	12
Changes due to financial instrument recognition:								
Financial assets derecognized during the period	(218)	-	-	-	-	(218)	-	(218)
New financial assets originated or purchased	282	-	-	-	-	282	-	282
Ending balance	$ 76	-	-	-	-	76	-	76

(p) Deposits from the Central Bank and banks

	June 30, 2019	December 31, 2018	June 30, 2018
Deposits from banks	$ 106,981	109,675	310,331
Deposits from banks—affiliates	7,814	211,519	287,463
Overdrafts on banks	325,592	6,902	4,813
Overdrafts on banks—affiliates	-	45,561	2,737,700
Call loans from banks	-	-	10,572,555
Call loans from banks—affiliates	30,528,834	36,122,616	40,346,633
Total	$ 30,969,221	36,496,273	54,259,495

(q) Payables

	June 30, 2019	December 31, 2018	June 30, 2018
Accounts payable	$ 28,680	17,918	6,342
Accrued interest	489,012	605,832	415,896
Accrued expenses	1,396,263	1,890,062	1,542,334
Collection payable	253,094	63,374	189,984
Unsettled bonds payable	2,918,991	364,726	203,447
Acceptances payable	891,254	1,048,000	293,628
Temporary receipts in advance	63,012	27,318	111,106
Other	807,946	773,519	1,309,739
Total	$ 6,848,252	4,790,749	4,072,476

(r) Deposits and remittances

	June 30, 2019	December 31, 2018	June 30, 2018
Checking accounts deposits	$ 1,953,300	2,271,306	3,034,833
Demand deposits:			
Demand deposits	187,732,850	154,934,454	138,487,836
Saving account deposits	132,795,739	126,343,265	126,419,400
Subtotal of demand deposits	320,528,589	281,277,719	264,907,236
Time deposits:			
Time deposits	171,767,038	195,972,625	162,049,434
Time savings deposits	29,666,933	31,022,509	33,217,916
Subtotal of time deposits	201,433,971	226,995,134	195,267,350
Remittances	101,254	224,109	103,016
Total	$ 524,017,114	510,768,268	463,312,435

(s) Financial debentures

As of June 30, 2019, December 31 and June 30, 2018, details of financial debentures issued by the Bank were as follows:

Bond	Conditions for issuance	June 30, 2019	December 31, 2018	June 30, 2018
91-1A	5 year term, interest accrued and paid semiannually, annual interest rate for the first 3 years is 4.25%, and 4.5% for the last 2 years; maturity date: July 19, 2007	$ 1,000	1,000	1,000
94-1	No maturity date, interest accrued and paid semiannually, based on the average one year regular floating rate of the nine largest banks plus 1.493%	1,100	1,100	1,100
94-2	No maturity date, interest accrued and paid semiannually, based on the average one year regular floating rate of the nine largest banks plus 1.493%	100	100	100

(Continued)

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Bond	Conditions for issuance	June 30, 2019	December 31, 2018	June 30, 2018
100-4D	10 year term, interest accrued and paid quarterly, TWD 90 day CP interest rate plus 0.15% and TWD 90 day TIBOR interest rate plus 0.15% from March 29, 2015 ; maturity date: June 29, 2021	$ 2,000,000	2,000,000	2,000,000
103-2	10 year term, USD based, interest accrued and paid semiannually, annual rate is 4.50%; maturity date: December 18, 2024	6,215,243	6,147,471	6,100,100
Total		$ 8,217,443	8,149,671	8,102,300

(t) Other financial liabilities

	June 30, 2019	December 31, 2018	June 30, 2018
Structured deposits	$ 774,345	329,190	1,641,978

(u) Provisions

	June 30, 2019	December 31, 2018	June 30, 2018
Provision for employee benefits	$ 1,324,802	1,347,503	1,355,797
Provision for decommissioning, restoration and rehabilitation cost	144,531	149,273	155,299
Provision for guarantee liability	39,210	48,392	33,933
Provision for loan commitment	24,495	48,549	29,374
Other miscellaneous provisions	522	118	-
Other	7,895	7,896	11,850
Total	$ 1,541,455	1,601,731	1,586,253

The movements of book values of guarantee liability, loan commitment and other miscellaneous provisions are disclosed below:

	For the six months ended June 30, 2019							
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment losses according to IFRS 9 (total)	Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	Total
Beginning balance	$ 48,721	558	-	-	-	49,279	47,780	97,059
Changes due to financial instrument recognition：								
Transferred to lifetime expected credit losses	(900)	900	-	-	-	-	-	-
Transferred to 12-months expected credit losses	714	(714)	-	-	-	-	-	-
Financial assets derecognized during the period	(38,568)	(349)	-	(3)	-	(38,920)	-	(38,920)
New financial assets originated or purchased	33,467	273	-	3	-	33,743	-	33,743
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	(9,408)	(9,408)
Foreign currency exchange and other changes	(23,145)	4,898	-	-	-	(18,247)	-	(18,247)
Ending balance	$ 20,289	5,566	-	-	-	25,855	38,372	64,227

(Continued)

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

	For the six months ended June 30, 2018							
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment losses according to IFRS 9 (total)	Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	Total
Beginning balance	$ 50,248	49,581	-	-	-	99,829	60,915	160,744
Changes due to financial instrument recognition :								
Transferred to lifetime expected credit losses	(2,694)	2,694	-	-	-	-	-	-
Transferred to 12-months expected credit losses	47,925	(47,925)	-	-	-	-	-	-
Financial assets derecognized during the period	(20,062)	(498)	-	-	-	(20,560)	-	(20,560)
New financial assets originated or purchased	26,043	90	-	-	-	26,133	-	26,133
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	(27,837)	(27,837)
Foreign currency exchange and other changes	(74,187)	(986)	-	-	-	(75,173)	-	(75,173)
Ending balance	$ 27,273	2,956	-	-	-	30,229	33,078	63,307

(v) Lease liabilities

The followings are lease liabilities of the Bank

	June 30, 2019		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than on year	$ 379,128	35,918	343,210
Between one and five years	1,133,830	81,442	1,052,388
More than five years	462,076	13,114	448,962
	$ 1,975,034	130,474	1,844,560

The amounts recognized in profit or loss were as follows:

	For the six months ended June 30, 2019
Interest on lease liabilities	$ 19,730
Income from sub-leasing right-of-use assets	$ 1,553
Expenses relating to short-term leases	$ 25,378
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 288

The amount recognized in the statement of cash flows was as follows:

	For the six months ended June 30, 2019
Payment of lease liabilities	$ 260,630

(i) Real estate leases

For the six months ended June 30, 2019, The Bank leases buildings for its office space and branches. The leases of office space and branches typically run for a period of 5 to 10 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(ii) Other leases

The Bank leases other equipment and parking spaces, with lease terms of 1 to 5 years. These leases are short-term and leases of low-value items. The Bank has elected not to recognize right-of-use assets and lease liabilities for these leases.

(w) Other liabilities

	June 30, 2019	December 31, 2018	June 30, 2018
Advance received from customers	$ 1,710,484	1,820,623	1,932,244
Refundable deposits—derivatives financial instruments	3,407,418	1,317,955	2,389,782
Tax payable	464,474	451,572	588,463
Deferred income	205,774	185,449	148,979
Guarantee deposits received	20,165	24,775	26,970
Other	251,143	274,792	747,926
Total	$ 6,059,458	4,075,166	5,834,364

(x) Employee benefits

(i) Defined contribution plan

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

For the six months ended June 30, 2019 and 2018, the pension expense under defined contribution plan of the Bank amounted to $81,215 thousand and $80,430 thousand, respectively, recorded under operating expenses—employee benefits expense.

(ii) Provision for employee benefits

1) Defined benefit plan

	June 30, 2019	December 31, 2018	June 30, 2018
Defined benefit plan	$ 1,324,802	1,347,503	1,355,797

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

2) Cost recognized as profit or loss

For the six months ended June 30, 2019 and 2018, the cost recognized as profit or loss were $33,013 thousand and $38,299 thousands, respectively, recorded under operating expenses—employee benefits expense.

3) Primary actuarial assumptions

	For the six months ended June 30 2019	2018
Defined benefit plan discount rate	0.70 %	0.90 %
Incremental rate of future compensation levels	3.00 %	3.00 %

(y) Income tax

The Bank adopts a 20% statutory tax rate and calculates the basic income tax based on the Income Basic Tax Act.

The income tax expense and related accounts were as follows:

	For the six months ended June 30	
	2019	2018
Current income tax expense	$ 6,993	7,553
Deferred income tax expense	312,195	235,258
Income tax expense	$ 319,188	242,811

As of June 30, 2019, December 31 and June 30, 2018, the current tax assets of the Bank amounted to $294,430 thousand, $448,497 thousand and $388,997 thousand, respectively, and the current tax liabilities of the Bank amounted to $50,589 thousand, $18,611 thousand and $8,646 thousand, respectively.

(Continued)

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Notes to the Financial Statements

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

	For the six months ended June 30	
	2019	2018
Income tax from profit before tax at statutory rate	$ 398,028	385,998
Permanent difference	(84,149)	(14,117)
Prior-year income tax adjustments	(183)	(1,093)
Undistributed earnings additional tax	3,929	-
Basic income tax	46,660	8,646
Other adjustments per tax regulation	(45,097)	(136,623)
Income tax expense	$ 319,188	242,811

The components of tax expense (benefit) recognized as other comprehensive income were as follows:

	For the six months ended June 30	
	2019	2018
Components of other comprehensive income that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	$ 170	1,412
Components of other comprehensive inocme that will be reclassified to profit or loss		
Unrealized losses (gains) on financial assets measured at fair value through other comprehensive income	740	(1,603)
Losses (gains) on hedging instrument	19,653	1,285
Total	$ 20,393	(318)

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

	For the six months ended June 30	
	2019	2018
Bad debt expense and guarantee liability provision	$ (3,235)	(83,530)
Depreciation expense	(566)	(6,984)
Impairment loss on assets	-	(6,088)
Expenses from share-based payments	(1,816)	(5,990)
Employee benefits	4,370	(36,464)
Provisions	10,959	(231)
Loss carryforwards	295,689	236,694
Unrealized interest income on financial assets	6,794	21,077
Amortization of goodwill	-	116,774
	$ 312,195	235,258

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The Bank's temporary difference of deferred tax components, based on the income tax rate for June 30, 2019, December 31 and June 30, 2018 were as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Deferred tax assets:			
Bad debt expense and guarantee liability provision	$ 445,043	441,808	421,777
Depreciation expense	36,097	35,531	35,976
Impairment loss on assets	11,901	11,901	40,588
Expenses from share-based payments	47,629	45,813	45,813
Employee benefits	264,958	269,498	271,157
Provisions	7,659	18,618	15,943
Loss carryforwards	471,179	766,868	542,486
Unrealized loss on financial assets measured at fair value through other comprehensive income	4,511	4,608	3,445
Loss on hedging instruments	-	2,036	961
Total	$ 1,288,977	1,596,681	1,378,146
Deferred tax liabilities:			
Unrealized interest income on financial assets	$ 118,865	112,071	98,181
Amortization of goodwill	618,585	618,585	599,649
Land value increment tax	77,212	120,468	120,468
Unrealized gain on financial assets measured at fair value through other comprehensive income	1,228	819	1,497
Gain on hedging instruments	17,617	-	-
Total	$ 833,507	851,943	819,795

The movements of deferred tax items were as follows:

	For the six months ended June 30	
	2019	2018
Beginning balance	$ 744,738	806,535
The adjustment of beginning balance due to IFRS 9	-	(11,832)
Land value increment tax	43,256	-
Recognized in current period profit and loss	(312,195)	(235,258)
Recognized in other comprehensive income	(20,563)	(1,094)
Ending balance	$ 455,236	558,351

The income tax returns of the prior years have been assessed up to the year 2017.

(Continued)

(z) Stockholders' equity

(i) Capital

As of June 30, 2019, the Bank's authorized capital was $30,000,000 thousand, representing 3,000,000 thousand shares with par value of NTD 10 per share; paid-in capital is $29,105,720 thousand and $2,910,572 thousand of shares issued.

(ii) Capital surplus

The R.O.C. Company Act as amended in January 2012 requires capital surplus to be used to offset an accumulated deficit before capitalization to shareholders' equity as realized capital surplus or distribution of cash dividends. The aforementioned realized capital surplus includes the proceeds received in excess of the par value of common stock issued and any amounts donated to the Bank. In accordance with "Regulations Governing the Offering and Issuance of Securities", the amount of capital surplus capitalized each year may not exceed 10 percent (10%) of the Bank's issued share capital.

(iii) Legal reserve

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

(iv) Special reserve

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

In 2019, due to a disposal of assets mentioned above by the Bank, the proportional amount of the special reserve resulted from the first time adoption of IFRS was reversed and increased unappropriated retained earnings amounted to $72,954 thousand.

(Continued)

In accordance with Jin Guan Yin Fa Zhi No. 10510001510 issued by the Financial Supervisory Commission dated May 25, 2016, public banks shall appropriate special reserves between 0.5%~1% of their net profit after tax while distributing the earnings for the fiscal years 2016-2018 in response to the development of financial technology in order to protect the rights and interests of bank practitioners. The board of directors, representing the shareholders, approved the appropriation of special reserves amounting to $13,617 thousands and $10,976 thousands at 0.5% of the net profit after tax on June 25, 2019 and June 26, 2018.

(v) Other equity interest

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

	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Total
January 1, 2019	$ 52,269	(8,145)	44,124
Gains (losses) on hedging instruments	-	78,614	78,614
Financial assets at fair value through other comprehensive income			
— Valuation adjustment	(16,244)	-	(16,244)
June 30, 2019	$ 36,025	70,469	106,494

	Unrealized gains (losses) on available-for-sale financial assets	Gains (loss) on effective portion of cash flow hedges	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Total
January 1, 2018	$ 64,612	(10,967)	-	-	53,645
Effects of retrospective application	(64,612)	10,967	5,969	(10,967)	(58,643)
Balance at January 1, 2018 after adjustment	-	-	5,969	(10,967)	(4,998)
Gains (losses) on hedging instruments	-	-	-	7,123	7,123
Financial assets at fair value through other comprehensive income					
— Valuation adjustment	-	-	47,808	-	47,808
June 30, 2018	$ -	-	53,777	(3,844)	49,933

(vi) Dividend policy and appropriation of earnings

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

On June 25, 2019 and June 26, 2018, the board of directors, representing shareholders, approved the distribution of retained earnings and distributed cash dividends for 2018 and 2017 were as follows:

		2018	2017
Legal reserve appropriated	$	817,026	658,542
Special reserve appropriated		13,617	10,976
Cash dividends of ordinary share		1,847,467	1,438,793
Total	$	2,678,110	2,108,311

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

(aa) Share-based payments

The SC PLC Group operates a number of share-based arrangements for its executive directors and employees. For the six months ended June 30, 2019 and 2018, the share-based payment schemes adopted by the Bank were as follows:

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

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

The option movements of the AESP were as follows:

	For the six months ended June 30	
	2019 Units	2018 Units
Beginning balance	347,025	324,523
Less: exercised	90,941	-
lapsed	33,944	50,150
Ending balance	222,140	274,373

For the six months ended June 30, 2019 and 2018, the costs of the AESP charged to profits or losses were $1,896 thousand and $2,379 thousand, respectively, recorded under operating expenses—employee benefits expense.

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

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

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

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

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

The option movements of the RSA were as follows:

	For the six months ended June 30	
	2019 Units	**2018 Units**
Beginning balance	105,959	141,483
Add: granted	61,681	37,505
dividend	911	577
Less: exercised	52,859	50,350
lapsed	896	16,781
Ending balance	**114,796**	**112,434**

For the six months ended June 30, 2019 and 2018, the costs of the RSA charged to profits or losses were $5,927 thousand and $13,189 thousand, respectively, recorded under operating expenses—employee benefits expense.

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

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

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

	For the six months ended June 30	
	2019 Units	**2018 Units**
Beginning balance	836	4,580
Less: exercised	-	2,859
lapsed	-	885
Ending balance	**836**	**836**

For the six months ended June 30, 2019 and 2018, the costs of the PSA (PSP) charged to profits or losses were $84 thousand and $62 thousand, respectively, recorded under operating expenses—employee benefits expense.

(Continued)

(iv) Long-term Incentive Plan Awards

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

The option movements of the LTIP were as follows:

	For the six months ended June 30	
	2019 Units	**2018 Units**
Beginning balance	52,090	51,263
Add: granted	486	487
Less: exercised	14,326	-
lapsed	3,903	-
Ending balance	34,347	51,750

For the six months ended June 30, 2019 and 2018, no related cost of stock warrants was recorded.

For the six months ended June 30, 2019 and 2018, the vesting of awards granted is subject to the satisfaction of RoE (subject to a capital underpin) and relative TSR performance measures and achievement of a strategic scorecard. The fair value of the TSR component is calculated using the probability of meeting the measures over a three year performance period, using a Monte Carlo simulation model. The number of shares expected to vest is evaluated at each reporting date, based on the expected performance against the RoE and strategic measures in the scorecard, to determine the accounting charge.

(v) Upfront Shares Awards (UFSA)

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

For the six months ended June 30, 2019 and 2018, the cost of the UFSA reversed and charged to profits or losses were $11 thousand and $5,918 thousand, respectively, recorded under operating expenses—employee benefits expense.

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(ab) Earnings per share

	For the six months ended June 30	
	2019	2018
Net income attributable to common stockholders (after tax)	$ 1,670,954	1,687,178
Common stock (in thousands)	$ 2,910,572	2,910,572
Basic EPS (in dollars)	$ 0.57	0.58

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

(ac) Net interest income

	For the six months ended June 30	
	2019	2018
Interest income		
Interest income, discounts and loans	$ 3,597,496	3,393,800
Interest income, accounts receivable factoring	152,727	78,500
Interest income, due from banks	895,615	797,390
Interest income, investment securities	463,928	444,924
Interest income, credit card recurrence	102,880	113,384
Interest income, other	528,874	68,661
Subtotal	5,741,520	4,896,659
Interest expense		
Interest expense, deposits	3,348,551	1,881,480
Interest expense, due to banks	194,413	637,423
Interest expense, financial debentures	148,393	159,298
Lease liabilities	19,730	-
Interest expense, other	22,222	17,971
Subtotal	3,733,309	2,696,172
Total	$ 2,008,211	2,200,487

(ad) Net service fee income

	For the six months ended June 30	
	2019	2018
Service fee		
Service fee, loan	$ 77,407	119,730
Service fee, agency	2,557	2,553
Service fee, insurance commission	990,669	955,460
Service fee, remittance and interbank	51,324	51,738
Service fee, guarantee, import, export and acceptance payable	31,552	30,209
Service fee, credit card	98,323	60,251
Service fee, trust	1,138,820	1,253,293
Service fee, factoring	6,462	3,695
Service fee, underwriting	137,927	181,082
Service fee, other	135,080	100,921
Subtotal	2,670,121	2,758,932

(Continued)

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		For the six months ended June 30	
		2019	2018
Service charge			
Service charge, interbank	$	77,102	76,451
Service charge, agency		77,282	63,338
Service charge, custodian		58,856	73,581
Service charge, other		83,120	88,010
Subtotal		296,360	301,380
Total	$	2,373,761	2,457,552

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

		For the six months ended June 30	
		2019	2018
Gain on disposal			
Interest-rate instruments	$	18,894	2,382
Derivative financial instruments		65,373	196,310
Subtotal		84,267	198,692
Gain on valuation			
Interest-rate instruments		7,098	668
Derivative financial instruments		3,155,939	1,779,340
Subtotal		3,163,037	1,780,008
Interest income		25,365	23,250
Total	$	3,272,669	2,001,950

(af) Realized gain on financial assets at fair value through other comprehensive income

		For the six months ended June 30	
		2019	2018
Dividend income - equity instruments	$	110	247
Profit on sale - debt instruments		6,378	10,814
Total	$	6,488	11,061

(ag) Net other non-interest income

		For the six months ended June 30	
		2019	2018
Administrative support service income	$	1,631	1,587
Net gain on disposal of assets		28,042	-
Rental income		4,185	3,402
Net (loss) gain on fair value hedge		(1,139)	328
Other		216	(1,926)
Total	$	32,935	3,391

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(ah) Impairment loss and reversal of impairment loss on assets

	For the six months ended June 30	
	2019	2018
Impairment loss—debt instruments	$ 1,210	806
Impairment loss (reversal of impairment loss)—other	(37)	2,500
Total	$ 1,173	3,306

(ai) Bad debt expense, commitments and guarantee liability provision

	For the six months ended June 30	
	2019	2018
Bad debt expense	$ 266,883	295,830
Reversal of guarantee liabilities	(9,184)	(378)
Reversal of loan commitment	(24,317)	(96,330)
Other provision	402	-
Total	$ 233,784	199,122

(aj) Employee benefits expense

	For the six months ended June 30	
	2019	2018
Salary expense	$ 2,231,280	2,216,510
Employee insurance	162,495	158,718
Pension		
Defined contribution plan	81,215	80,430
Defined benefit plan	33,013	38,299
Other	71,041	125,315
Total	$ 2,579,044	2,619,272

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

The accrued employee's remuneration of the Bank for the six months ended June 30, 2019 and 2018 were $199 thousand and $193 thousand, respectively, recorded under operating expenses—employee benefits expense. Any difference between the actual and estimated distributed bonus in 2020 shall be treated as changes in accounting estimates and recognized as profit or loss in 2020.

The accrued employee's remuneration of the Bank for the year ended December 31, 2018 and 2017 were $281 thousand and $259 thousand, recorded under operating expenses— employee benefits expense, with no difference between the actual and estimated distributed bonus. Relevant information can be accessed through Market Observation Post System.

For the six months ended June 30, 2019 and 2018, the average numbers of the Bank's employees were 3,138 and 3,196, of which the number of directors who had not served concurrently as employees were 5 and 6, respectively.

(ak) Depreciation and amortization expenses

	For the six months ended June 30	
	2019	**2018**
Depreciation expense		
Buildings	$ 34,296	37,075
Office equipment	1,629	833
Leasehold improvements	16,973	18,209
Other equipment	34,757	25,541
Right-of-use assets	179,848	-
Subtotal	267,503	81,658
Amortization expense	9,759	-
Total	$ 277,262	81,658

(al) Other general and administrative expenses

	For the six months ended June 30	
	2019	**2018**
Rental expense	$ 31,981	200,400
Office supplies	37,819	38,028
Postage	99,373	103,502
Repairs and maintenance	6,051	93,273
Advertising expense	57,353	91,252
Utilities fee	28,771	30,356
Taxes	232,685	316,549
Professional service fee	41,114	38,663
Operational and advisory service fee	489,541	474,056
Consulting and technical support service fee	314,649	210,274
Wholesale banking business service fee	41,009	60,729
Building management fee	78,142	58,609
Computer management fee	140,573	165,885
Director's remuneration	4,125	4,125
Other	232,362	297,138
Total	$ 1,835,548	2,182,839

(am) Disclosure of financial instruments

(i) Financial instruments measured at fair value

1) Valuation of financial instruments measured at fair value:

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

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

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

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

3) The definition of fair value hierarchy of financial instruments measured at fair value

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

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

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

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

iii) Fair value determined based on a valuation model. Inputs for the model (for example, interest rates, yield curves, volatilities, etc.) can be observed from the market (these observable inputs are obtained from market information, and when they are being used in the model, the resulting valuation for the asset or liability shall represent prices anticipated by the market participants).

iv) Inputs are derived principally from or corroborated by observable market data by correlation or other means.

c) Level 3 means to measure the fair value of the input parameters are not based on observable market data (inputs which are unobservable). For example, the option pricing model with historical volatility cannot represent the expectation of future volatility for the overall market participant.

4) Fair value hierarchy information of financial instruments measured at fair value:

Financial instruments at fair value	June 30, 2019 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss				
Debt instruments	$ 8,331,268	-	8,331,268	-
Financial assets at fair value through other comprehensive income				
Debt instruments	155,529,605	-	155,529,605	-
Equity instruments	341,819	-	-	341,819
Other financial assets—net				
Restricted assets—debt instruments	17,652,259	-	17,652,259	-
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	10,426,199	13,813	10,412,386	-
Financial assets for hedging	1,025,979	-	1,025,979	-
Liabilities:				
Financial liabilities at fair value through profit or loss	8,655,103	13,860	8,641,243	-
Financial liabilities for hedging	11,604	-	11,604	-

Financial instruments at fair value	December 31, 2018 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss				
Debt instruments	$ 8,535,034	-	8,535,034	-
Financial assets at fair value through other comprehensive income				
Debt instruments	162,108,041	-	162,108,041	-
Equity instruments	387,042	-	-	387,042
Other financial assets—net				
Restricted assets-debt instruments	15,145,361	-	15,145,361	-
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	7,796,394	113,032	7,683,362	-
Financial assets for hedging	247,374	-	247,374	-
Liabilities:				
Financial liabilities at fair value through profit or loss	8,105,768	151,895	7,953,873	-
Financial liabilities for hedging	8,518	-	8,518	-

(Continued)

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Financial instruments at fair value	June 30, 2018 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments:				
Assets:				
Financial assets at fair value through profit or loss				
Debt instruments	$ 8,494,363	-	8,494,363	-
Financial assets at fair value through other comprehensive income				
Debt instruments	168,734,218	-	168,734,218	-
Equity instruments	369,499	-	-	369,499
Other financial assets－net				
Restricted assets－debt instruments	7,054,002	-	7,054,002	-
Derivative financial instruments:				
Assets:				
Financial assets at fair value through profit or loss	18,263,549	68,819	18,194,730	-
Financial assets for hedging	97,307	-	97,307	-
Liabilities:				
Financial liabilities at fair value through profit or loss	14,246,467	25,217	14,221,250	-
Financial liabilities for hedging	15,217	-	15,217	-

5) For the six months ended June 30, 2019 and 2018, the Bank did not have any transfer of financial assets measured at fair value between Level 1 and Level 2.

6) The table shows the changes for financial assets measured at fair value classified as Level 3:

Name	For the six months ended June 30, 2019 Beginning balance	Profit	Other comprehensive income	Purchased or issued	Transferred out from level 3	Ending balance
Financial assets at fair value through other comprehensive income－equity instruments	$ 387,042	-	(45,223)	-	-	341,819

Name	For the six months ended June 30, 2018 Beginning balance	Profit	Other comprehensive income	Purchased or issued	Transferred out from level 3	Ending balance
Financial assets at fair value through other comprehensive income－equity instruments	$ 266,682	-	102,817	-	-	369,499

7) For fair value of Level 3, the sensitivity analysis of value based reasonable possible substitution assumption.

The Bank is measurement of financial instruments at fair value was reasonable. Only when using different models of valuations would the results of the valuations be different.

Level 3 financial instruments of the Bank is non-listed equity investment, and sensitivity analysis was conducted for those equity investments. Below are the valuation techniques and the range of reasonable changes for the material unobservable inputs that the Bank applied. The impact to other comprehensive income under this assumption is describe below:

	Fair value changes reflected in profit or loss of the period		Fair value changes reflected on other comprehensive income	
	Beneficial changes	Adverse changes	Beneficial changes	Adverse changes
June 30, 2019				
Financial assets at fair value through other comprehensive income equity instruments	-	-	30,984	(24,785)
December 31, 2018				
Financial assets at fair value through other comprehensive income equity instruments	-	-	47,807	(35,165)
June 30, 2018				
Financial assets at fair value through other comprehensive income equity instruments	-	-	38,223	(29,401)

8) The quantitative information on significant unobservable inputs (Level 3) used in the fair value measurement

	June 30, 2019				
Item	Fair value	Valuation technique	Material unobservable inputs	Reasonable change range	Correlation between input and fair value
Financial asset at fair value through other comprehensive income-equity instruments	43,197	Net asset value approach	Net asset value	-0.10%~0.10%	The higher the net asset value, the higher the fair value
	257,322	Income approach	Discount rate sustainable growth rate	Discount rate is 8.07%~10.07% Sustainable growth rate is -0.10%~1.43%	The higher the discount rate the lower the fair value. The higher the sustainable growth rate, the higher the fair value
	41,300	Asset approach	Unlisted marketability discount	19.88%~29.88%	The higher the unlisted marketability discount rate, the lower the fair value

	December 31, 2018				
Item	Fair value	Valuation technique	Material unobservable inputs	Reasonable change range	Correlation between input and fair value
Financial asset at fair value through other comprehensive income-equity instruments	42,767	Net asset value approach	Net asset value	-0.10%~0.10%	The higher the net asset value, the higher the fair value
	302,675	Income approach	Discount rate sustainable growth rate	Discount rate is 6.25%~8.25% Sustainable growth rate is -0.10%~1.17%	The higher the discount rate the lower the fair value. The higher the sustainable growth rate, the higher the fair value
	41,600	Asset approach	Unlisted marketability discount	19.66%~29.66%	The higher the unlisted marketability discount rate, the lower the fair value

Item	June 30, 2018 Fair value	Valuation technique	Material unobservable inputs	Reasonable change range	Correlation between input and fair value
Financial asset at fair value through other comprehensive income-equity instruments	42,853	Net asset value approach	Net asset value	-0.10%~0.10%	The higher the net asset value, the higher the fair value
	283,496	Income approach	Discount rate sustainable growth rate	Discount rate is 6.98%~8.98% Sustainable growth rate is -0.10%~0.10%	The higher the discount rate the lower the fair value. The higher the sustainable growth rate, the higher the fair value
	43,150	Asset approach	Unlisted marketability discount	16.03%~26.03%	The higher the unlisted marketability discount rate, the lower the fair value

9) The valuation procedure of fair value attributed to Level 3

The fair value of the level 3 financial instruments of the Bank are valued by independent departments and external specialists. Appropriate valuation methods are applied according to the underlying characteristics and data collections. The applied valuation model and related inputs are in accordance with that of the market and the basic principles that the industry approves. The Bank checks the valuation model on a periodic basis. When necessary, the Bank will calibrate and adjust accordingly to ensure the reasonableness of the valuation results, and that they are in line with the market condition.

(ii) Financial instruments measured at amortized cost

1) Valuation of financial instruments measured at amortized cost:

a) Non derivative short term financial assets and liabilities with short maturity dates, including cash and cash equivalents, receivables— net, payables, related parties payable and other financial liabilities, the fair values are the amounts those carried.

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

c) Debt instrument investment measured at amortized cost: for investment debts that have directly observable market values available, debts are valued using inputs proxied from the same or closely related or inputs proxied from a different underlying. Certain instruments cannot be proxied as set out above, and in such cases the positions are valued using non-market observable inputs. The fair value for such instruments is usually proxied from internal assessments of the underlying cash flows.

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

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

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

g) Financial debentures payables – net: the aggregate fair values are calculated based on quoted market prices. For those notes which quoted market prices are not available, a discounted cash flow model is used based on a current market related yield curve appropriate for the remaining term to maturity. The fair value of subordinated debt is estimated based on its book value on the balance sheet.

2) Fair value of financial instruments measured at amortized cost:

	June 30, 2019	
Financial assets	**Book value**	**Fair value**
Cash and cash equivalents	$ 22,516,989	22,518,000
Due from the Central Bank and call loans to banks	99,930,646	99,933,911
Debt instrument investment measured at amortized cost	1,933,133	1,944,284
Securities purchased under resell agreements and debt instruments	3,764,637	4,077,959
Receivables – net	24,754,536	24,754,536
Discounts and loans – net	282,863,817	280,500,017

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Financial assets	December 31, 2018 Book value	Fair value
Cash and cash equivalents	$ 23,637,632	23,637,707
Due from the Central Bank and call loans to banks	81,627,972	81,631,061
Debt instrument investment measured at amortized cost	1,937,067	1,939,404
Securities purchased under resell agreements and debt instruments	11,738,716	12,516,158
Receivables—net	24,576,560	24,576,560
Discounts and loans—net	277,484,777	277,955,177

Financial assets	June 30, 2018 Book value	Fair value
Cash and cash equivalents	$ 18,765,683	18,772,682
Due from the Central Bank and call loans to banks	84,025,675	84,074,894
Securities purchased under resell agreements and debt instruments	3,329,259	3,529,300
Receivables—net	14,816,977	14,816,977
Discounts and loans—net	270,464,977	270,638,116

Financial liabilities	June 30, 2019 Book value	Fair value
Deposits from the Central Bank and banks	$ 30,969,221	30,969,325
Payables	6,848,252	6,848,252
Related parties payable	7,007,398	7,007,398
Deposits and remittances	524,017,114	524,210,630
Financial debentures	8,217,443	8,217,443
Other financial liabilities	774,345	774,345

Financial liabilities	December 31, 2018 Book value	Fair value
Deposits from the Central Bank and banks	$ 36,496,273	36,496,543
Payables	4,790,749	4,790,749
Related parties payable	6,231,122	6,231,122
Deposits and remittances	510,768,268	510,505,914
Financial debentures	8,149,671	8,149,671
Other financial liabilities	329,190	329,190

Financial liabilities	June 30, 2018 Book value	Fair value
Deposits from the Central Bank and banks	$ 54,259,495	54,302,116
Payables	4,072,476	4,072,476
Related parties payable	9,514,945	9,514,945
Deposits and remittances	463,312,435	463,041,948
Financial debentures	8,102,300	8,102,300
Other financial liabilities	1,641,978	1,641,978

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3) Fair value hierarchy information of financial instruments measured at amortized cost:

Financial instruments measured at amortized cost	June 30, 2019				
	Book value	Fair value			
		Level 1	Level 2	Level 3	Total
Assets:					
Cash and cash equivalents	$ 22,516,989	-	22,518,000	-	22,518,000
Due from the Central Bank and call loans to banks	99,930,646	-	99,933,911	-	99,933,911
Debt instrument investment measured at amortized cost	1,933,133	-	1,944,284	-	1,944,284
Securities purchased under resell agreements and debt instruments	3,764,637	-	4,077,959	-	4,077,959
Receivables—net	24,754,536	-	24,754,536	-	24,754,536
Discounts and loans—net	282,863,817	-	-	280,500,517	280,500,517
Liabilities:					
Deposits from the Central Bank and call loans to banks	30,969,221	-	30,969,325	-	30,969,325
Payables	6,848,252	-	6,848,252	-	6,848,252
Related parties payables	7,007,398	-	7,007,398	-	7,007,398
Deposits and remittances	524,017,114	-	524,210,630	-	524,210,630
Financial debentures	8,217,443	-	8,217,443	-	8,217,443
Other financial liabilities	774,345	-	774,345	-	774,345

Financial instruments measured at amortized cost	December 31, 2018				
	Book value	Fair value			
		Level 1	Level 2	Level 3	Total
Assets:					
Cash and cash equivalents	$ 23,637,632	-	23,637,707	-	23,637,707
Due from the Central Bank and call loans to banks	81,627,972	-	81,631,061	-	81,631,061
Debt instrument investment measured at amortized cost	1,937,067	-	1,939,404	-	1,939,404
Securities purchased under resell agreements and debt instruments	11,738,716	-	12,516,158	-	12,516,158
Receivables—net	24,576,560	-	24,576,560	-	24,576,560
Discounts and loans—net	277,484,777	-	-	277,955,177	277,955,177
Liabilities:					
Deposits from the Central Bank and call loans to banks	36,496,273	-	36,496,543	-	36,496,543
Payables	4,790,749	-	4,790,749	-	4,790,749
Related parties payables	6,231,122	-	6,231,122	-	6,231,122
Deposits and remittances	510,768,268	-	510,505,914	-	510,505,914
Financial debentures	8,149,671	-	8,149,671	-	8,149,671
Other financial liabilities	329,190	-	329,190	-	329,190

Financial instruments measured at amortized cost	June 30, 2018				
	Book value	Fair value			
		Level 1	Level 2	Level 3	Total
Assets:					
Cash and cash equivalents	$ 18,765,683	-	18,772,682	-	18,772,682
Due from the Central Bank and call loans to banks	84,025,675	-	84,074,894	-	84,074,894
Securities purchased under resell agreements and debt instruments	3,329,259	-	3,529,300	-	3,529,300
Receivables—net	14,816,977	-	14,816,977	-	14,816,977
Discounts and loans—net	270,464,977	-	2,500,000	268,138,116	270,638,116
Liabilities:					
Deposits from the Central Bank and banks	54,259,495	-	54,302,116	-	54,302,116
Payables	4,072,476	-	4,072,476	-	4,072,476
Related parties payables	9,514,945	-	9,514,945	-	9,514,945
Deposits and remittances	463,312,435	-	463,041,948	-	463,041,948
Financial debentures	8,102,300	-	8,102,300	-	8,102,300
Other financial liabilities	1,641,978	-	1,641,978	-	1,641,978

(Continued)

(iii) Information on financial risk

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

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

1) Market risk

a) Strategy and procedure of market risk management

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

b) Market risk management organization and structure

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

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

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

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

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

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

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

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

	For the six months ended June 30					
	2019			2018		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Foreign exchange VaR	$ 3,708	10,356	791	3,710	7,017	1,228
Interest rate VaR	48,052	59,503	42,420	44,592	50,330	39,553
Total VaR	48,225	59,662	42,811	44,760	50,376	39,649

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

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

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

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

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

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

e) Method used for regulatory capital calculation

Standardized Approach / Delta-Plus for Options.

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f) Exchange rate risk exposure information

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

	June 30, 2019				December 31, 2018		
	Foreign currency	Exchange rate	NTD		Foreign currency	Exchange rate	NTD
Long position				Long position			
USD	$ 19,069,535	31.076	592,608,966	USD	23,149,484	30.737	711,553,944
CNY	16,254,412	4.528	73,606,641	CNY	16,210,757	4.478	72,589,986
EUR	1,293,399	35.368	45,744,495	AUD	900,380	21.673	19,513,515
AUD	949,982	21.790	20,700,038	JPY	59,150,194	0.278	16,443,030
JPY	60,108,833	0.288	17,335,515	EUR	412,901	35.187	14,528,563
Short position				Short position			
USD	19,015,656	31.076	590,934,588	USD	23,122,966	30.737	710,738,859
CNY	16,211,276	4.528	73,411,306	CNY	16,195,736	4.478	72,522,726
EUR	1,307,217	35.368	46,233,197	AUD	896,241	21.673	19,423,819
AUD	949,839	21.790	20,696,913	JPY	58,640,679	0.278	16,301,391
JPY	60,046,965	0.288	17,317,672	EUR	425,934	35.187	14,987,140

	June 30, 2018		
	Foreign currency	Exchange rate	NTD
Long position			
USD	$ 19,523,200	30.501	595,467,370
CNY	7,341,201	4.611	33,850,153
EUR	702,703	35.461	24,918,518
JPY	81,917,465	0.275	22,565,750
HKD	2,861,610	3.888	11,124,564
Short position			
USD	19,477,311	30.501	594,067,714
CNY	7,309,066	4.611	33,701,977
EUR	716,491	35.461	25,407,467
JPY	81,870,200	0.275	22,552,730
HKD	2,853,958	3.888	11,094,815

g) Interest rate sensitivity information

i) Interest rate sensitivity analysis (NTD)

June 30, 2019

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	$ 342,884,986	31,255,327	41,569,720	51,371,070	467,081,103
Interest rate sensitive liabilities	273,225,427	23,131,189	23,936,581	3,193,444	323,486,641
Interest rate sensitive gap	69,659,559	8,124,138	17,633,139	48,177,626	143,594,462
Net worth					44,324,567
Ratio of interest rate sensitive assets to liabilities (%)					144.39
Ratio of interest rate sensitive gap to net worth (%)					323.96

(Continued)

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December 31, 2018

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	$ 384,516,113	24,445,452	45,771,036	47,053,603	501,786,204
Interest rate sensitive liabilities	230,637,235	21,593,503	41,680,948	15,901,758	309,813,444
Interest rate sensitive gap	153,878,878	2,851,949	4,090,088	31,151,845	191,972,760
Net worth					45,226,171
Ratio of interest rate sensitive assets to liabilities (%)					161.96
Ratio of interest rate sensitive gap to net worth (%)					424.47

June 30, 2018

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	$ 327,345,220	25,632,851	61,656,615	46,067,469	460,702,155
Interest rate sensitive liabilities	232,250,082	16,749,909	17,457,063	3,406,243	269,863,297
Interest rate sensitive gap	95,095,138	8,882,942	44,199,552	42,661,226	190,838,858
Net worth					44,479,542
Ratio of interest rate sensitive assets to liabilities (%)					170.72
Ratio of interest rate sensitive gap to net worth (%)					429.05

ii) Interest rate sensitivity analysis (USD)

June 30, 2019 Units: in thousands of US Dollars

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	$ 3,552,399	434,653	509,807	-	4,496,859
Interest rate sensitive liabilities	5,214,533	683,667	475,713	200,000	6,573,913
Interest rate sensitive gap	(1,662,134)	(249,014)	34,094	(200,000)	(2,077,054)
Net worth					24,317
Ratio of interest rate sensitive assets to liabilities (%)					68.40
Ratio of interest rate sensitive gap to net worth (%)					(8,541.57)

December 31, 2018 Units: in thousands of US Dollars

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	$ 2,639,210	308,541	971,489	-	3,919,240
Interest rate sensitive liabilities	5,399,509	1,010,205	1,095,339	200,000	7,705,053
Interest rate sensitive gap	(2,760,299)	(701,664)	(123,850)	(200,000)	(3,785,813)
Net worth					797
Ratio of interest rate sensitive assets to liabilities (%)					50.87
Ratio of interest rate sensitive gap to net worth (%)					(475,007.90)

June 30, 2018 Units: in thousands of US Dollars

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	$ 2,752,608	506,525	233,804	-	3,492,937
Interest rate sensitive liabilities	5,466,682	783,043	837,945	202,750	7,290,420
Interest rate sensitive gap	(2,714,074)	(276,518)	(604,141)	(202,750)	(3,797,483)
Net worth					(10,066)
Ratio of interest rate sensitive assets to liabilities (%)					47.91
Ratio of interest rate sensitive gap to net worth (%)					37,725.84

2) Operational risk

a) Strategy and procedure of operational risk management

The Bank has set up and follows the Operational Risk Type Framework ("ORTF") for operational risk management. The ORTF builds on Enterprise Risk Management Framework ("ERMF") and covers the OR related to inadequate or failed internal processes, and systems, human error, or from the impact of external events (including legal risks). According to ORTF, operational risks are managed through risk identification, assessment, control, acceptance, monitoring, and reporting.

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

b) Operational risk management organization and structure

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

The Executive Risk Committee is designed to oversee and to challenge the effectiveness of risk management and control. They may also be authorized to take certain risk acceptance and control decisions which are outside the authority of individual managers. The Executive Risk Committee has delegated country operational risk management Country Non-Financial Risk Committee ("CNFRC"). The CNFRC oversees the management of operational risks at the country level. The CNFRC scope includes all client segments, products and functions. CNFRC ensures that an appropriate and robust risk management framework is in place to monitor and manage operational risk.

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

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

According to ORTF, the First line of Defense ("1LoD") is required to comply with the applicable laws and regulatory expectations, and manage the risk that arises from first line activities, and comply with policies set by the Second Line of Defense ("2LoD"). The 2LoD is responsible to provide challenge, guidance, and oversight over the 1LoD, set policies that the 1LoD must adhere to, assess the overall risk levels relating to non-PRTs, and to confirm the effectiveness of their policies to the Country Head of OR.

The operational risk subtypes include transaction processing, product management, people management, client service resilience, system availability, data quality, vendor service, change management, internal fraud, external fraud, corporate governance and authorities, exchange listing rules, financial books and records, tax obligations, model, safety and security, and legal enforceability.

The First Line of Defense reports operational risk and measures the effectiveness of controls via Key Control Indicators, Control Sample Test, and Key Risk Indicators. Additionally, the Third Line of Defense comprises the independent assurance provided by the Group Internal Audit (GIA) function. GIA provides independent assurance of the effectiveness of management's control of the First Line and the Second Line. As a result, GIA provides assurance that the overall system of control effectiveness is working as required within the Risk Management Framework.

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

The Bank conducts its risk identification and assessment (including loss incidents and self-assessment) in accordance with the ORTF. The identified risk shall be escalated to the authority defined in ORTF for risk monitoring by the management.

Risk management information shall at least include: detailed information of operational risk exposure, risk ratings (including impact and likelihood ratings), risk and mitigation action ownership, target date for reducing risk exposure within appetite. Risk management information must also ensure data quality by verified and monitored data source.

e) Method used for regulatory capital calculation

Basic Indicator Approach.

3) Compliance and legal risk

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

4) Credit risk management

a) Credit risk strategy, goal, policy and procedure

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

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

i) Strategy and Goal

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

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

1. Balancing Risk and Return: A sustainable franchise is built by managing the integrate risks and in the interest of all the stakeholders; risks that the Bank is taken are consistent with the approved strategy and within the Bank' s risk tolerances and risk appetite. The Bank manages the risk profile to maintain a low probability of an unexpected loss event that would materially undermine the confidence of the investors;

2. Conduct of Business: The Bank demonstrate the ' Here for Good' through the conduct. The Bank seeks to achieve good outcomes for clients and investors in the markets which the Bank operates, while abiding by the relevant laws and regulations. The Bank treats all colleagues fairly and with respect;

3. Responsibility and Accountability: The Bank takes individual responsibility to ensure risk-taking is disciplined and focused, particularly within our area of authority. The Bank makes sure risk taking is transparent, controlled and reported in line with the RMF as well as within risk appetite;

4. Anticipation: The Bank seeks to anticipate material future risks, learn lessons from events that have produced adverse outcomes and ensure awareness of known risks; and

5. Competitive Advantage: The Bank seeks competitive advantage through efficient and effective risk management and control.

ii) Policies and procedures

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

b) Credit risk management organization and structure

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

e) Method used for regulatory capital calculation

Standardized Approach.

f) Maximum exposure to credit risk

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

	Maximum exposure to credit risk		
Off-balance-sheet items	**June 30, 2019**	**December 31, 2018**	**June 30, 2018**
Other guarantees	$ 3,455,493	4,350,959	3,193,275
Unused amount of irrevocable loan commitments	3,407,689	1,404,882	1,297,919
Unused amount of irrevocable letters of credit	1,774,141	781,855	2,002,367
Total	$ 8,637,323	6,537,696	6,493,561

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

g) Concentrations of credit risk

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

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

i) By industry

	June 30, 2019	December 31, 2018	June 30, 2018
Individual	$ 194,066,004	191,090,166	181,528,871
Manufacturing	49,405,333	48,279,793	50,852,620
Transportation and warehousing	13,938,376	15,373,969	15,590,731
Financial industry	11,283,351	9,697,751	9,480,384
Commercial	6,553,015	6,804,584	7,625,124
Government	-	-	2,500,000
Other	12,275,768	11,006,346	7,572,262
Total	$ 287,521,847	282,252,609	275,149,992

ii) By area

	June 30, 2019	December 31, 2018	June 30, 2018
Domestic	$ 250,432,215	245,458,951	240,860,199
Overseas	37,089,632	36,793,658	34,289,793
Total	$ 287,521,847	282,252,609	275,149,992

iii) By collateral

	June 30, 2019	December 31, 2018	June 30, 2018
Unsecured	$ 87,648,293	87,313,358	90,098,111
Secured			
－Real estate	172,200,389	168,713,972	160,697,811
－Movable asset	14,827,612	13,647,381	12,701,358
－Debt instrument	8,985,924	9,454,406	8,654,159
－Other	3,859,629	3,123,492	2,998,553
Total	$ 287,521,847	282,252,609	275,149,992

h) Credit quality and impairment analysis on financial asset

The main criteria for identifying significant increase in credit risk since initial recognition are as follows:

i) Internal/external risk rating of credit extensions at the reporting date deteriorates significantly compared to that at the initial recognition date.

ii) Significant change in the probability of default over the lifetime since origination.

iii) Borrowers that fail to make payment and are past due over 30 days.

iv) Borrowers that have outstanding amounts unpaid past maturity dates and are overdue for the agreed grace period.

v) Borrowers that have significant deterioration in ability to repay and face the compulsory enforcement, debt restructuring or legal action.

vi) Borrowers that have been placed as Early Alert – Non Purely Precautionary (EA-NPP) are concluded by Credit Issue Committee (CIC) to have fundamental deterioration in creditworthiness which require closer scrutiny and monitoring.

Definitions of default and credit impaired financial assets:

An account is in default when the borrower fails to make payments and account is over 90 days past due.

Besides, if there is objective evidence that borrower cannot make payments or there is evidence that borrower is in financial difficulty, the account can be considered as impaired:

i) Borrower is deceased.

ii) Borrower has declared bankruptcy or may declare bankruptcy or financial restructuring.

iii) Enterprise has been temporarily suspended.

iv) Borrower has applied for debt restructuring program (including internal or government programs) due to financial difficulty.

To determine if there has either been a significant increase in credit risk post deal origination and to assess expected credit loss (ECL) for financial assets, the Bank adopts a forward looking approach to generate multiple macroeconomic scenarios to ensure that ECL has been evaluated in a range of possible outcomes. The Bank applies historical data to analyze and to identify key macroeconomic variables, such as real GDP, import and export values, consumer price index, and unemployment rate, that will have critical impact on the portfolio's credit performance as well as credit expected loss.

The Bank generates base macroeconomic scenario by obtaining the forecasts of exchange rates, GDP and inflation rates from the economic research team. Moreover, to incorporate the non-linearity of ECL as well as to increase the visibility of macroeconomic forecasts, multiple macroeconomic scenarios are generated via Monte Carlo simulation, and the weighted average result of multiple scenario outcomes is applied to evaluate against the criteria of significant increase in credit risk and as well as to estimate ECL.

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

i) Credit quality analysis

June 30, 2019

	Stage 1				Stage 2				Stage 3			
	Investment grade	Sub-investment grade	High risk grade	Subtotal	Investment grade	Sub-Investment grade	High risk grade	Subtotal	Individually impaired	Collectively impaired	Allowance of bad debt	Total
Balance sheet items												
Accounts receivable												
—Accounts receivable factoring	$ 8,542,473	3,316,675	-	11,859,148	92,834	565,455	-	658,289	-	-	129,174	12,388,263
—Credit cards receivable	2,940,301	1,953,449	5,980	4,899,730	55	10,896	4,886	15,837	149,658	359,623	290,183	5,134,665
Discounts and loans												
—Consumer banking	161,949,246	26,312,150	517,430	188,778,826	289,968	1,155,451	679,861	2,125,280	641,482	2,821,555	3,420,385	190,946,758
—Wholesale banking	55,582,957	32,908,698	10,871	88,502,526	1,445,958	1,844,444	3,236	3,293,638	1,010,957	83,610	1,143,440	91,747,291
—Non-accrual loans	-	-	-	-	-	-	-	-	175,044	88,929	175,044	88,929
Other financial assets												
—Overdue receivable	-	-	-	-	-	-	-	-	7,791	-	7,791	-
Off-balance sheet items												
Loan commitment and guarantees	4,239,407	3,922,447	-	8,161,854	40,230	435,239	-	475,469	-	-	64,227	8,573,096

December 31, 2018

	Stage 1				Stage 2				Stage 3			
	Investment grade	Sub-investment grade	High risk grade	Subtotal	Investment grade	Sub-investment grade	High risk grade	Subtotal	Individually impaired	Collectively impaired	Allowance of bad debt	Total
Balance sheet items												
Accounts receivable												
—Accounts receivable factoring	$ 12,164,489	1,674,109	-	13,838,598	173,463	1,303,421	-	1,476,884	-	-	157,155	15,158,327
—Credit cards receivable	2,184,401	1,983,152	6,147	4,173,700	4	11,966	5,476	17,446	162,522	387,132	313,199	4,427,601
Discounts and loans												
—Consumer banking	157,618,715	27,429,202	562,820	185,610,737	369,088	986,414	697,230	2,052,732	692,094	2,994,382	3,305,748	188,044,197
—Wholesale banking	52,931,526	32,184,821	12,410	85,128,757	1,934,220	2,138,409	4,711	4,077,340	1,213,157	53,752	1,221,178	89,251,828
—Non-accrual loans	-	-	-	-	-	-	-	-	305,584	124,074	294,465	135,193
Other financial assets												
—Overdue receivable	-	-	-	-	-	-	-	-	30,327	-	30,327	-
Off-balance sheet items												
Loan commitment and guarantees	4,510,609	1,518,732	-	6,029,341	395,043	113,312	-	508,355	-	-	97,059	6,440,637

June 30, 2018

	Stage 1				Stage 2				Stage 3			
	Investment grade	Sub-investment grade	High risk grade	Subtotal	Investment grade	Sub-investment grade	High risk grade	Subtotal	Individually impaired	Collectively impaired	Allowance of bad debt	Total
Balance sheet items												
Accounts receivable												
—Accounts receivable factoring	$ 3,733,460	1,853,809	-	5,587,269	626,873	268,627	-	895,500	-	-	64,828	6,417,941
—Credit cards receivable	2,127,516	2,001,871	7,206	4,136,593	-	11,079	9,075	20,154	174,918	410,944	321,127	4,421,482
Discounts and loans												
—Consumer banking	149,445,484	25,690,991	569,379	175,705,854	418,604	1,042,842	837,464	2,298,910	745,632	3,089,845	3,211,566	178,628,675
—Wholesale banking	52,161,577	36,932,807	5,130	89,099,514	400,317	2,124,260	-	2,524,577	1,407,009	41,092	1,360,369	91,711,823
—Non-accrual loans	-	-	-	-	-	-	-	-	142,425	95,134	131,375	106,184
Other financial assets												
—Overdue receivable	-	-	-	-	-	-	-	-	45,787	-	45,787	-
Off-balance sheet items												
Loan commitment and guarantees	4,236,880	1,987,986	-	6,224,866	141,377	127,318	-	268,695	-	-	63,307	6,430,254

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

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

i) Asset quality of the Bank

Units: in thousands of New Taiwan Dollars, %

Product			Period: June 30, 2019 Non-performing loan	Loan balances	NPL ratio	Allowance for bad debts	Coverage ratio
Wholesale Banking	Secured		33,060	21,033,237	0.16 %	284,206	859.67 %
	Unsecured		178,919	72,046,188	0.25 %	1,030,768	576.11 %
Consumer Banking	Mortgage		100,499	140,574,930	0.07 %	2,160,845	2,150.12 %
	Personal loan		82,460	26,456,794	0.31 %	1,227,009	1,488.01 %
	Others	Secured	30,675	25,671,408	0.12 %	33,378	108.81 %
		Unsecured	-	1,739,290	- %	2,663	- %
Total			425,613	287,521,847	0.15 %	4,738,869	1,113.42 %
			Overdue	Accounts receivable	Overdue ratio	Allowance for bad debts	Coverage ratio
Credit card			12,118	5,424,848	0.22 %	290,183	2,394.64 %
Factoring loan receivable without recourse			-	12,517,437	- %	129,174	- %

Product			Period: December 31, 2018 Non-performing loan	Loan balances	NPL ratio	Allowance for bad debts	Coverage ratio
Wholesale Banking	Secured		27,339	20,506,153	0.13 %	370,799	1,356.30 %
	Unsecured		298,882	70,279,933	0.43 %	1,139,341	381.20 %
Consumer Banking	Mortgage		154,848	139,455,833	0.11 %	2,145,210	1,385.37 %
	Personal loan		100,710	25,687,281	0.39 %	1,129,390	1,121.43 %
	Others	Secured	75,029	24,519,565	0.31 %	34,058	45.39 %
		Unsecured	-	1,803,844	- %	2,593	- %
Total			656,808	282,252,609	0.23 %	4,821,391	734.06 %
			Overdue	Accounts receivable	Overdue ratio	Allowance for bad debts	Coverage ratio
Credit card			12,868	4,740,800	0.27 %	313,199	2,433.94 %
Factoring loan receivable without recourse			-	15,315,482	- %	157,155	- %

Product			Period: June 30, 2018 Non-performing loan	Loan balances	NPL ratio	Allowance for bad debts	Coverage ratio
Wholesale Banking	Secured		25,198	22,349,615	0.11 %	384,428	1,525.63 %
	Unsecured		409,579	70,868,140	0.58 %	1,099,450	268.43 %
Consumer Banking	Mortgage		164,458	132,427,339	0.12 %	2,149,102	1,306.78 %
	Personal loan		97,331	24,800,644	0.39 %	1,035,056	1,063.44 %
	Others	Secured	78,290	22,908,413	0.34 %	33,049	42.21 %
		Unsecured	99	1,795,841	0.01 %	2,225	2,247.47 %
Total			774,955	275,149,992	0.28 %	4,703,310	606.91 %
			Overdue	Accounts receivable	Overdue ratio	Allowance for bad debts	Coverage ratio
Credit card			17,983	4,742,609	0.38 %	321,127	1,785.73 %
Factoring loan receivable without recourse			-	6,482,769	- %	64,828	- %

(Continued)

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

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

Units: in thousands of New Taiwan Dollars

	June 30, 2019		December 31, 2018	
	Loans that may be exempted from reporting as overdue loans	Receivables that may be exempted from reporting as overdue receivables	Loans that may be exempted from reporting as overdue loans	Receivables that may be exempted from reporting as overdue receivables
The amount under inter-bank debt relief program without default by debtors	$ 3,146	10,420	3,639	12,096
The amount under debt discharge program and rehabilitation program without default by debtors	247,988	33,869	271,949	37,473
	$ 251,134	44,289	275,588	49,569

	June 30, 2018	
	Loans that may be exempted from reporting as overdue loans	Receivables that may be exempted from reporting as overdue receivables
The amount under inter-bank debt relief program without default by debtors	$ 4,050	13,980
The amount under debt discharge program and rehabilitation program without default by debtors	298,479	38,711
	$ 302,529	52,691

(Continued)

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

ii) Concentration of corporate credit risk for the bank

Units: in thousands of New Taiwan Dollars, %

June 30, 2019				
Rank	**Industry classification of group enterprise**		**Outstanding credit**	**% of net assets**
1	A Group	Ocean transportation	7,464,908	16.58 %
2	B Group	Packaging and testing of semi-conductors	6,157,348	13.67 %
3	C Company	Other financial services activities not elsewhere classified	5,593,719	12.42 %
4	D Group	Air transport	3,747,490	8.32 %
5	E Group	Manufacture of cement	3,330,228	7.40 %
6	F Group	Manufacture of other chemical products not elsewhere classified	3,192,492	7.09 %
7	G Group	Manufacture of footwear	2,959,760	6.57 %
8	H Group	Manufacture of other electronic parts and components not elsewhere classified	2,083,668	4.63 %
9	I Company	Smelting and refining of iron and steel	2,034,461	4.52 %
10	J Company	Manufacture of computers	1,858,687	4.13 %

December 31, 2018				
Rank	**Industry classification of group enterprise**		**Outstanding credit**	**% of net assets**
1	B Group	Packaging and testing of semi-conductors	5,739,494	12.71 %
2	C Company	Other financial service activities not elsewhere classified	5,532,724	12.26 %
3	A Group	Ocean transportation	5,076,777	11.25 %
4	D Group	Air transport	4,038,491	8.95 %
5	H Group	Manufacture of other electronic parts and components not elsewhere classified	3,918,841	8.68 %
6	F Group	Manufacture of chemical products not elsewhere classified	3,684,241	8.16 %
7	K Group	Smelting and refining of iron and steel	2,817,900	6.24 %
8	E Group	Manufacture of cement	2,489,347	5.51 %
9	G Group	Manufacture of footwear	2,303,173	5.10 %
10	L Company	Real estate development activities	1,634,504	3.62 %

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

June 30, 2018				
Rank	**Industry classification of group enterprise**		**Outstanding credit**	**% of net assets**
1	C Company	Other financial service activities not elsewhere classified	5,490,090	12.43 %
2	B Group	Packaging and testing of semi-conductors	4,514,517	10.22 %
3	D Group	Air transport	4,334,882	9.82 %
4	A Group	Ocean transportation	3,012,042	6.82 %
5	M Group	Manufacture of cement	2,929,222	6.63 %
6	H Group	Manufacture of other electronic parts and components not elsewhere classified	2,435,035	5.51 %
7	G Group	Manufacture of footwear	2,298,105	5.20 %
8	N Company	Manufacture of other electronic parts and components not elsewhere classified	1,830,030	4.14 %
9	J Company	Manufacture of computers	1,830,030	4.14 %
10	O Company	Manufacture of other electronic parts and components not elsewhere classified	1,830,030	4.14 %

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

5) Liquidity risk management mechanism

a) Definition and sources of liquidity risk

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

b) Management procedure of liquidity risk

The Liquidity Risk Framework governs liquidity risk and is managed by Asset and Liability Committee. The Bank maintains a liquid portfolio of marketable securities as a liquidity buffer as required by local regulation. In total, it maintains a liquidity buffer of 189.3 billion as of June 30, 2019, which is equivalent to 29.50% of the Bank's total assets. The level of the Bank's aggregate liquid reserves is in accordance with local regulatory minimum liquidity requirements.

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

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

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

c) Financial assets held for liquidity risk management

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

d) Maturity analysis of non-derivatives liabilities

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

	June 30, 2019				
	Within 3 months	3 months~ 1 year	1~5 years	Over 5 years	Total
Deposits from the Central Bank and banks	$ 30,882,621	86,600	-	-	30,969,221
Payables	6,848,252	-	-	-	6,848,252
Related parties payable	7,007,398	-	-	-	7,007,398
Deposits and remittances	436,334,869	84,470,594	3,211,651	-	524,017,114
Financial debentures	2,200	-	2,000,000	6,215,243	8,217,443
Other financial liabilities	772,064	2,281	-	-	774,345
Total	$ 481,847,404	84,559,475	5,211,651	6,215,243	577,833,773

	December 31, 2018				
	Within 3 months	3 months~ 1 year	1~5 years	Over 5 years	Total
Deposits from the Central Bank and banks	$ 33,335,037	3,161,236	-	-	36,496,273
Payables	4,790,749	-	-	-	4,790,749
Related parties payable	6,231,122	-	-	-	6,231,122
Deposits and remittances	390,860,075	117,092,836	2,815,357	-	510,768,268
Financial debentures	2,200	-	2,000,000	6,147,471	8,149,671
Other financial liabilities	244,663	84,527	-	-	329,190
Total	$ 435,463,846	120,338,599	4,815,357	6,147,471	566,765,273

	June 30, 2018				
	Within 3 months	3 months~ 1 year	1~5 years	Over 5 years	Total
Deposits from the Central Bank and banks	$ 39,434,992	14,824,503	-	-	54,259,495
Payables	4,072,476	-	-	-	4,072,476
Related parties payable	9,514,945	-	-	-	9,514,945
Deposits and remittances	370,877,732	89,001,736	3,432,967	-	463,312,435
Financial debentures	2,200	-	2,000,000	6,100,100	8,102,300
Other financial liabilities	1,558,102	-	83,876	-	1,641,978
Total	$ 425,460,447	103,826,239	5,516,843	6,100,100	540,903,629

(Continued)

e) Maturity analysis of derivative financial liabilities

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

i) Maturity analysis of net settled derivatives

	June 30, 2019					
	0~30 days	31~90 days	91~180 days	181 days-1 year	Over 1 year	Total
Derivative financial instruments at fair value through profit or loss						
—Foreign exchange derivative instruments	$ 125,746	51,759	5,098	55,359	-	237,962
—Interest rate derivative instruments	7,548	12,243	26,290	63,114	2,520,951	2,630,146
Derivative financial instruments for hedging						
—Interest rate derivative instruments	-	-	-	-	11,604	11,604
	$ 133,294	64,002	31,388	118,473	2,532,555	2,879,712

	December 31, 2018					
	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial instruments at fair value through profit or loss						
—Foreign exchange derivative instruments	$ 110,005	27,322	52,417	8,148	77	197,969
—Interest rate derivative instruments	9,415	11,211	25,805	87,574	1,667,189	1,801,194
Derivative financial instruments for hedging						
—Interest rate derivative instruments	-	-	-	-	8,518	8,518
	$ 119,420	38,533	78,222	95,722	1,675,784	2,007,681

	June 30, 2018					
	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial instruments at fair value through profit or loss						
—Foreign exchange derivative instruments	$ 256,335	194,812	129,956	56,890	6,991	644,984
—Interest rate derivative instruments	7,979	11,653	28,104	76,511	1,641,674	1,765,921
Derivative financial instruments for hedging						
—Interest rate derivative instruments	-	-	-	-	15,217	15,217
	$ 264,314	206,465	158,060	133,401	1,663,882	2,426,122

ii) Maturity analysis of gross settled derivatives

	June 30, 2019					
	0~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year	Total
Derivative financial instruments at fair value through profit or loss						
—Foreign exchange derivative instruments						
—Cash outflow	$ 131,073,379	129,425,528	91,198,853	44,767,531	1,489,559	397,954,850
—Cash inflow	129,562,377	127,456,288	89,959,397	43,854,690	1,506,512	392,339,264
Net cash flow	$ (1,511,002)	(1,969,240)	(1,239,456)	(912,841)	16,953	(5,615,586)

	December 31, 2018					
	0~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year	Total
Derivative financial instruments at fair value through profit or loss						
—Foreign exchange derivative instruments						
—Cash outflow	$ 219,033,271	165,344,241	136,984,890	79,034,162	3,210,423	603,606,987
—Cash inflow	217,402,560	163,810,744	134,929,654	78,098,563	3,144,110	597,385,631
Net cash flow	$ (1,630,711)	(1,533,497)	(2,055,236)	(935,599)	(66,313)	(6,221,356)

	June 30, 2018					
	0~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year	Total
Derivative financial instruments at fair value through profit or loss						
—Foreign exchange derivative instruments						
—Cash outflow	$ 197,526,584	126,128,537	69,811,663	68,839,650	3,099,054	465,405,488
—Cash inflow	193,475,994	122,558,030	67,200,668	65,470,411	2,977,336	451,682,439
Net cash flow	$ (4,050,590)	(3,570,507)	(2,610,995)	(3,369,239)	(121,718)	(13,723,049)

f) Maturity analysis of off-balance-sheet items

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

	June 30, 2019				
	0~30 days	31~90 Days	91 days~ 1 year	Over 1 year	Total
Other guarantees	$ 47,766	107,068	867,151	2,433,508	3,455,493
Unused amount of irrevocable loan commitments	20,774	41,547	7,601	3,337,767	3,407,689
Unused amount of irrevocable letters of credit	42,798	96,695	1,634,648	-	1,774,141
	$ 111,338	245,310	2,509,400	5,771,275	8,637,323

	December 31, 2018				
	0~30 days	31~90 Days	91 days~ 1 year	Over 1 year	Total
Other guarantees	$ 805,381	1,207,883	1,922,148	415,547	4,350,959
Unused amount of irrevocable loan commitments	373,719	747,438	136,732	146,993	1,404,882
Unused amount of irrevocable letters of credit	215,503	516,886	49,466	-	781,855
	$ 1,394,603	2,472,207	2,108,346	562,540	6,537,696

(Continued)

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

	June 30, 2018				
	0~30 days	31~90 Days	91 days~ 1 year	Over 1 year	Total
Other guarantees	$ 39,779	240,739	561,206	2,351,551	3,193,275
Unused amount of irrevocable loan commitments	341,937	683,874	125,105	147,003	1,297,919
Unused amount of irrevocable letters of credit	126,304	99,578	1,776,485	-	2,002,367
	$ 508,020	1,024,191	2,462,796	2,498,554	6,493,561

g) Structure Analysis of Maturity Date New Taiwan Dollars

June 30, 2019

	Total	Remaining period to expiration					
		0~10 days	11~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year
Capital provided	$ 729,722,013	104,497,733	81,355,468	127,316,098	90,775,854	96,326,410	229,450,450
Capital used	777,468,514	59,023,753	87,848,723	194,146,219	127,406,142	61,343,933	247,699,744
Gap	(47,746,501)	45,473,980	(6,493,255)	(66,830,121)	(36,630,288)	34,982,477	(18,249,294)

December 31, 2018

	Total	Remaining period to expiration					
		0~10 days	11~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year
Capital provided	$ 879,050,471	197,718,458	89,276,860	147,557,086	111,477,953	125,750,669	207,269,445
Capital used	929,410,633	131,962,719	113,698,157	180,788,010	135,545,161	119,975,061	247,441,525
Gap	(50,360,162)	65,755,739	(24,421,297)	(33,230,924)	(24,067,208)	5,775,608	(40,172,080)

June 30, 2018

	Total	Remaining period to expiration					
		0~10 days	11~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year
Capital provided	$ 791,673,705	113,172,150	110,249,721	126,470,333	85,348,370	147,607,495	208,825,636
Capital used	884,037,155	80,635,312	103,788,938	205,563,127	142,157,198	91,017,942	260,874,638
Gap	(92,363,450)	32,536,838	6,460,783	(79,092,794)	(56,808,828)	56,589,553	(52,049,002)

h) Structure Analysis of Maturity Date US Dollars

June 30, 2019

Units: in thousands of US Dollars

	Total	Remaining period to expiration				
		0~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year
Capital provided	$ 20,346,790	6,672,777	6,724,212	4,161,193	2,096,366	692,242
Capital used	22,259,976	7,566,401	7,986,677	3,060,014	2,083,100	1,563,784
Gap	(1,913,186)	(893,624)	(1,262,465)	1,101,179	13,266	(871,542)

December 31, 2018

Units: in thousands of US Dollars

	Total	Remaining period to expiration				
		0~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year
Capital provided	$ 25,447,302	10,758,549	5,713,459	4,434,006	3,776,362	764,926
Capital used	27,066,857	11,126,424	7,016,212	4,021,223	3,370,580	1,532,418
Gap	(1,619,555)	(367,875)	(1,302,753)	412,783	405,782	(767,492)

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

June 30, 2018

Units: in thousands of US Dollars

	Total	Remaining period to expiration				
		0~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year
Capital provided	$ 23,166,451	8,020,644	6,943,901	5,213,963	2,350,036	637,907
Capital used	24,117,304	9,593,752	6,287,646	3,362,491	3,170,933	1,702,482
Gap	(950,853)	(1,573,108)	656,255	1,851,472	(820,897)	(1,064,575)

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

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

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

June 30, 2019

Financial assets under net executable settlement contracts or similar agreements

	Total financial assets recognized (a)	Offset total financial liabilities recognized in the balance sheet (b)	Net financial assets reported in the balance sheet (c)=(a)-(b)	Relevant amounts not offset on balance sheet (d): Financial instruments (Note)	Relevant amounts not offset on balance sheet (d): Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial assets	$ 10,426,199	-	10,426,199	5,136,150	3,407,418	1,882,631
Securities purchased under resell agreements and debt instruments	3,764,637	-	3,764,637	-	3,764,637	-
Total	$ 14,190,836	-	14,190,836	5,136,150	7,172,055	1,882,631

June 30, 2019

Financial liabilities under net executable settlement contracts or similar agreements

	Total financial liabilities recognized (a)	Offset total financial assets recognized in the balance sheet (b)	Net financial liabilities reported in the balance sheet (c)=(a)-(b)	Relevant amounts not offset on balance sheet (d): Financial instruments (Note)	Relevant amounts not offset on balance sheet (d): Cash collateral pledged	Net amount (e)=(c)-(d)
Derivative financial liabilities	$ 8,666,707	-	8,666,707	5,136,150	1,258,399	2,272,158

December 31, 2018

Financial assets under net executable settlement contracts or similar agreements

	Total financial assets recognized (a)	Offset total financial liabilities recognized in the balance sheet (b)	Net financial assets reported in the balance sheet (c)=(a)-(b)	Relevant amounts not offset on balance sheet (d): Financial instruments (Note)	Relevant amounts not offset on balance sheet (d): Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial assets	$ 7,796,394	-	7,796,394	3,339,296	1,317,955	3,139,143
Securities purchased under resell agreements and debt instruments	11,738,716	-	11,738,716	-	11,738,716	-
Total	$ 19,535,110	-	19,535,110	3,339,296	13,056,671	3,139,143

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Notes to the Financial Statements

December 31, 2018	Financial liabilities under net executable settlement contracts or similar agreements					
	Total financial liabilities recognized (a)	Offset total financial assets recognized in the balance sheet (b)	Net financial liabilities reported in the balance sheet (c)=(a)-(b)	Relevant amounts not offset on balance sheet (d): Financial instruments (Note)	Relevant amounts not offset on balance sheet (d): Cash collateral pledged	Net amount (e)=(c)-(d)
Derivative financial liabilities	$ 8,114,286	-	8,114,286	3,339,296	1,180,788	3,594,202

June 30, 2018	Financial assets under net executable settlement contracts or similar agreements					
	Total financial assets recognized (a)	Offset total financial liabilities recognized in the balance sheet (b)	Net financial assets reported in the balance sheet (c)=(a)-(b)	Relevant amounts not offset on balance sheet (d): Financial instruments (Note)	Relevant amounts not offset on balance sheet (d): Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial assets	$ 18,263,549	-	18,263,549	5,246,815	2,389,782	10,626,952
Securities purchased under resell agreements and debt instruments	3,329,259	-	3,329,259	-	3,329,259	-
Total	$ 21,592,808	-	21,592,808	5,246,815	5,719,041	10,626,952

June 30, 2018	Financial liabilities under net executable settlement contracts or similar agreements					
	Total financial liabilities recognized (a)	Offset total financial assets recognized in the balance sheet (b)	Net financial liabilities reported in the balance sheet (c)=(a)-(b)	Relevant amounts not offset on balance sheet (d): Financial instruments (Note)	Relevant amounts not offset on balance sheet (d): Cash collateral pledged	Net amount (e)=(c)-(d)
Derivative financial liabilities	$ 14,261,684	-	14,261,684	5,246,815	3,248,833	5,766,036

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

(v) Capital management

1) Summary

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

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

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

2) Capital management procedure

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

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

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

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

   1. Common stock and additional paid-in capital in excess of par-common stock
   2. Capital collected in advance
   3. Capital reserves
   4. Legal reserves
   5. Special reserves
   6. Accumulated profit or loss
   7. Non-controlling interests
   8. Other items in stockholders' equity

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

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

3) Capital adequacy

Item		Period-end	June 30, 2019	December 31, 2018	June 30, 2018
Self-owned capital	Common stock capital		41,263,521	40,752,246	40,182,035
	Other Tier 1 capital		-	-	-
	Tier 2 capital		9,706,269	9,600,646	9,536,673
	Total self-owned capital		50,969,790	50,352,892	49,718,708
Risk-weighted assets	Credit risk	Standard approach (SA)	279,714,322	274,205,939	271,100,578
		Internal ratings-based approach (IRB)	-	-	-
		Securitization	-	-	-
	Operational risk	Basic indicator approach (BIA)	24,373,762	24,373,762	24,233,455
		Standardized approach (SA) /alternative approach	-	-	-
		Advanced measurement approach (AMA)	-	-	-
	Market risk	Standardized approach (SA)	23,994,385	20,198,732	19,399,009
		Internal model-based approach (IMA)	-	-	-
	Total risk-weighted assets		328,082,469	318,778,433	314,733,042
Total risk-based capital			15.54 %	15.80 %	15.80 %
Ratio of common stock to total risk-based assets			12.58 %	12.78 %	12.77 %
Ratio of Tier 1 capital to risk-based assets			12.58 %	12.78 %	12.77 %
Leverage ratio			6.16 %	6.19 %	6.33 %

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

(7) Related-party transactions:

(a) Name and relationship of related parties

Name	Relationship
Standard Chartered Bank ("SCB")	The ultimate controlling party
Standard Chartered Bank Taipei Branch ("SCB Taipei")	Affiliate
Standard Chartered Bank New York ("SCB New York")	Affiliate
Standard Chartered Bank Japan ("SCB Japan")	Affiliate
Standard Chartered Bank Singapore ("SCB Singapore")	Affiliate
Standard Chartered Bank Germany ("SCB Germany")	Affiliate
Standard Chartered Global Business Services Private Limited	Affiliate
Standard Chartered Global Business Services Sdn Bhd	Affiliate
Standard Chartered Bank Hong Kong Limited ("SCB Hong Kong")	Affiliate
Standard Chartered Bank China Limited ("SCB China")	Affiliate

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Name	Relationship
Standard Chartered Bank Thailand Limited ("SCB Thailand")	Affiliate
Standard Chartered Bank Korea Limited ("SCB Korea")	Affiliate
Standard Chartered Bank Vietnam Limited ("SCB Vietnam")	Affiliate
Standard Chartered Bank Philippines Limited ("SCB Philippines")	Affiliate
Standard Chartered Bank Macau Limited ("SCB Macau")	Affiliate
Standard Chartered Bank Indonesia ("SCB Indonesia")	Affiliate
Standard Chartered Bank Mauritius ("SCB Mauritius")	Affiliate
Standard Chartered Bank France ("SCB France")	Affiliate
Standard Chartered Bank Australia ("SCB Australia")	Affiliate
Standard Chartered Bank India ("SCB India")	Affiliate
Standard Chartered Bank Qatar ("SCB Qatar")	Affiliate
Standard Chartered Bank Malaysia ("SCB Malaysia")	Affiliate
Standard Chartered Bank Angola ("SCB Angola")	Affiliate
Standard Chartered Bank Sweden ("SCB Sweden")	Affiliate
Directors, President and Vice Presidents	The senior management of the Bank
Others	According to IAS No.24, "Related Party Disclosure", related party should include: 1) Members of key management personnel or directors. 2) Spouse, and first-or second-degree blood relatives of senior management, members of key management personnel or directors. 3) Senior management, members of key management personnel or directors and entities which people listed above are their directors, supervisors or presidents.

(b) Significant transactions with related parties

(i) Deposits

	June 30, 2019		
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties not over 1% of total deposits	$ 306,240	0.06	0.00~7.00

(Continued)

December 31, 2018			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties not over 1% of total deposits	$ 315,102	0.06	0.00~7.00

June 30, 2018			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties not over 1% of total deposits	$ 308,269	0.07	0.00~6.20

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

For the six months ended June 30, 2019 and 2018, interest expenses on the above deposits were $1,286 thousand and $1,078 thousand, respectively. As of June 30, 2019, December 31 and June 30, 2018, the interest payables on the above transaction were $195 thousand, $263 thousand and $177 thousand, respectively.

As of June 30, 2018, the time deposit of SCB Hong Kong was $6,100,100 thousand, and the interest payable resulting from the above time deposits was $21,236 thousand. For the six months ended June 30, 2018, interest expense on the time deposit of SCB Hong Kong was $21,115 thousand.

(ii) Loans

For the six months ended June 30, 2019

Type of loan	Maximum balance during the period	Number of accounts or name of related party	Ending balance	Repayment		Collateral	Difference between terms and conditions offered to the accounts and to the general public
				On-schedule	Overdue		
Employee consumer loans	4,441	9	3,428	3,428	-	Unsecured lending	None
Mortgage	76,090	13	71,693	71,693	-	House	None
Other	3,086	Other individuals	2,985	2,985	-	Overdraft on the comprehensive deposits	None

2018

Type of loan	Maximum balance during the period	Number of accounts or name of related party	Ending balance	Repayment		Collateral	Difference between terms and conditions offered to the accounts and to the general public
				On-schedule	Overdue		
Employee consumer loans	9,448	19	6,077	6,077	-	Unsecured lending	None
Mortgage	93,038	16	82,942	82,942	-	House	None
Other	3,765	Other individuals	3,155	3,155	-	Overdraft on the comprehensive deposits	None

For the six months ended June 30, 2018

Type of loan	Maximum balance during the period	Number of accounts or name of related party	Ending balance	Repayment		Collateral	Difference between terms and conditions offered to the accounts and to the general public
				On-schedule	Overdue		
Employee consumer loans	6,967	15	6,305	6,305	-	Unsecured lending	None
Mortgage	93,038	16	85,727	85,727	-	House	None
Other	3,765	Other individuals	3,462	3,462	-	Overdraft on the comprehensive deposits	None

For the six months ended June 30, 2019 and 2018, interest income on the above loans were $679 thousand and $776 thousand, respectively. As of June 30, 2019, December 31 and June 30, 2018 the interest receivables from the above transaction were $56 thousand, $68 thousand and $68 thousand, respectively.

(iii) Foreign exchange and derivative transactions

June 30, 2019

Name	Contracts	Contracts duration period	Notional	Gain (loss) on valuation	Balance sheet Account	Balance
SCB	Interest rate swap	2019.7.1~ 2029.9.18	$ 355,871,096	89,485	Financial assets at fair value through profit or loss	848,142
					Financial liabilities at fair value through profit or loss	(784,137)
	Spot/forward/swap	2019.7.1~ 2020.6.15	125,985,460	(314,788)	Financial assets at fair value through profit or loss	556,636
					Financial liabilities at fair value through profit or loss	(660,251)
	Foreign exchange option	2019.7.1~ 2020.10.13	55,140,044	204,112	Financial assets at fair value through profit or loss	57,763
					Financial liabilities at fair value through profit or loss	(77,014)
	Cross currency swap	2021,6.8~ 2022.1.28	1,461,222	5,097	Financial assets at fair value through profit or loss	29,794
	Commodity swap	2019.10.7~ 2019.11.4	59,514	(3,505)	Financial liabilities at fair value through profit or loss	(3,505)
	Commodity option	2019.12.18	268,498	(584)	Financial liabilities at fair value through profit or loss	(584)
SCB Singapore	Spot/forward/swap	2019.7.3~ 2020.5.6	5,804,001	(259,964)	Financial assets at fair value through profit or loss	59,012
					Financial liabilities at fair value through profit or loss	(31,182)
SCB Hong Kong	Spot/forward/swap	2019.7.1~ 2020.6.17	67,437,600	(442,287)	Financial assets at fair value through profit or loss	116,803
					Financial liabilities at fair value through profit or loss	(539,719)

December 31, 2018

Name	Contracts	Contracts duration period	Notional	Gain (loss) on valuation	Balance sheet Account	Balance
SCB	Interest rate swap	2019.1.3~ 2028.11.29	$ 182,151,962	(131)	Financial assets at fair value through profit or loss	357,198
					Financial liabilities at fair value through profit or loss	(382,678)
	Spot/forward/swap	2019.1.2~ 2020.6.15	63,379,934	(296,763)	Financial assets at fair value through profit or loss	323,090
					Financial liabilities at fair value through profit or loss	(111,917)
	Foreign exchange option	2019.1.2~ 2020.10.13	80,866,194	311,012	Financial assets at fair value through profit or loss	15,999
					Financial liabilities at fair value through profit or loss	(239,362)
	Cross currency swap	2021.6.8~ 2021.10.4	737,531	38,943	Financial assets at fair value through profit or loss	24,697
SCB Singapore	Spot/forward/swap	2019.1.2~ 2019.11.17	42,213,398	464,268	Financial assets at fair value through profit or loss	395,844
					Financial liabilities at fair value through profit or loss	(108,050)
SCB Hong Kong	Spot/forward/swap	2019.1.2~ 2019.8.20	62,099,765	(45,193)	Financial assets at fair value through profit or loss	177,247
					Financial liabilities at fair value through profit or loss	(177,876)

June 30, 2018

Name	Contracts	Contracts duration period	Notional	Gain (loss) on valuation	Balance sheet Account	Balance
SCB	Interest rate swap	2018.7.3~ 2028.5.8	$ 190,146,255	(38,849)	Financial assets at fair value through profit or loss	262,702
					Financial liabilities at fair value through profit or loss	(326,900)
	Spot/forward/swap	2018.7.2~ 2020.6.15	24,762,816	(662,672)	Financial assets at fair value through profit or loss	270,540
					Financial liabilities at fair value through profit or loss	(425,276)
	Foreign exchange option	2018.7.2~ 2020.6.24	124,504,227	351,750	Financial assets at fair value through profit or loss	87,029
					Financial liabilities at fair value through profit or loss	(269,654)
	Commodity swap	2018.7.3~ 2018.12.4	644,589	115,108	Financial assets at fair value through profit or loss	19,839
					Financial liabilities at fair value through profit or loss	(9,416)
	Cross currency swap	2021.6.8~ 2021.10.4	731,847	17,670	Financial assets at fair value through profit or loss	3,900
					Financial liabilities at fair value through profit or loss	(476)
SCB Singapore	Spot/forward/swap	2018.7.2~ 2019.4.18	38,426,808	214,849	Financial assets at fair value through profit or loss	468,502
					Financial liabilities at fair value through profit or loss	(430,127)
SCB Hong Kong	Spot/forward/swap	2018.7.2~ 2019.2.14	47,140,044	(541,192)	Financial assets at fair value through profit or loss	143,023
					Financial liabilities at fair value through profit or loss	(639,651)

As of June 30, 2019, December 31 and June 30, 2018, the premium receivables resulting from the above option contracts were $1,881 thousand, $2,159 thousand and $12,728 thousand, respectively, recorded under receivables— net; and as of June 30, 2018 of the premium payables resulting from the above option contracts was $12,608 thousand recorded under related parties payable.

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(iv) Deposits with banks—affiliates

	For the six months ended June 30, 2019		
	Balance	Interest rate %	Interest income
SCB Taipei	$ 6,050,000	0.23~0.25	7,959
SCB New York	5,116,904	1.17	13,689
SCB	1,356,303	-	-
SCB Japan	1,256,385	-	-
SCB Hong Kong	339,141	-	-
SCB Germany	319,899	-	-
SCB Singapore	87,292	-	-
SCB China	33,573	0.71~2.75	68,596
SCB Thailand	1,396	-	-
SCB Philippines	172	-	-
	$ 14,561,065		90,244

	2018		
	Balance	Interest rate %	Interest income
SCB Taipei	$ 6,600,000	0.16~0.24	8,183
SCB New York	3,233,520	1.20	17,323
SCB China	1,571,771	1.84	11,788
SCB Germany	1,453,462	-	-
SCB	1,361,771	-	-
SCB Japan	1,142,204	-	-
SCB Hong Kong	172,199	-	-
SCB Singapore	74,400	-	-
SCB Thailand	570	-	-
SCB Philippines	165	-	-
	$ 15,610,062		37,294

	For the six months ended June 30, 2018		
	Balance	Interest rate %	Interest income
SCB Taipei	$ 4,900,000	0.16~0.24	1,929
SCB Japan	1,447,342	-	-
SCB China	1,029,479	0.48	5,831
SCB Hong Kong	251,849	-	-
SCB	200,991	-	-
SCB Singapore	123,592	-	-
SCB New York	58,655	0.97	6,668
SCB Thailand	581	-	-
SCB Philippines	162	-	-
	$ 8,012,651		14,428

As of June 30, 2019, December 31 and June 30, 2018, interest receivable resulting from the above deposits with banks to affiliates were $1,530 thousand, $2,038 thousand and $1,929 thousand, respectively. For the six months ended June 30, 2019 and 2018, the service charge from the above deposits were $15,182 thousand and $11,379 thousand, respectively, recorded under net service fee income.

(Continued)

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

(v) Call loans to banks—affiliates

	For the six months ended June 30, 2019		
	Balance	Interest rate %	Interest income
SCB Taipei	$ 30,143,596	-0.03~3.25	353,021
SCB Hong Kong	17,402,680	-0.49~2.60	34,943
SCB Japan	5,768,042	-0.10~2.50	1,197
SCB	-	-0.55~2.45	93,964
SCB Korea	-	2.40	816
SCB Thailand	-	2.00~2.45	63
SCB China	-	1.45~6.50	8
	$ 53,314,318		484,012

	2018		
	Balance	Interest rate %	Interest income
SCB Taipei	$ 27,981,517	-0.21~4.00	725,866
SCB	12,141,256	-0.50~2.40	286,857
SCB Hong Kong	-	-0.75~7.60	24,009
SCB Japan	-	-0.16~2.45	9,626
SCB China	-	-0.50~5.10	3,449
SCB Korea	-	1.52~2.24	2,001
SCB Thailand	-	-0.45~2.40	338
SCB Singapore	-	1.70~2.80	77
SCB Germany	-	-0.50	(753)
	$ 40,122,773		1,051,470

	For the six months ended June 30, 2018		
	Balance	Interest rate %	Interest income
SCB Taipei	$ 36,261,927	-0.21~4.00	291,753
SCB Hong Kong	6,405,105	-0.60~7.60	10,161
SCB	6,100,100	-0.40~2.00	118,534
SCB China	2,872,337	0.20~5.10	3,048
SCB Japan	-	-0.16~2.03	9,037
SCB Thailand	-	-0.45~2.40	376
SCB Korea	-	1.52~1.95	258
SCB Singapore	-	1.70~2.80	77
SCB Germany	-	-0.50	(753)
	$ 51,639,469		432,491

As of June 30, 2019, December 31 and June 30, 2018, the interest receivables resulting from the above call loans to banks to affiliates were $151,226 thousand, $185,627 thousand and $122,116 thousand, respectively, recorded under receivables—net.

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Notes to the Financial Statements

(vi) Deposits from banks—affiliates

	For the six months ended June 30, 2019		
	Balance	Interest rate %	Interest expense
SCB Taipei	$ 7,814	0.01	17

	2018		
	Balance	Interest rate %	Interest expense
SCB Taipei	$ 211,519	0.01	72

	For the six months ended June 30, 2018		
	Balance	Interest rate %	Interest expense
SCB Taipei	$ 287,463	0.01	51

As of June 30, 2019, December 31 and June 30, 2018, the interest payables resulting from the above deposits from banks to affiliates were all $1 thousand, respectively, recorded under related parties payable.

(vii) Overdrafts on banks—affiliates

	For the six months ended June 30, 2019		
	Balance	Interest rate %	Interest expense
SCB New York	$ -	2.37	2,838
SCB Hong Kong	-	6.38	374
SCB Germany	-	1.50	9
	$ -		3,221

	2018		
	Balance	Interest rate %	Interest expense
SCB Hong Kong	$ 45,561	6.38	300
SCB Germany	-	1.50	4,452
SCB China	-	7.21	1,195
SCB New York	-	2.40	1,130
SCB Singapore	-	10.75	29
SCB	-	1.75	3
	$ 45,561		7,109

	For the six months ended June 30, 2018		
	Balance	Interest rate %	Interest expense
SCB New York	$ 2,713,883	1.95	802
SCB Germany	23,817	1.50	3,524
SCB Hong Kong	-	6.25	230
SCB China	-	7.21	170
SCB Singapore	-	5.75	9
	$ 2,737,700		4,735

As of June 30, 2019, December 31 and June 30, 2018, no interest payables resulting from the above overdrafts on banks to affiliates were recorded.

(Continued)

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(viii) Call loans from banks—affiliates

	For the six months ended June 30, 2019		
	Balance	Interest rate %	Interest expense
SCB Hong Kong	$ 23,424,514	-1.00~7.00	64,463
SCB Japan	5,768,042	0.00~2.65	5,430
SCB Taipei	1,336,278	0.00~2.83	15,187
SCB China	-	-0.40~2.60	22,102
SCB Vietnam	-	2.48~3.04	20,530
SCB Macau	-	2.32~2.79	7,927
SCB Korea	-	2.35~2.60	6,137
SCB Thailand	-	2.47~2.68	5,458
SCB Singapore	-	-0.90~2.52	4,486
SCB	-	2.40	247
	$ 30,528,834		151,967

	2018		
	Balance	Interest rate %	Interest expense
SCB Hong Kong	$ 25,178,765	-0.45~7.30	611,911
SCB Vietnam	4,456,917	2.20~3.04	58,581
SCB Taipei	4,027,945	0.00~2.83	24,865
SCB Korea	1,844,242	1.47~2.80	22,886
SCB Macau	614,747	0.05~2.79	14,382
SCB Japan	-	0.00~2.80	45,436
SCB Singapore	-	-0.45~2.33	5,570
SCB Thailand	-	2.06~2.25	3,039
SCB China	-	1.50~2.40	2,836
SCB	-	-0.40~-0.22	(170)
	$ 36,122,616		789,336

	For the six months ended June 30, 2018		
	Balance	Interest rate %	Interest expense
SCB Hong Kong	$ 27,822,131	-0.42~6.80	331,967
SCB Japan	8,559,437	0.00~2.80	17,951
SCB Korea	1,830,030	1.47~2.60	15,454
SCB Vietnam	915,015	2.20~2.58	13,215
SCB Macau	640,510	0.05~2.46	6,135
SCB Taipei	579,510	1.45~2.00	13,870
SCB Singapore	-	-0.45~2.33	5,505
SCB	-	-0.40~-0.22	3,250
SCB China	-	1.08~2.00	1,632
	$ 40,346,633		408,979

As of June 30, 2019, December 31 and June 30, 2018, the interest payables resulting from the above call loans from banks to affiliates were $2,940 thousand debit, $167,368 thousand and as credit and $127,243 thousand as credit, respectively, recorded under related parties payable.

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

Name	June 30, 2019	December 31, 2018	June 30, 2018
SCB	$ 630,672	346,779	446,277

For the six months ended June 30, 2019 and 2018, the interest income resulting from the above transaction were $6,501 thousand and $2,705 thousand, respectively. As of June 30, 2019, December 31 and June 30, 2018, the interest receivable resulting from the above transaction were $301 thousand, $329 thousand and $426 thousand, respectively, recorded under receivables—net.

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

Name	Bond (note)	June 30, 2019	December 31, 2018	June 30, 2018
SCB	103-2	$ 6,215,243	6,147,471	6,100,100

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

For the six months ended June 30, 2019 and 2018, the interest expenses on the above transactions were $140,181 thousand and $133,682 thousand, respectively. As of June 30, 2019, December 31 and June 30, 2018, the interest payables on the above transactions were $10,100 thousand, $10,758 thousand and $9,913 thousand, respectively, recorded under related parties payable.

(xi) Guarantee

	For the six months ended June 30, 2019			
	Maximum balance during the period	Ending balance	Expense	Collateral
SCB Indonesia	$ 12,336	-	USD100 (per case)	None

	2018			
	Maximum balance during the period	Ending balance	Expense	Collateral
SCB Indonesia	$ 12,295	12,295	USD100 (per case)	None

	For the six months ended June 30, 2018			
	Maximum balance during the period	Ending balance	Expense	Collateral
SCB Indonesia	$ 12,200	12,200	USD100 (per case)	None

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(xii) For the six months ended June 30, 2019, operational and advisory service fees, consulting and technical support service fees and wholesale banking business service fees were $489,541 thousand, $314,649 thousand and $41,009 thousand, respectively. For the six months ended June 30, 2018, operational and advisory service fees, consulting and technical support service fees and wholesale banking business service fees were $474,056 thousand, $210,274 thousand and $60,729 thousand, respectively. As of June 30, 2019, December 31 and June 30, 2018, fees payables to SCB were $6,572,234 thousand, $5,662,056 thousand and $9,090,485 thousand, respectively, recorded under related parties payable. For the six months ended June 30, 2019 and 2018, the group insurance expenses for entering the group insurance amounted to $13,053 thousand and $10,664 thousand, respectively. Furthermore, as of June 30, 2019, December 31 and June 30, 2018, group insurance expense payable were $13,053 thousand, $0 thousand and $10,664 thousand, recorded under related parties payable.

(xiii) For the six months ended June 30, 2019 and 2018, the related cost of the Executive Share Option Scheme amounted to $7,897 thousand and $9,712 thousand, respectively. As of June 30, 2019, December 31 and June 30, 2018, the estimated accounts payable to SCB for the share-based payment scheme costs amounted to $82,293 thousand, $73,574 thousand and $56,163 thousand, respectively, recorded under related parties payable. The prepaid fee to SCB for the share-based payment scheme costs amounted to $866 thousand, $857 thousand and $850 thousand, respectively, recorded under other assets-net.

(xiv) For the six months ended June 30, 2019 and 2018, expenses resulting from operating and other business related activities with affiliates were as follows:

Name		For the six months ended June 30 2019	2018
Technical support service fees:			
SCB Hong Kong	$	10,354	3,988
SCB Singapore		4,360	5,955
SCB		354	4,255
SCB China		-	151
Total	$	15,068	14,349
Information technology service fees:			
Standard Chartered Global Business Services Sdn Bhd	$	57,069	59,002
Standard Chartered Global Business Services Private Limited		50,811	49,580
Total	$	107,880	108,582
Consultant service income, origination income, and trading income:			
SCB	$	64,824	148,444
SCB Hong Kong		55,268	26,949
SCB New York		16,968	(8,527)
SCB Singapore		8,325	1,430
SCB China		6,174	7,494
SCB Germany		2,235	638
Other		265	1,355
Total	$	154,059	177,783

(Continued)

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Notes to the Financial Statements

Name		For the six months ended June 30 2019	2018
Consultant service fees and origination fees:			
SCB	$	16,315	42,358
SCB New York		11,889	6,309
SCB Hong Kong		7,184	1,951
SCB France		3,947	1,835
SCB China		2,825	6,835
SCB Qatar		2,459	12,584
SCB Singapore		2,280	680
SCB Philippines		1,126	4,429
SCB Korea		-	4,276
Other		2,700	6,032
Total	$	50,725	87,289

As of June 30, 2019, December 31 and June 30, 2018, technical support service fees payables and information technology service fees payables were $89,122 thousand, $69,430 thousand and $51,131 thousand, respectively, recorded under related parties payable. As of June 30, 2019, December 31 and June 30, 2018, consultant service income, origination income, trading income and technical support service receivables were $278,735 thousand, $216,111 thousand and $326,210 thousand, respectively, recorded under receivables— net. As of June 30, 2019, December 31 and June 30, 2018, consultant service fees, origination fees and trading fees payables were $243,340 thousand, $247,672 thousand and $135,324 thousand, respectively, recorded under related parties payable.

(xv) The Bank has signed a rental contract with SCB Taipei which was calculated by either the main rental contract or market situation and the rental area. The rentals were received monthly. For the six months ended June 30, 2019 and 2018, the rentals were $1,568 thousand and $1,523 thousand, respectively. As of June 30, 2019, December 31 and June 30, 2018, the utility and information system usage income receivables from SCB Taipei were $167 thousand, $80 thousand and $79 thousand, respectively, recorded under receivables—net. For the six months ended June 30, 2019 and 2018, the related recharge from expense allocation were $482 thousand and $491 thousand, respectively.

(xvi) For the six months ended June 30, 2019 and 2018, the administrative support service income from SCB Taipei to the Bank were $1,631 thousand and $1,587 thousand, respectively. As of June 30, 2019, the support service income receivable was $286 thousand, recorded under receivables-net.

(xvii)The Bank entered into the Exclusivity Fee Sharing Agreement with Standard Chartered Bank Singapore. For the six months ended June 30, 2019 and 2018, the service fee income were $369,839 thousand and $352,242 thousand, respectively, recorded under net service fee income. As of June 30, 2019, December 31 and June 30, 2018, the service income receivables were $240,825 thousand, $476,442 thousand and $667,044 thousand, respectively, recorded under receivables—net. As of June 30, 2019, December 31 and June 30, 2018 advance service fee income totaled $1,678,784 thousand, $1,743,369 thousand and $1,809,526 thousand, respectively, recorded under other liabilities. (Please refer to note 9 Significant Contingent Liabilities and Unrecognized Contract Commitments— (c) significant service agreements section for related information).

(c) The salary and remuneration for directors and supervisors

	For the six months ended June 30	
	2019	2018
Salary and other short-term benefits	$ 181,330	156,126
Post-employment benefits	707	594
Total	$ 182,037	156,720

(8) Pledged assets:

Units: in thousands of New Taiwan Dollars

Pledged assets	Pledged for	June 30, 2019	December 31, 2018	June 30, 2018
Negotiable certificates of deposit, bonds (recorded under other financial assets)	USD overdraft clearing deposits	$ 17,101,424	14,593,221	6,500,406

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

Pledged assets	Pledged for	June 30, 2019	December 31, 2018	June 30, 2018
Negotiable certificates of deposit, bonds (recorded under other financial assets)	Trust indemnity reserve	$ 150,333	150,905	151,520
	Operating deposits for foreign bond agency business	50,111	50,302	50,506
	Operating deposits for securities underwriting	50,111	50,302	50,506
	Operating deposits for bills business	200,058	200,028	200,051
	Settlement reserves for bond proprietary trading	100,222	100,603	101,013
		550,835	552,140	553,596
Guarantee deposits paid (recorded under other assets)	Operating deposits and settlement reserves for bond proprietary trading	50,300	50,300	50,300
Total		$ 601,135	602,440	603,896

(a) USD overdraft clearing deposits are security deposits for the overdraft facility of the Bank.

(b) Reserves for indemnity obligations are provided in the way of deposits placed in the Central Bank of Republic of China for conducting trust and custodian business.

(c) Operating deposits for foreign bond agency business are operating deposits placed for operating business of foreign bond agency approved by the competent authority. The provision is prepared in accordance with the Regulations Governing Securities Firms.

(d) Operating deposits for securities underwriting are operating deposits placed for operating business of securities underwriting business approved by the competent authority in accordance with the Regulations Governing Securities Firms. (Deposits required in accordance with relevant regulations for securities underwriting is $40,000 thousand)

(e) Operating deposits for bills business are deposits placed in the Central Bank of the Republic of China for the Bank's bills business.

(f) Operating deposits and settlement reserves for bond proprietary trading are comprised of the Bank's operating deposits for securities business, self-regulatory fund deposits in Taiwan Securities Association, and settlement reserves placed in the Taipei Exchange's electronic bond trading system, which were prepared in accordance with the related regulation.

(9) Commitments and contingencies:

(a) Commitments and contingent liabilities

	June 30, 2019	December 31, 2018	June 30, 2018
Consignment collection for others	$ 4,531,553	5,081,527	5,485,946
Securities, consignments and goods in custody	1,838,872,756	1,669,911,090	2,018,845,208
Trust assets	99,770,263	89,389,906	92,046,133
	$ 1,943,174,572	1,764,382,523	2,116,377,287
Other guarantees	$ 3,455,493	4,350,959	3,193,275
Unused amount of irrevocable loan commitments	$ 3,407,689	1,404,882	1,297,919
Unused amount of irrevocable letters of credit	$ 1,774,141	781,855	2,002,367

(b) Operating leases

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

	December 31, 2018	June 30, 2018
Not later than one year	$ 368,202	439,749
Later than one year and less than five years	537,676	714,514
Total	$ 905,878	1,154,263

(c) Significant service agreements

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

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

Trust balance sheet
June 30, 2019

Trust assets		Trust liabilities	
Bank deposits	$ 6,527	Accounts payable	$ 4
Short-term investments	94,198,780	Tax payable	1
Structured notes	4,305,265	Payables for securities under custody	1,259,690
Securities under custody	1,259,690	Trust capital and accumulated earnings	98,510,568
Other assets	1		
Total trust assets	$ 99,770,263	Total trust liabilities	$ 99,770,263

Trust balance sheet
December 31, 2018

Trust assets		Trust liabilities	
Bank deposits	$ 7,409	Accounts payable	$ 4
Short-term investments	84,214,746	Tax payable	-
Structured notes	4,693,436	Payables for securities under custody	474,308
Securities under custody	474,308	Trust capital and accumulated earnings	88,915,588
Other assets	1		
Total trust assets	$ 89,389,900	Total trust liabilities	$ 89,389,900

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Trust balance sheet
June 30, 2018

Trust assets			Trust liabilities		
Bank deposits	$	4,967	Accounts payable	$	4
Short-term investments		86,140,640	Tax payable		1
Structured notes		5,208,068	Payables for securities under custody		692,457
Securities under custody		692,457	Trust capital and accumulated earnings		91,353,671
Other assets		1			
Total trust assets	$	92,046,133	Total trust liabilities	$	92,046,133

Trust income statements

	For the six months ended June 30	
	2019	2018
Trust revenue:		
Interest revenue	$ 2,449,781	2,194,919
Common stock cash dividends	42	142
Realized gain on investments	907,152	1,248,648
Unrealized gain on investments	9,959,700	734,810
Net gain on trading of assets	1	6
	13,316,676	4,178,525
Trust expenses:		
Management expense	$ 11	24
Realized loss on investments	1,249,154	1,026,444
Unrealized loss on investments	1,665,923	5,546,677
	2,915,088	6,573,145
Net gain (loss) before income tax	10,401,588	(2,394,620)
Income tax expense	-	-
Net gain (loss) after income tax	$ 10,401,588	(2,394,620)

Schedules of investment for trust business

Investment items	June 30, 2019	December 31, 2018	June 30, 2018
Bank deposits	$ 6,527	7,409	4,967
Short-term investments:			
Bonds	27,837,222	24,588,864	22,225,785
Common stock	5,460,387	4,344,437	4,106,259
Funds	60,901,171	55,281,445	59,808,596
Structured notes	4,305,265	4,693,436	5,208,068
Securities under custody	1,259,690	474,308	692,457
Other assets	1	1	1
	$ 99,770,263	89,389,900	92,046,133

Foreign currency trust business engaged by the Offshore Banking Unit (OBU) as of June 30, 2019, December 31 and June 30, 2018, were included in the trust balance sheets and schedules of investment for trust business.

(Continued)

(10) Losses Due to Major Disasters: None

(11) Significant Subsequent Events:

SCB Group has announced a restructuring plan. According to the plan, the Bank will be moved under the direct ownership of Standard Chartered NEA Limited ("SC NEA"), and SC NEA will be 100% owned by Standard Chartered Bank (Hong Kong) Limited ("SCB Hong Kong"). As part of the plan, SCB Hong Kong will be transformed into a regional hub to better support the businesses and operations in the markets of Taiwan, China and Korea. The regulatory approval from Taiwan Financial Supervisory Commission and Investment Commission of the Ministry of Economic Affairs have been obtained in July 2019.

(12) Others:

(a) Profitability

Unit: %

Items		June 30, 2019	December 31, 2018	June 30, 2018
Return on assets	Before income tax	0.63	0.44	0.61
	After income tax	0.53	0.43	0.54
Return on equity	Before income tax	8.83	6.31	8.77
	After income tax	7.41	6.12	7.67
Net profit ratio		24.16	20.39	24.06

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

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

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

(13) Other disclosures items:

For the six months ended June 30, 2019, relevant information of any major transactions that the Bank was required to disclose are as follows:

(a) Related information on significant transactions:

(i) Loans to other parties: Not applicable

(ii) Guarantees and endorsements for other parties: Not applicable

(iii) Information regarding securities held at the reporting date (subsidiaries, associates and joint ventures are not included): Not applicable

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

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

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

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

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

(ix) Information regarding trading in derivative financial instruments: Not applicable

(x) Information regarding selling non performing loans: None

1) Summary table of NPL disposal: None

2) Disposal of a single batch of NPL up to NT$1 billion and information on each transaction: None

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

(xii) Business relationship, and material transaction and amount between the parent party and subsidiaries and among subsidiaries themselves: Not applicable.

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

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

(In Thousands of New Taiwan Dollars)

Name of investee	Investee's location	Investee's operation	Percentage of ownership	Book value of investments	Gain (loss) recognized during the period	Holdings				Remark
						Number of shares (thousand)	Pro forma number of shares (thousand)	Total		
								Shares (thousand)	Percentage	
Taiwan Small and Medium Enterprises Development Corp.	8F., No.181, Fushing N. Rd., Songshan District, Taipei City 10596, Taiwan (R.O.C.)	Small and medium enterprises improvement services	4.84 %	29,829	-	3,417	-	3,417	4.84 %	Note 2
Financial Information Service Co., Ltd.	No.81, Sec. 3, Kangning Rd., Neihu District, Taipei City 11485, Taiwan (R.O.C.)	Information technology services	1.14 %	255,501	-	5,938	-	5,938	1.14 %	Note 2
TSC Bio Venture Management, Inc.	5F., No.50, Sec. 1, Sinsheng S. Rd., Jhongjheng Dist., Taipei City 100, Taiwan (R.O.C.)	Venture capital services	5.00 %	8,668	-	851	-	851	5.00 %	Note 2
Universal Venture Investment, Inc.	8F., No.70, Sec. 3, Nanjing E. Rd., Jhongshan District, Taipei City 10489, Taiwan (R.O.C.)	Venture capital services	4.76 %	4,701	-	558	-	558	4.76 %	Note 2
Windance Co., Ltd.	No.243-1, Jhongyang Rd., North District, Hsinchu City 30041, Taiwan (R.O.C.)	Residential and commercial lease/sale services	2.73 %	-	-	18,850	-	18,850	2.73 %	Note 2
Taiwan Asset Service Corporation	10F., No.300, Sec. 4, Jhongsiao E. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.)	Asset auction notarization	2.94 %	41,300	-	5,000	-	5,000	2.94 %	Note 2
Yang Guang Asset Management Company	11F., No.85 and No.87, Sec. 2, Nanjing E. Rd., Jhongshan Dist., Taipei City 104, Taiwan (R.O.C.)	NPL acquisition services	1.42 %	1,820	110	85	-	85	1.42 %	Note 2

Note 1: The book value of investments recorded under financial assets at fair value through other comprehensive income.

Note 2: Shares held by the Bank remained the same as compared to December 31, 2018.

(c) Information on setting up branches and investing in Mainland China:

(i) Name, main operating items and other information of the invested company in Mainland China: None

(ii) Amount limitation of investments in Mainland China: None

(Continued)

(14) Operating segment financial information:

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

(a) Retail Banking: In charge of developing a long-term sustainable customer-focused strategy and building a high performance culture through robust execution. Responsible for retail clients segment development in customer value propositions, and product development.

(b) International Corporates and Financial Institutions Banking: International Corporates & Financial Institutions Banking provides International Corporates and Financial Institutions clients with trade finance, cash management, securities services, foreign exchange and risk management, capital raising and corporate finance solutions.

(c) Commercial Banking: The Commercial Banking segment mainly targets at serving corporate clients, particularly those clients with trade finance or international cash management needs. The professional financial services we provide include short-term loans for working capital, mid-term or long-term financing, import and export trade financing, supply chain financing, cash management, foreign exchange services and corporate internet banking, etc.

(d) Other Banking services: Including asset and liability management and other assets, liabilities, income, and expense that cannot be classified under a specific department.

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

Majority of the Bank's business is located domestically, so there is no geographic information applicable. There is no income from one single client that represents more than 10% of the income of the Bank.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED
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The disclosures of assets, liabilities, and profit or loss are in accordance with the accounting policies of the SC PLC Group. The Bank's information and reconciliation of operating segments were as follows:

	For the six months ended June 30, 2019				
	Retail Banking	International Corporates and Financial Institutions Banking	Commercial Banking	Other Banking	Total
Interest income	$ 2,641,141	911,887	334,356	1,854,136	5,741,520
Interest expense	52,797	(707,090)	(88,491)	(2,990,525)	(3,733,309)
Net interest income	2,693,938	204,797	245,865	(1,136,389)	2,008,211
Net service fee income	1,909,247	417,122	61,120	(13,728)	2,373,761
Other miscellaneous income	331,127	527,527	55,592	1,619,562	2,533,808
Net income	4,934,312	1,149,446	362,577	469,445	6,915,780
Bad debt expense, commitment and (provision for) reversal of guarantee liabilities	(256,412)	(8,780)	31,642	(234)	(233,784)
Operating expense	(3,528,732)	(756,299)	(411,571)	4,748	(4,691,854)
Segment profit or loss	$ 1,149,168	384,367	(17,352)	473,959	1,990,142
Segment assets	$ 209,393,960	95,809,738	28,951,822	307,706,848	641,862,368
Segment liabilities	$ 339,320,639	177,665,540	50,702,679	29,141,191	596,830,049

	For the six months ended June 30, 2018				
	Retail Banking	International Corporates and Financial Institutions Banking	Commercial Banking	Other Banking	Total
Interest income	$ 2,536,520	844,118	282,987	1,233,034	4,896,659
Interest expense	87,908	(514,413)	(44,527)	(2,225,140)	(2,696,172)
Net interest income	2,624,428	329,705	238,460	(992,106)	2,200,487
Net service fee income	1,922,229	509,665	35,493	(9,835)	2,457,552
Other miscellaneous income	260,276	316,741	117,604	1,660,220	2,354,841
Net income	4,806,933	1,156,111	391,557	658,279	7,012,880
Bad debt expense and, commitment (provision for) reversal of guarantee liabilities	(164,768)	(1,797)	(31,604)	(953)	(199,122)
Operating expense	(3,810,646)	(667,356)	(405,184)	(583)	(4,883,769)
Segment profit or loss	$ 831,519	486,958	(45,231)	656,743	1,929,989
Segment assets	$ 197,853,806	92,136,082	33,232,762	284,368,825	607,591,475
Segment liabilities	$ 310,404,081	141,689,956	43,951,937	67,368,397	563,414,371