Stock Code:2807

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 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 December 31, 2019 and 2018, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 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 December 31, 2019 and 2018, and its financial performance and its cash flows for the years ended December 31, 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 Financial Reporting Standards ("IFRS"), 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 and 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, Jin-Guan-Yin-(Fa)-Zi No. 10802731571 and Generally Accepted Auditing Standards in the Republic of China for the year ended December 31, 2019; 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 for the year ended December 31, 2018. 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), (i) and (al) "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(al) 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 December 31, 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. Goodwill impairment

Refer to note 4(h) "Intangible assets" for the accounting policy of goodwill impairment. Refer to note 5(c) " Goodwill impairment" for the uncertainty of accounting estimates and assumption for the goodwill impairment. Refer to note 6(m) for further description of disclosures on goodwill.

1) Risk and descriptions of the key audit matter:

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

2) Procedures performed:

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

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 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 "IFRSs" endorsed by the FSC, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those 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)
March 25, 2020

Notes to Readers

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

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Balance Sheets

December 31, 2019 and 2018

(Expressed in thousands of New Taiwan Dollars)

		December 31, 2019		December 31, 2018	
	Assets	Amount	%	Amount	%
11000	Cash and cash equivalents (notes 6(a) and 7)	$ 22,466,040	4	23,637,632	4
11500	Due from the Central Bank and call loans to banks (notes 6(a), (b) and 7)	88,584,862	14	81,627,972	13
12000	Financial assets at fair value through profit or loss (notes 6(c) and 7)	16,521,008	3	16,331,428	3
12100	Financial assets at fair value through other comprehensive income (notes 6(d) and (f))	150,617,928	24	162,495,083	26
12200	Debt instrument investment measured at amortized cost (note 6(e))	1,929,246	-	1,937,067	-
12300	Financial assets for hedging (note 6(f))	173,117	-	247,374	-
12500	Securities and bonds purchased under resell agreements (notes 6(a), (g) and 7)	6,393,794	1	11,738,716	2
13000	Receivables－net (notes 6(h), (i) and 7)	23,479,450	4	24,576,560	4
13200	Current tax assets (note 6(x))	352,623	-	448,497	-
13500	Discounts and loans－net (notes 6(f), (i) and 7)	282,220,611	45	277,484,777	44
15500	Other financial assets－net (notes 6(j) and 8)	16,144,482	3	15,145,361	2
18500	Property and equipment－net (note 6(k))	3,707,099	1	4,351,057	1
18600	Right-of-use assets-net (note 6(l))	1,939,425	-	-	-
19000	Intangible assets－net (note 6(m))	3,275,479	1	3,258,021	1
19300	Deferred tax assets (note 6(x))	967,376	-	1,596,681	-
19500	Other assets－net (notes 6(n), 7 and 8)	2,899,408	-	1,696,566	-
	Total assets	$ 621,671,948	100	626,572,792	100

		December 31, 2019		December 31, 2018	
	Liabilities and Equity	Amount	%	Amount	%
	Liabilities:				
21000	Deposits from the Central Bank and banks (notes 6(o) and 7)	$ 22,768,336	4	36,496,273	6
22000	Financial liabilities at fair value through profit or loss (notes 6(c) and 7)	8,611,500	1	8,105,768	1
22300	Financial liabilities for hedging (note 6(f))	289,328	-	8,518	-
23000	Payables (note 6(p))	5,581,086	1	4,790,749	1
23100	Related parties payable (note 7)	7,139,839	1	6,231,122	1
23200	Current tax liabilities (note 6(x))	149,083	-	18,611	-
23500	Deposits and remittances (notes 6(q) and 7)	514,240,351	84	510,768,268	82
24000	Financial debentures (notes 6(r) and 7)	8,023,443	1	8,149,671	1
25500	Other financial liabilities (note 6(s))	152,574	-	329,190	-
25600	Provisions (notes 6(t) and (w))	1,466,595	-	1,601,731	-
26000	Lease liabilities (note 6(u))	1,937,022	-	-	-
29300	Deferred tax liabilities (note 6(x))	818,811	-	851,943	-
29500	Other liabilities (notes 6(v) and 7)	4,649,707	1	4,075,166	1
	Total liabilities	575,827,675	93	581,427,010	93
	Equity:				
31101	Common stock (note 6(y))	29,105,720	5	29,105,720	5
31500	Capital surplus (note 6(y))	5,794,771	1	5,794,771	1
	Retained earnings:				
32001	Legal reserve (note 6(y))	7,907,463	1	7,090,437	1
32003	Special reserve (note 6(y))	288,953	-	354,033	-
32005	Unappropriated earnings (note 6(y))	2,665,076	-	2,756,697	-
		10,861,492	1	10,201,167	1
32500	Other equity interest (note 6(y))	82,290	-	44,124	-
	Total equity	45,844,273	7	45,145,782	7
	Total liabilities and equity	$ 621,671,948	100	626,572,792	100

See accompanying notes to financial statements.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

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

		2019		2018		Change
		Amount	%	Amount	%	%
41000	**Interest income (notes 6(ab) and 7)**	$10,965,555	80	10,320,477	77	6
51000	**Less：Interest expense (notes 6(ab) and 7)**	6,664,349	49	6,264,170	47	6
	Net interest income	4,301,206	31	4,056,307	30	6
	Net non-interest income					
49100	Net service fee income (notes 6(ac) and 7)	4,863,336	36	4,474,787	34	9
49200	Gain on financial assets or liabilities at fair value through profit or loss (notes 6(ad) and 7)	3,885,932	29	3,280,060	25	18
49310	Realized gain on financial assets at fair value through other comprehensive income (notes 6(d) and (ae))	29,605	-	28,053	-	6
49600	Foreign exchange gain	432,727	3	1,640,157	12	(74)
49700	Impairment losses on assets (note 6(ag))	(28,818)	-	(124,377)	(1)	77
49800	Net other non-interest income (notes 6(f), (af) and 7)	182,072	1	1,727	-	10,443
	Net revenue	13,666,060	100	13,356,714	100	2
58200	Bad debt expense, commitment and guarantee liability provision (note 6(ah))	498,272	4	630,050	5	(21)
	Operating expenses:					
58500	Employee benefits expenses (notes 6(w), (z), (ai) and 7)	5,189,078	38	5,197,854	39	-
59000	Depreciation and amortization expenses (notes 6(k), (l), (m) and (aj))	584,352	4	172,722	1	238
59500	Other general and administrative expenses (notes 6(ak) and 7)	4,142,115	30	4,547,926	34	(9)
	Total operating expenses	9,915,545	72	9,918,502	74	-
	Profit from continuing operations before tax	3,252,243	24	2,808,162	21	16
61003	Less: Income tax expenses (note 6(x))	752,383	6	84,743	1	788
	Profit	2,499,860	18	2,723,419	20	(8)
65000	**Other comprehensive income:**					
65200	**Components of other comprehensive income that will not be reclassified to profit or loss**					
65201	Gains (losses) on remeasurements of defined benefit plans	9,915	-	(59,336)	-	117
65204	Unrealized (losses) gains from investments in equity instruments measured at fair value through other comprehensive income	(39,681)	-	120,844	1	(133)
65220	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note 6(x))	(1,983)	-	14,026	-	(114)
		(31,749)	-	75,534	1	(142)
65300	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**					
65305	Gains on hedging instrument (note 6(y))	23,194	-	3,032	-	665
65309	Revaluation gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	64,379	-	(76,971)	(1)	184
65310	Provision (Reversal) of impairment loss from investments in debt instruments measured at fair value through other comprehensive income	1,275	-	(1,017)	-	225
65320	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6(x))	(11,001)	-	3,234	-	(440)
	Components of other comprehensive income that will be reclassified to profit or loss	77,847	-	(71,722)	(1)	209
65000	**Other comprehensive income**	46,098	-	3,812	-	1,109
	Total comprehensive income	**$ 2,545,958**	**18**	**2,727,231**	**20**	(7)
	Basic earnings per share (NTD) (note 6(aa))	**$ 0.86**		**0.94**		

See accompanying notes to financial statements.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Statements of Changes in Equity

For the years ended December 31, 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 appropriated (note 6(y))	-	-	658,542	-	(658,542)	-	-	-	-	-
Special reserve appropriated (note 6(y))	-	-	-	10,976	(10,976)	-	-	-	-	-
Cash dividends of ordinary share (note 6(y))	-	-	-	-	(1,438,793)	-	-	-	-	(1,438,793)
Net income	-	-	-	-	2,723,419	-	-	-	-	2,723,419
Other comprehensive income	-	-	-	-	(45,310)	46,300	-	-	2,822	3,812
Total comprehensive income	-	-	-	-	2,678,109	46,300	-	-	2,822	2,727,231
Balance at December 31, 2018	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 appropriated (note 6(y))	-	-	817,026	-	(817,026)	-	-	-	-	-
Special reserve appropriated (note 6(y))	-	-	-	13,617	(13,617)	-	-	-	-	-
Cash dividends of ordinary share (note 6(y))	-	-	-	-	(1,847,467)	-	-	-	-	(1,847,467)
Reversal of special reserve (note 6(y))	-	-	-	(78,697)	78,697	-	-	-	-	-
Net income	-	-	-	-	2,499,860	-	-	-	-	2,499,860
Other comprehensive income	-	-	-	-	7,932	19,611	-	-	18,555	46,098
Total comprehensive income	-	-	-	-	2,507,792	19,611	-	-	18,555	2,545,958
Balance at December 31, 2019	$ 29,105,720	5,794,771	7,907,463	288,953	2,665,076	71,880	-	-	10,410	45,844,273

See accompanying notes to financial statements.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(expressed in thousands of New Taiwan Dollars)

		2019	2018
Cash flows from (used in) operating activities:			
Profit before tax	$	3,252,243	2,808,162
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation expense		564,833	166,216
Amortization expense		19,519	6,506
Bad debt expense, commitment and guarantee liability provision		498,272	630,050
Interest expense		6,664,349	6,264,170
Interest income		(10,965,555)	(10,320,477)
Net change in other provisions		(92,997)	(157,891)
Gain on disposal of property and equipment		(186,885)	-
Impairment losses on assets		28,818	124,377
Total adjustments to reconcile profit (loss)		(3,469,646)	(3,287,049)
Changes in operating assets and liabilities:			
Changes in operating assets:			
Due from the Central Bank and call loans to banks		(4,607,970)	2,493,530
Financial assets at fair value through profit or loss		(189,580)	(416,325)
Financial assets at fair value through other comprehensive income		11,896,325	22,945,035
Debt instrument investment measured at amortized cost		7,704	(1,937,067)
Receivables		757,999	(3,720,576)
Discounts and loans		(5,242,677)	(15,117,967)
Other financial assets		(976,315)	(7,665,326)
Total changes in operating assets		1,645,486	(3,418,696)
Changes in operating liabilities:			
Deposits from the Central Bank and banks		(13,727,937)	(22,596,254)
Financial liabilities at fair value through profit or loss		505,732	720,864
Payables		2,147,150	(1,350,386)
Deposits and remittances		3,472,083	5,358,008
Other financial liabilities		(176,616)	(935,196)
Other liabilities		574,541	2,042,933
Total changes in operating liabilities		(7,205,047)	(16,760,031)
Total changes in operating assets and liabilities		(5,559,561)	(20,178,727)
Total adjustments		(9,029,207)	(23,465,776)
Cash outflow generated from operations		(5,776,964)	(20,657,614)
Interest received		11,258,207	10,241,090
Interest paid		(7,073,900)	(5,921,550)
Income taxes refunded (paid)		57,483	(178,468)
Net cash flows from (used in) operating activities		(1,535,174)	(16,516,542)
Cash flows used in investing activities:			
Acquisition of property and equipment		(133,267)	(217,362)
Acquisition of intangible assets		739,647	-
Increase in derivatives collateral		(1,085,605)	(472,255)
Acquisition of intangible assets		(36,977)	(108,479)
Increase in other assets		(160,402)	(113,354)
Net cash flows used in investing activities		(676,604)	(911,450)
Cash flows used in financing activities:			
Decrease (increase) in financial instruments for hedging		383,453	(272,380)
Decrease in financial debentures		-	(6,551,000)
Payment of lease liabilities		(365,574)	-
Cash dividends paid		(1,847,467)	(1,438,793)
Net cash flows used in financing activities		(1,829,588)	(8,262,173)
Change in foreign exchange rate		(126,228)	177,914
Net increase (decrease) in cash and cash equivalents		(4,167,594)	(25,512,251)
Cash and cash equivalents at beginning of period		90,713,130	116,225,381
Cash and cash equivalents at end of period	$	86,545,536	90,713,130
Composition of cash and cash equivalents:			
Cash and cash equivalents reported in the statement of financial position	$	22,466,040	23,637,632
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7		57,685,702	55,336,782
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7		6,393,794	11,738,716
Cash and cash equivalents at end of period	$	86,545,536	90,713,130

See accompanying notes to financial statements.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

For the years ended December 31, 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 December 31, 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).

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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 March 25, 2020.

(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).

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 $1,980,143 thousands of right-of-use assets and $1,963,536 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 2.12%.

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

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	256,867
Other	(3,578)
	$ 2,192,888
Discounted using the incremental borrowing rate at January 1, 2019	$ 1,963,536
Finance lease liabilities recognized as at December 31, 2018	-
Lease liabilities recognized at January 1, 2019	$ 1,963,536

(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 IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	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
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

(Continued)

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

(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, 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").

(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 amount 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 from the conversion of currency 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 bond investments.

(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 investments measured at amortized cost

When a financial asset meets both of the following conditions and is not designated as at FVTPL, it is 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.

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 and bonds under repurchase/resell agreements

Securities and bonds 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.

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c) Loans and receivables

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.

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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 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. Upon derecognition, gains and losses accumulated in OCI of equity investments are reclassified to retained earnings.

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. 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.

These assets are subsequently measured at fair value, which take into account any dividend and interest income, and recognized in profit or loss.

(Continued)

4) Impairment of financial assets

The Bank measures loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, due from the Central Bank and call loan to banks, securities and bonds purchased under resell agreements, receivables, discounts and loans, financial assets measured at amortized cost and other assets), debt investments measured at FVOCI, 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 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(al) 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 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.

3) Derecognition of a financial liability

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

4) Mutual offset of financial assets and liabilities

Financial assets and financial liabilities shall be offset only when the Bank currently has legally enforceable rights to set off the recognized amounts and intends either to settle on a net basis, or to realize the assets and settle the liabilities at the same time.

(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.

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.

(Continued)

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

(Continued)

(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.

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.

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(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.

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.

(Continued)

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.

(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) 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.

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.

(Continued)

(k) 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 is 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.

(l) 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.

(Continued)

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.

(m) 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)

(n) 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.

(o) 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 judgments, estimates and assumptions. 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(al) for detailed information of primary assumption and inputs.

(b) Valuation of financial instruments

Fair value of financial instruments in 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 are 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) 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(m) for further disclosure of goodwill.

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(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand	$ 4,320,690	3,464,926
Checks for clearing	473,720	109,863
Deposits with other banks	8,665,917	4,452,856
Deposits with other banks—affiliates	9,006,081	15,610,062
Subtotal	22,466,408	23,637,707
Less: allowance for bad debts	368	75
Total	$ 22,466,040	23,637,632

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

	December 31, 2019	December 31, 2018
Cash and cash equivalents reported in the statement of balance sheets	$ 22,466,040	23,637,632
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	57,685,702	55,336,782
Securities purchased under resell agreements and debt instruments qualifying for cash and cash equivalents under the definition of IAS 7	6,393,794	11,738,716
Cash and cash equivalents reported in the statement of cash flows	$ 86,545,536	90,713,130

Changes in the allowance for bad debts of cash and cash equivalents were as below:

	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	(75)	-	-	-	-	(75)	-	(75)
New financial assets originated or purchased	368	-	-	-	-	368	-	368
Ending balance	$ 368	-	-	-	-	368	-	368

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	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:								
Financial assets derecognized during the period	(285)	(6)	-	-	-	(291)	-	(291)
New financial assets originated or purchased	75	-	-	-	-	75	-	75
Ending balance	$ 75	-	-	-	-	75	-	75

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

	December 31, 2019	December 31, 2018
Required reserve—checking account	$ 3,538,520	6,198,363
Required reserve—demand account	11,271,426	11,111,655
Required reserve—foreign currency	240,850	245,899
Required reserve—settlement account	2,000,816	1,506,088
Call loans to banks	19,165,673	22,443,194
Call loans to banks—affiliates	52,367,577	40,122,773
Total	$ 88,584,862	81,627,972

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

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

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

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(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:

		December 31, 2019	December 31, 2018
Financial assets mandatorily measured at fair value through profit or loss:			
Government bonds	$	9,607,164	6,975,343
Corporate bonds		551,864	1,559,691
Interest rate swap		2,677,718	1,825,915
Interest rate option		99,124	103,898
Spot/forward/swap		3,353,470	5,460,247
Cross currency swap		92,924	150,972
Foreign exchange option		137,696	255,362
Commodity option		1,048	-
Total	$	16,521,008	16,331,428

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

		December 31, 2019	December 31, 2018
Derivative financial liabilities:			
Interest rate swap	$	2,688,694	1,797,086
Interest rate option		20,345	4,108
Spot/forward/swap		5,602,567	5,845,608
Cross currency swap		161,411	204,826
Foreign exchange option		137,458	254,140
Commodity option		1,025	-
Total	$	8,611,500	8,105,768

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

		December 31, 2019	December 31, 2018
Debt instrument:			
Negotiable certificates of deposit	$	103,736,462	97,513,252
Treasury Bills		3,822,365	999,728
Government bonds		42,711,740	63,595,061
Subtotal		150,270,567	162,108,041
Equity instrument:			
Non-listed stock		347,361	387,042
Total	$	150,617,928	162,495,083
The total calculation above includes the revaluation adjustment of hedge items	$	5,192	6,396

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

(Continued)

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As of December 31, 2019 and 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 years ended December 31, 2019 and 2018, dividend income of the above equity instrument investments were $16,492 thousand and $16,435 thousand, respectively, recorded under realized gain on financial assets at fair value through other comprehensive income.

As of December 31, 2019 and 2018, the Bank's allowance for impairments of the above financial assets at fair value through other comprehensive income were $4,905 thousand and $3,961 thousand, respectively.

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

	2019				
	12-months expected credit losses	Lifetime expected credit losses	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
Changes due to financial instrument recognition:					
Financial assets derecognized during the period	(2,856)	-	-	-	(2,856)
New financial assets originated or purchased	4,731	-	-	-	4,731
Foreign currency exchange and other changes	(931)	-	-	-	(931)
Ending Balance	$ 4,905	-	-	-	4,905

	2018				
	12-months expected credit losses	Lifetime expected credit losses	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
Changes due to financial instrument recognition:					
Financial assets derecognized during the period	(2,119)	-	-	-	(2,119)
New financial assets originated or purchased	2,230	-	-	-	2,230
Foreign currency exchange and other changes	(1,128)	-	-	-	(1,128)
Ending Balance	$ 3,961	-	-	-	3,961

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements

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

	2019				
	12-months expected credit losses	Lifetime expected credit losses	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
Changes due to financial instrument recognition:					
Financial assets derecognized during the period	(148,159,517)	-	-	-	(148,159,517)
New financial assets originated or purchased	136,436,673	-	-	-	136,436,673
Foreign currency exchange and other changes	(114,630)	-	-	-	(114,630)
Ending Balance	$ 150,270,567	-	-	-	150,270,567

	2018				
	12-months expected credit losses	Lifetime expected credit losses	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
Changes due to financial instrument recognition:					
Financial assets derecognized during the period	(172,067,509)	-	-	-	(172,067,509)
New financial assets originated or purchased	149,095,391	-	-	-	149,095,391
Foreign currency exchange and other changes	(54,854)	-	-	-	(54,854)
Ending Balance	$ 162,108,041	-	-	-	162,108,041

(e) Amortized cost financial assets

	December 31, 2019	December 31, 2018
Government bonds	$ 1,929,246	1,937,067

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

(Continued)

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

	2019				
	12-months expected credit losses	Lifetime expected credit losses	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:

	December 31, 2019	December 31, 2018
Cash flow hedge:		
Cross currency swap	$ 173,117	247,374

Financial liabilities for hedging were as follows:

	December 31, 2019	December 31, 2018
Fair value hedge:		
Interest rate swap	$ 7,328	8,518
Cash flow hedge:		
Cross currency swap	282,000	-
Total	$ 289,328	8,518

(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 December 31, 2019 and 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	December 31, 2019	Contract type	December 31, 2019
Financial assets at fair value through other comprehensive income:			
Government bonds—revaluation adjustment	$ 5,192	Interest rate swap	$ (7,328)

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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)

For the years ended December 31, 2019 and 2018, net gains (losses) on the hedging financial instruments listed above amounted to $864 thousand and $(12,971) thousand, respectively. For the years ended December 31, 2019 and 2018, net (losses) gains from the hedged risk of the hedged items amounted to $(2,500) thousand and $15,240 thousand, respectively.

(ii) Cash flow hedge

The Bank currently holds floating rate loans and foreign currency time deposits with fixed rate, 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.

		Fair value	
Hedged items	**Financial instruments designated as hedging instruments**	**December 31, 2019**	**December 31, 2018**
Discounts and loans—floating interest rate	Cross currency swap	$ -	247,374
Deposits and remittances—fixed interest rate	Cross currency swap	(108,883)	-
Total		$ (108,883)	247,374

(g) Securities and bonds purchased under resell agreements

	December 31, 2019	December 31, 2018
Securities and bonds purchased under resell agreements	$ 6,393,794	11,738,716
Face value of debt instruments	$ 6,423,623	11,848,111
Interest rate	0.48%~1.90%	0.40%~2.65%
Last settlement date	2020.1.15	2019.1.22
Resell price	$ 6,396,155	11,741,474

As of December 31, 2019 and 2018, allowance for impairments of the above securities and bonds purchased under resell agreements were $38 thousand and $63 thousand, respectively.

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Changes in the allowance for impairment of the above securities and bonds purchased under resell agreements were as below:

	2019				
	12-months expected credit losses	Lifetime expected credit losses	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	$ 63	-	-	-	63
Changes due to financial instrument recognition:					
Financial assets derecognized during the period	(63)	-	-	-	(63)
New financial assets originated or purchased	38	-	-	-	38
Ending balance	$ 38	-	-	-	38

	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	$ 10	-	-	-	10
Changes due to financial instrument recognition：					
Financial assets derecognized during the period	(10)	-	-	-	(10)
New financial assets originated or purchased	63	-	-	-	63
Ending balance	$ 63	-	-	-	63

(h) Receivables—net

	December 31, 2019	December 31, 2018
Accounts receivable factoring	$ 13,681,368	15,315,482
Credit cards accounts receivable	5,350,341	4,740,800
Accounts receivable	808,479	670,803
Interest receivable	1,667,701	1,854,547
Acceptances receivable	749,138	1,048,000
Accounts receivable－related parties	922,118	882,854
Unsettled trades receivable	511,990	315,940
Other	240,174	238,515
Subtotal	23,931,309	25,066,941
Less: allowance for bad debts	451,859	490,381
Total	$ 23,479,450	24,576,560

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

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

	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	(177)	179	-	(2)	-	-	-	-
Transferred to credit impaired financial asset	(132)	(197)	-	329	-	-	-	-
Transferred to 12-months expected credit losses	17	(17)	-	-	-	-	-	-
Financial assets derecognized during the period	(14,880)	(5,693)	-	(32,672)	-	(53,245)	-	(53,245)
New financial assets originated or purchased	20,879	3,975	-	136,934	-	161,788	-	161,788
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	(25,473)	(25,473)
Bad-Debt Write offs	(304)	(2,198)	-	(95,389)	-	(97,891)	-	(97,891)
Foreign currency exchange and other changes	(8,778)	3,875	-	(18,798)	-	(23,701)	-	(23,701)
Ending balance	$ 59,975	6,681	-	235,747	-	302,403	149,456	451,859

	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	$ 50,962	7,984	-	277,922	-	336,868	129,242	466,110
Changes due to financial instrument recognition :								
Transferred to lifetime expected credit losses	(230)	257	-	(27)	-	-	-	-
Transferred to credit impaired financial asset	(3,822)	(270)	-	4,092	-	-	-	-
Transferred to 12-months expected credit losses	343	(339)	-	(4)	-	-	-	-
Financial assets derecognized during the period	(11,662)	(6,290)	-	(46,028)	-	(63,980)	-	(63,980)
New financial assets originated or purchased	35,332	4,924	-	129,831	-	170,087	-	170,087
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	45,687	45,687
Bad-Debt Write offs	(965)	(3,574)	-	(112,143)	-	(116,682)	-	(116,682)
Foreign currency exchange and other changes	(6,608)	4,065	-	(8,298)	-	(10,841)	-	(10,841)
Ending balance	$ 63,350	6,757	-	245,345	-	315,452	174,929	490,381

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Changes in the book value of receivables were as below:

	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)	Total
Beginning balance	$ 22,970,937	1,529,162	-	566,842	-	25,066,941
Changes due to financial instrument recognition :						
Transferred to lifetime expected credit losses	(20,595)	20,610	-	(15)	-	-
Transferred to credit impaired financial asset	(33,035)	(13,926)	-	46,961	-	-
Transferred to 12-months expected credit losses	1,849	(1,780)	-	(69)	-	-
Financial assets derecognized during the period	(20,167,924)	(446,608)	-	(126,715)	-	(20,741,247)
New financial assets originated or purchased	16,060,958	1,610,275	-	92,278	-	17,763,511
Bad-Debt Write offs	(304)	(2,198)	-	(95,389)	-	(97,891)
Foreign currency exchange and other changes	1,684,743	214,174	-	41,078	-	1,939,995
Ending balance	$ 20,496,629	2,909,709	-	524,971	-	23,931,309

	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)	Total
Beginning balance	$ 18,682,376	2,553,730	-	86,382	-	21,322,488
Changes due to financial instrument recognition :						
Transferred to lifetime expected credit losses	(19,332)	19,412	-	(80)	-	-
Transferred to credit impaired financial asset	(489,918)	(15,299)	-	505,217	-	-
Transferred to 12-months expected credit losses	21,740	(21,661)	-	(79)	-	-
Financial assets derecognized during the period	(16,525,538)	(2,513,933)	-	(24,265)	-	(19,063,736)
New financial assets originated or purchased	20,543,634	1,500,946	-	61,975	-	22,106,555
Bad-Debt Write offs	(965)	(3,574)	-	(112,143)	-	(116,682)
Foreign currency exchange and other changes	758,940	9,541	-	49,835	-	818,316
Ending balance	$ 22,970,937	1,529,162	-	566,842	-	25,066,941

(i) Discounts and loans—net

	December 31, 2019	December 31, 2018
Bills negotiations and bills and notes discounted	$ 386,206	1,283,594
Short-term loans and overdrafts	43,194,303	42,282,793
Short-term secured loans	7,604,525	6,663,986
Medium-term loans	45,544,865	45,726,084
Medium-term secured loans	2,414,300	3,360,990
Long-term loans	9,797,523	8,342,852
Long-term secured loans	177,713,487	174,162,652
Overdue loans	205,511	429,658
Subtotal	286,860,720	282,252,609
Add: premium adjustments on discounts and loans	78,570	53,559
Less: allowance for bad debts	4,718,679	4,821,391
Total	$ 282,220,611	277,484,777

(Continued)

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

As of December 31, 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 December 31, 2019 and 2018, the amounts of outstanding loans with interest charges suspended amounted to $205,511 thousand and $429,658 thousand, respectively. The amounts of interest not accrued derived from the aforementioned loans were $2,801 thousand and $8,102 thousand, respectively.

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

	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	(25,025)	25,457	-	(432)	-	-	-	-
Transferred to credit impaired financial asset	(2,282)	(7,448)	-	9,730	-	-	-	-
Transferred to 12-months expected credit losses	5,092	(5,046)	-	(46)	-	-	-	-
Financial assets derecognized during the period	(208,789)	(133,243)	-	(361,038)	-	(703,070)	-	(703,070)
New financial assets originated or purchased	337,950	142,832	-	490,458	-	971,240	-	971,240
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	434,375	434,375
Bad-Debt Write offs	(177)	(1,529)	-	(856,426)	-	(858,132)	-	(858,132)
Foreign currency exchange and other changes	(115,598)	88,779	-	79,694	-	52,875	-	52,875
Ending balance	$ 598,910	363,994	-	884,074	-	1,846,978	2,871,701	4,718,679

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	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	-	1,773,319	-	2,653,477	1,915,345	4,568,822
Changes due to financial instrument recognition :								
Transferred to lifetime expected credit losses	(15,809)	16,472	-	(663)	-	-	-	-
Transferred to credit impaired financial asset	(7,300)	(12,237)	-	19,537	-	-	-	-
Transferred to 12-months expected credit losses	84,775	(84,749)	-	(26)	-	-	-	-
Financial assets derecognized during the period	(135,449)	(127,736)	-	(132,221)	-	(395,406)	-	(395,406)
New financial assets originated or purchased	338,917	67,518	-	524,019	-	930,454	-	930,454
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	521,981	521,981
Bad-Debt Write offs	(6)	(2,460)	-	(602,508)	-	(604,974)	-	(604,974)
Foreign currency exchange and other changes	(192,741)	52,578	-	(59,323)	-	(199,486)	-	(199,486)
Ending balance	$ 607,739	254,192	-	1,522,134	-	2,384,065	2,437,326	4,821,391

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

	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)	Total
Beginning balance	$ 270,739,494	6,130,072	-	5,383,043	-	282,252,609
Changes due to financial instrument recognition :						
Transferred to lifetime expected credit losses	(2,475,220)	2,480,954	-	(5,734)	-	-
Transferred to credit impaired financial asset	(462,126)	(175,209)	-	642,152	-	4,817
Transferred to 12-months expected credit losses	725,903	(681,373)	-	(44,530)	-	-
Financial assets derecognized during the period	(96,259,403)	(2,491,047)	-	(1,569,058)	-	(100,319,508)
New financial assets originated or purchased	103,129,480	2,216,440	-	396,084	-	105,742,004
Bad-Debt Write offs	(177)	(1,529)	-	(856,426)	-	(858,132)
Foreign currency exchange and other changes	7,698	3	-	31,229	-	38,930
Ending balance	$ 275,405,649	7,478,311	-	3,976,760	-	286,860,720

	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)	Total
Beginning balance	$ 253,090,680	8,363,644	-	6,054,347	-	267,508,671
Changes due to financial instrument recognition :						
Transferred to lifetime expected credit losses	(2,772,053)	2,775,364	-	(3,311)	-	-
Transferred to credit impaired financial asset	(323,518)	(247,121)	-	570,639	-	-
Transferred to 12-months expected credit losses	3,200,876	(3,188,669)	-	(12,207)	-	-
Financial assets derecognized during the period	(96,739,780)	(4,290,307)	-	(1,098,801)	-	(102,128,888)
New financial assets originated or purchased	114,242,026	2,719,614	-	417,292	-	117,378,932
Bad-Debt Write offs	(6)	(2,460)	-	(602,508)	-	(604,974)
Foreign currency exchange and other changes	41,269	7	-	57,592	-	98,868
Ending balance	$ 270,739,494	6,130,072	-	5,383,043	-	282,252,609

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Notes to the Financial Statements

(j) Other financial assets

	December 31, 2019	December 31, 2018
Restricted assets-debt instruments	$ 16,089,692	15,145,361
Short-term advance	54,790	-
Non-accrual loans other than those reclassified from loans	7,521	30,327
Less: allowance for bad debts-non-accrual loans other than those reclassified from loans	7,521	30,327
Total	$ 16,144,482	15,145,361

Changes in the allowance for bad debts of non-accrual loans other than those reclassified from loans were as below:

	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"	-	-	-	-	-	-	24	24
Bad-Debt Write offs	-	-	-	(22,830)	-	(22,830)	-	(22,830)
Ending balance	$ -	-	-	49	-	49	7,472	7,521

	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	-	-	-	(134)	-	(134)	-	(134)
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	2,389	2,389
Bad-Debt Write offs	-	-	-	(20,691)	-	(20,691)	-	(20,691)
Foreign currency exchange and other changes	-	-	-	(1,509)	-	(1,509)	-	(1,509)
Ending balance	$ -	-	-	22,879	-	22,879	7,448	30,327

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STANDARD CHARTERED BANK (TAIWAN) LIMITED
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Changes in the book values of non-accrual loans other than those reclassified from loans were as below:

	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)	Total
Beginning balance	$ -	-	-	30,327	-	30,327
Bad-Debt Write offs	-	-	-	(22,830)	-	(22,830)
Foreign currency exchange and other changes	-	-	-	24	-	24
Ending balance	$ -	-	-	7,521	-	7,521

	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)	Total
Beginning balance	$ -	-	-	50,272	-	50,272
Bad-Debt Write offs	-	-	-	(20,691)	-	(20,691)
Foreign currency exchange and other changes	-	-	-	746	-	746
Ending balance	$ -	-	-	30,327	-	30,327

(k) Property and equipment—net

	December 31, 2019			
	Cost	Accumulated depreciation	Accumulated impairment	Net
Land	$ 2,308,603	-	18,073	2,290,530
Buildings	2,405,477	1,213,478	97,052	1,094,947
Office equipment	323,201	316,451	-	6,750
Leasehold improvements	624,604	507,946	-	116,658
Other equipment	492,849	342,903	-	149,946
Work in progress	48,268	-	-	48,268
Total	$ 6,203,002	2,380,778	115,125	3,707,099

	December 31, 2018			
	Cost	Accumulated depreciation	Accumulated impairment	Net
Land	$ 2,653,772	-	83,975	2,569,797
Buildings	2,774,228	1,280,823	59,502	1,433,903
Office equipment	355,850	350,323	-	5,527
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

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STANDARD CHARTERED BANK (TAIWAN) LIMITED
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Changes in cost movement:

	January 1, 2019	Increase	Decrease	Reclassify	December 31, 2019
Land	$ 2,653,772	-	345,169	-	2,308,603
Buildings	2,774,228	-	398,190	29,439	2,405,477
Office equipment	355,850	4,600	37,249	-	323,201
Leasehold improvements	607,366	43,024	25,786	-	624,604
Other equipment	525,748	35,490	76,276	7,887	492,849
Work in progress	35,441	50,153	-	(37,326)	48,268
Total	$ 6,952,405	133,267	882,670	-	6,203,002

	January 1, 2018	Increase	Decrease	Reclassify	December 31, 2018
Land	$ 2,653,772	-	-	-	2,653,772
Buildings	2,776,918	1,595	16,965	12,680	2,774,228
Office equipment	453,445	4,507	102,102	-	355,850
Leasehold improvements	640,675	39,127	72,436	-	607,366
Other equipment	449,012	124,012	47,276	-	525,748
Work in process	-	48,121	-	(12,680)	35,441
Total	$ 6,973,822	217,362	238,779	-	6,952,405

Changes in accumulated depreciation:

	January 1, 2019	Increase	Decrease	Reclassify	December 31, 2019
Buildings	$ 1,280,823	67,490	134,835	-	1,213,478
Office equipment	350,323	3,377	37,249	-	316,451
Leasehold improvements	479,402	54,330	25,786	-	507,946
Other equipment	347,323	71,856	76,276	-	342,903
Total	$ 2,457,871	197,053	274,146	-	2,380,778

	January 1, 2018	Increase	Decrease	Reclassify	December 31, 2018
Buildings	$ 1,214,261	83,527	16,965	-	1,280,823
Office equipment	450,650	1,775	102,102	-	350,323
Leasehold improvements	525,350	26,488	72,436	-	479,402
Other equipment	340,173	54,426	47,276	-	347,323
Total	$ 2,530,434	166,216	238,779	-	2,457,871

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Changes in accumulated impairment:

	January 1, 2019	Increase	Decrease	December 31, 2019
Land	$ 83,975	(12,990)	52,912	18,073
Buildings	59,502	40,400	2,850	97,052
Total	$ 143,477	27,410	55,762	115,125

	December 31, 2018	Increase	Decrease	December 31, 2018
Land	$ 20,632	63,343	-	83,975
Buildings	-	59,502	-	59,502
Total	$ 20,632	122,845	-	143,477

(l) Right-of-use assets—net

	December 31, 2019			
	Cost	Accumulated depreciation	Accumulated impairment	Net
Buildings	$ 2,033,541	302,490	-	1,731,051
Transportation	6,450	2,040	-	4,410
Other equipment	267,016	63,052	-	203,964
Total	$ 2,307,007	367,582	-	1,939,425

Changes in cost movement:

	January 1, 2019	Increase	Decrease	Other	December 31, 2019
Buildings	$ 1,710,391	323,972	822	-	2,033,541
Transportation	2,736	4,275	561	-	6,450
Other equipment	267,016	-	-	-	267,016
Total	$ 1,980,143	328,247	1,383	-	2,307,007

Changes in accumulated depreciation:

	January 1, 2019	Increase	Decrease	Other	December 31, 2019
Buildings	$ -	302,490	-	-	302,490
Transportation	-	2,238	198	-	2,040
Other equipment	-	63,052	-	-	63,052
Total	$ -	367,780	198	-	367,582

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(m) Intangible assets—net

	December 31, 2019	December 31, 2018
Goodwill	$ 3,156,048	3,156,048
Other	119,431	101,973
Total	$ 3,275,479	3,258,021

Changes in intangible assets:

	January 1, 2019	Increase	Decrease	December 31, 2019
Goodwill	$ 3,156,048	-	-	3,156,048
Other	101,973	36,977	19,519	119,431
Total	$ 3,258,021	36,977	19,519	3,275,479

	January 1, 2018	Increase	Decrease	December 31, 2018
Goodwill	$ 3,156,048	-	-	3,156,048
Other	-	108,479	6,506	101,973
Total	$ 3,156,048	108,479	6,506	3,258,021

(n) Other assets—net

	December 31, 2019	December 31, 2018
Refundable deposits	$ 274,533	260,504
Refundable deposits—derivative financial instruments	2,266,393	1,180,788
Prepaid fees	253,304	245,768
Prepayments for investments	100,000	-
Other	5,178	9,506
Total	$ 2,899,408	1,696,566

As of December 31, 2019 and 2018, allowance for impairments of the above other assets were $44 thousand and $9 thousand, respectively, recorded under refundable deposits.

The aforementioned prepayments for investments was the Bank's investment in LINE Bank. The Bank's percentage of ownership is 5%. LINE Bank was established on July 30, 2019, under approval granted by the FSC, and it is expected to start operations in the third quarter of 2020.

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

	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	(9)	-	-	-	-	(9)	-	(9)
New financial assets originated or purchased	45	-	-	-	-	45	-	45
Foreign currency exchange and other changes	(1)	-	-	-	-	(1)	-	(1)
Ending balance	$ 44	-	-	-	-	44	-	44

	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	(12)	-	-	-	-	(12)	-	(12)
New financial assets originated or purchased	8	-	-	-	-	8	-	8
Foreign currency exchange and other changes	1	-	-	-	-	1	-	1
Ending balance	$ 9	-	-	-	-	9	-	9

(o) Deposits from the Central Bank and banks

	December 31, 2019	December 31, 2018
Deposits from banks	$ 97,589	109,675
Deposits from banks—affiliates	918,066	211,519
Overdrafts on banks	3,458	6,902
Overdrafts on banks—affiliates	1,048,022	45,561
Call loans from banks—affiliates	20,701,201	36,122,616
Total	$ 22,768,336	36,496,273

As of December 31, 2019, the Bank's foreign currency time deposits with fixed rate mentioned above has adopted cross currency swap of cash flow hedge in order to reduce the impact of cash flow that was affected by interest rate and foreign exchange rate fluctuation.

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(p) Payables

	December 31, 2019	December 31, 2018
Accounts payable	$ 13,109	17,918
Accrued interest	362,202	605,832
Accrued expenses	1,997,736	1,890,062
Collection payable	57,928	63,374
Unsettled bonds payable	1,297,533	364,726
Acceptances payable	749,138	1,048,000
Temporary receipts in advance	55,986	27,318
Other	1,047,454	773,519
Total	$ 5,581,086	4,790,749

(q) Deposits and remittances

	December 31, 2019	December 31, 2018
Checking accounts deposits	$ 3,382,794	2,271,306
Demand deposits:		
Demand deposits	204,044,123	154,934,454
Saving account deposits	132,011,192	126,343,265
Subtotal of demand deposits	336,055,315	281,277,719
Time deposits:		
Time deposits	146,135,224	195,972,625
Time savings deposits	28,488,910	31,022,509
Subtotal of time deposits	174,624,134	226,995,134
Remittances	178,108	224,109
Total	$ 514,240,351	510,768,268

As of December 31, 2019, the Bank's foreign currency time deposits with fixed rate mentioned above has adopted cross currency swap of cash flow hedge in order to reduce the impact of cash flow that was affected by interest rate and foreign exchange rate fluctuation.

(r) Financial debentures

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

Bond	Conditions for issuance	December 31, 2019	December 31, 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
94-1	No maturity date, interest accrued and paid semiannually, interest rate was based on the average one year regular floating rate of the nine largest banks plus 1.493%	1,100	1,100
94-2	No maturity date, interest accrued and paid semiannually, interest rate was based on the average one-year regular floating rate of the nine largest banks plus 1.493%	100	100
100-4D	10-year term, interest accrued and paid quarterly, interest rate was based on TWD 90-day CP interest rate plus 0.15% and TWD 90-day TIBOR interest rate plus 0.15% from March 29, 2015; maturity date: June 29, 2021	2,000,000	2,000,000
103-2	10-year term, USD based, interest accrued and paid semiannually, annual interest rate is 4.50%; maturity date: December 18, 2024	6,021,243	6,147,471
Total		$ 8,023,443	8,149,671

(s) Other financial liabilities

	December 31, 2019	December 31, 2018
Structured deposits	$ 152,574	329,190

(t) Provisions

	December 31, 2019	December 31, 2018
Provision for employee benefits	$ 1,228,875	1,347,503
Provision for decommission, restoration and rehabilitation cost	164,799	149,273
Provision for guarantee liability	41,935	48,392
Provision for loan commitment	22,874	48,549
Other miscellaneous provisions	216	118
Other	7,896	7,896
Total	$ 1,466,595	1,601,731

(Continued)

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Notes to the Financial Statements

Changes in the book values of guarantee liability, loan commitment and other miscellaneous provisions were as below:

	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	(77)	77	-	-	-	-	-	-
Transferred to 12-months expected credit losses	421	(421)	-	-	-	-	-	-
Financial assets derecognized during the period	(35,178)	(136)	-	-	-	(35,314)	-	(35,314)
New financial assets originated or purchased	12,724	1,010	-	-	-	13,734	-	13,734
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	(7,351)	(7,351)
Foreign currency exchange and other changes	(3,531)	428	-	-	-	(3,103)	-	(3,103)
Ending balance	$ 23,080	1,516	-	-	-	24,596	40,429	65,025

	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	$ 50,078	49,751	-	-	-	99,829	60,915	160,744
Changes due to financial instrument recognition :								
Transferred to lifetime expected credit losses	(21)	21	-	-	-	-	-	-
Transferred to 12-months expected credit losses	49,226	(49,226)	-	-	-	-	-	-
Financial assets derecognized during the period	(20,993)	(311)	-	-	-	(21,304)	-	(21,304)
New financial assets originated or purchased	33,302	62	-	-	-	33,364	-	33,364
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	(13,135)	(13,135)
Foreign currency exchange and other changes	(62,871)	261	-	-	-	(62,610)	-	(62,610)
Ending balance	$ 48,721	558	-	-	-	49,279	47,780	97,059

(Continued)

(u) Lease liabilities

The followings were lease liabilities of the Bank:

	Description	Lease term	Discount rate	Ending balance
Buildings	Leases	2015.02.15~2034.12.31	1.54%~2.49%	1,743,306
Transportations	Car rental	2018.06.08~2022.02.26	1.54%	4,440
Other equipment	IT and Generator	2016.07.01~2023.03.31	1.54%~1.80%	189,276
Total				$ 1,937,022

For the maturity analysis, please refer to note 6(al).

The amounts recognized in profit or loss were as follows:

	For the year ended December 31, 2019
Interest on lease liabilities	$ 38,545
Income from sub-leasing right-of-use assets	$ 3,106
Expenses relating to short-term leases	$ 40,196
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	$ 480

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

	For the year ended December 31, 2019
Total cash outflow for leases	$ 444,795

(i) Real estate leases

For the year ended December 31, 2019, the Bank leased buildings for its office spaces 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 leased other equipment and parking spaces, with lease terms of 1 to 5 years. These leases are short-term and low-value items. The Bank has elected not to recognize right-of-use assets and lease liabilities for these leases.

(iii) As of December 31, 2018, the Bank's operating lease information please refer to note 9(b).

(v) Other liabilities

	December 31, 2019	December 31, 2018
Advance received from customers	$ 1,597,000	1,820,623
Refundable deposits—derivatives financial instruments	1,490,397	1,317,955
Tax payable	484,060	451,572
Deferred income	197,741	185,449
Guarantee deposits received	3,064	24,775
Other	877,445	274,792
Total	$ 4,649,707	4,075,166

(w) 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 years ended December 31, 2019 and 2018, the pension expense under defined contribution plan of the Bank amounted to $168,441 thousand and $161,765 thousand, respectively, recorded under operating expenses—employee benefits expense.

(ii) Provision for employee benefits

1) Defined benefit plan

	December 31, 2019	December 31, 2018
Defined benefit plan	$ 1,228,875	1,347,503

The reconciliation between present value of defined benefits obligation and fair value of defined benefits plan assets was disclosed below:

	December 31, 2019	December 31, 2018
Present value of defined benefits obligation	$ 2,455,284	2,567,446
Less: fair value of defined benefits plan assets	1,226,409	1,219,943
Liability recognized in balance sheets	$ 1,228,875	1,347,503

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, sales incentives, and overtime payment.

(Continued)

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2) Composition of plan asset

The Bank allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Bank of Taiwan labor pension reserve account balance amounted to $1,143,873 as of December 31, 2019. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

3) Changes in present value of defined benefit obligation

The changes in present value of defined benefit obligation were as follows:

		2019	2018
DBO at beginning of period	$	2,567,446	2,550,155
Current service cost and interest cost		76,924	87,796
Remeasurements of the net defined benefit liabilities			
Actuarial (gain) loss– experience changes		(8,497)	75,183
Actuarial loss– financial assumption changes		41,182	22,539
Benefits paid from plan assets		(166,122)	(111,381)
Benefits paid directly by the Bank		(55,649)	(56,846)
DBO at end of period	$	2,455,284	2,567,446

4) Changes in fair value of plan assets

The changes in fair value of defined benefit plan assets were as follows:

		2019	2018
Fair value of plan assets at beginning of period	$	1,219,943	1,161,290
Interest income		10,898	11,197
Remeasurements of the net defined benefit assets			
Actuarial loss–return on plan assets (exclude interest)		42,600	37,344
Employer contributions		119,090	121,493
Benefit paid from plan assets		(166,122)	(111,381)
Fair value of plan assets at end of period	$	1,226,409	1,219,943

5) Changes in asset ceiling

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

(Continued)

6) Cost recognized as profit or loss

The cost recognized as profit or loss were as follows:

		2019	2018
Current service cost	$	54,702	63,260
Net interest on the net defined benefit liabilities		11,324	13,339
	$	66,026	76,599

7) Remeasurements of defined benefit plan recognized in other comprehensive income

Remeasurements of defined benefit plan recognized in other comprehensive income were as follows:

		2019	2018
Cumulated surplus at beginning of period	$	133,237	73,901
Recognized in current period		(9,915)	59,336
Cumulated surplus at end of period	$	123,322	133,237

8) Primary actuarial assumptions

	2019	2018
Defined benefit plan discount rate	0.70 %	0.90 %
Incremental rate of future compensation levels	3.00 %	3.00 %

The Bank expected to contribute to its defined benefit plan $120,413 thousand within one year as of December 31, 2019.

Weighted average duration of the defined benefit obligation is 8.5 years.

9) The sensitivity analysis

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

As of December 31, 2019 and 2018 the effects of changes in actuarial assumptions on the present value of defined benefit obligation were as follows:

	Effect on DBO	
	0.50% Increase	0.50% Decrease
December 31, 2019		
Discount rate	(100,320)	107,193
Salary increase rate	105,936	(100,131)
December 31,2018		
Discount rate	(107,197)	114,760
Salary increase rate	113,526	(107,098)

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

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

(x) 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:

	2019	2018
Current income tax expense	$ 123,028	17,518
Deferred income tax expense	629,355	67,225
Income tax expense	$ 752,383	84,743

As of December 31, 2019 and 2018, the current tax assets of the Bank amounted to $352,623 thousand and $448,497 thousand, respectively, and the current tax liabilities of the Bank amounted to $149,083 thousand and $18,611 thousand, respectively.

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

	2019	2018
Income tax from profit before tax at statutory rate	$ 650,449	561,632
Permanent difference	(313,642)	(21,360)
Prior-year income tax adjustments	(183)	(1,093)
Undistributed earnings additional tax	3,929	-
Basic income tax	145,154	18,611
Other adjustments per tax regulation	266,676	(473,047)
Income tax expense	$ 752,383	84,743

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

	2019	2018
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	$ 1,983	(14,026)
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		
Investments in debt instruments measured at fair value through other comprehensive income	6,362	(3,444)
Hedging instrument	4,639	210
Total	$ 11,001	(3,234)

(Continued)

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

		2019	2018
Bad debt expense and guarantee liability provision	$	(24,038)	(103,580)
Depreciation expense		(5,961)	(6,539)
Impairment loss on assets		(7,510)	22,599
Expenses from share-based payments		(1,816)	(5,990)
Employee benefits		21,743	(19,367)
Rental expense		(18,781)	-
Provisions		5,485	(2,887)
Loss carryforwards		653,046	12,312
Unrealized interest income on financial assets		7,187	34,967
Amortization of goodwill		-	135,710
	$	629,355	67,225

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

		December 31, 2019	December 31, 2018
Deferred tax assets:			
Bad debt expense and guarantee liability provision	$	465,846	441,808
Depreciation expense		41,492	35,531
Impairment loss on assets		19,411	11,901
Expenses from share-based payments		47,629	45,813
Employee benefits		245,772	269,498
Rental expense		18,781	-
Provisions		13,133	18,618
Loss carryforwards		113,822	766,868
Unrealized loss on financial assets measured at fair value through other comprehensive income		1,490	4,608
Loss on hedging instruments		-	2,036
Total	$	967,376	1,596,681
Deferred tax liabilities:			
Unrealized interest income on financial assets	$	119,258	112,071
Amortization of goodwill		618,585	618,585
Land value increment tax		74,633	120,468
Unrealized gain on financial assets measured at fair value through other comprehensive income		3,732	819
Gain on hedging instruments		2,603	-
Total	$	818,811	851,943

The movements of deferred tax items were as follows:

	2019	2018
Beginning balance	$ 744,738	806,535
The adjustment of beginning balance due to IFRS 9	-	(11,832)
Land value increment tax	45,835	-
Recognized in current period profit and loss	(629,355)	(67,225)
Recognized in other comprehensive income	(12,984)	17,260
Ending balance	$ 148,234	744,738

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

(y) Stockholders' equity

(i) Capital

As of December 31, 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.

(Continued)

(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 $78,697 thousand.

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

(v) Other equity interest

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

	Unrealized gains 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 on hedging instruments	-	18,555	18,555
Financial assets at fair value through other comprehensive income			
— Valuation adjustment	19,611	-	19,611
December 31, 2019	$ 71,880	10,410	82,290

	Unrealized gains (losses) on available-for-sale financial assets	Gains (loss) on effective portion of cash flow hedges	Unrealized gains 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 on hedging instruments	-	-	-	2,822	2,822
Financial assets at fair value through other comprehensive income					
— Valuation adjustment	-	-	46,300	-	46,300
December 31, 2018	$ -	-	52,269	(8,145)	44,124

(Continued)

(vi) Dividend policy and appropriation of earnings

The Articles of Incorporation approved by the board of directors on June 25, 2019, 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.

(z) Share-based payments

The SC PLC Group operates a number of share-based arrangements for its executive directors and employees. For the years ended December 31, 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:

	2019 Units	2018 Units
Beginning balance	347,025	324,523
Add: granted	107,558	147,189
Less: exercised	126,458	40,184
lapsed	49,893	84,503
Ending balance	278,232	347,025

For the years ended December 31, 2019 and 2018, the costs of the AESP charged to profits or losses were $4,158 thousand and $4,999 thousand, respectively, recorded under operating expenses—employee benefits expense.

(Continued)

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

The fair value per option granted and the assumptions used in the calculation are as follows:

	2019	
Grant date	October 1	
Share price at grant date	£	6.84
Exercise price	£	4.98
Vesting period (years)		3
Expected volatility (%)		25.30
Expected option life (years)		3.33
Risk-free rate (%)		0.26
Expected dividend yield (%)		4.20
Fair value	£	1.62

	2018	
Grant date	October 2	
Share price at grant date	£	6.16
Exercise price	£	5.13
Vesting period (years)		3
Expected volatility (%)		33.80
Expected option life (years)		3.33
Risk-free rate (%)		0.87
Expected dividend yield (%)		5.00
Fair value	£	1.39

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

(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.

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.

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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:

	2019 Units	2018 Units
Beginning balance	105,959	141,483
Add: granted	61,861	37,505
dividend	1,332	890
Less: exercised	56,604	56,836
lapsed	3,665	17,083
Ending balance	108,883	105,959

For the years ended December 31, 2019 and 2018, the costs of the RSA charged to profits or losses were $14,078 thousand and $22,674 thousand, respectively, recorded under operating expenses—employee benefits expense.

	2019					
Grant date	November 28		October 2		June 18	
Share price at grant date	£ 7.04		£ 6.84		£ 7.03	
Vesting period (years)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)
1	4.20	6.75	4.20	6.57	4.20	6.74
2	4.20	6.48	4.20	6.30	4.20	6.74
3	4.20	6.22	4.20	6.05	4.20	6.21
4	-	-	4.20	5.80	4.20	5.96
5	-	-	4.20	5.57	4.20	5.72

	2019	
Grant date	March 11	
Share price at grant date	£ 6.11	
Vesting period (years)	Expected dividend yield (%)	Fair value (£)
1	4.20	5.86, 5.62, 5.74
2	4.20	5.62, 5.40
3	4.20	5.40
4	4.20	5.18

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Grant date	2018 November 28		2018 October 2		2018 June 18	
Share price at grant date	£ 6.11		£ 6.16		£ 7.12	
Vesting period (years)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)	Expected dividend yield (%)	Fair value (£)
1	5.00	5.82	5.00	5.86	5.00	6.78, 6.45
2	5.00	5.54	5.00	5.58	5.00	6.45, 6.15
2/3	5.00	5.41	-	-	-	-
3	5.00	5.28	5.00	5.32	5.00	6.15, 5.85
4	-	-	5.00	5.06	5.00	5.57
5	-	-	5.00	4.82	-	-

Grant date	2018 March 9	
Share price at grant date	£ 7.78	
Vesting period (years)	Expected dividend yield (%)	Fair value (£)
1	5.00	7.41
2	5.00	7.06
3	5.00	6.72
4	5.00	6.40
5	5.00	6.10

(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:

	2019 Units	2018 Units
Beginning balance	836	4,580
Less: exercised	-	2,859
lapsed	-	885
Ending balance	836	836

For the years ended December 31, 2019 and 2018, the costs of the PSA (PSP) charged to profits or losses were $84 thousand and $272 thousand, respectively, recorded under operating expenses — employee benefits expense.

(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:

	2019 Units	2018 Units
Beginning balance	52,090	51,263
Add: granted	486	827
Less: exercised	14,326	-
lapsed	3,903	-
Ending balance	**34,347**	**52,090**

For the years ended December 31, 2019 and 2018, no related cost of stock warrants was recorded.

	2019	
Grant date	March 11	March 11
Share price at grant date	£ 6.11	£ 6.11
Vesting period (years)	3/4/5/6/7	3/4/5/6/7
Expected dividend yield (%)	4.20	4.20
Fair value (RoE)	£ 2.02	£ 2.02
Fair value (TSR)	£ 0.97	£ 0.91
Fair value (Strategic)	£ 2.02	£ 2.02

	2018	
Grant date	March 9	March 9
Share price at grant date	£ 7.78	£ 7.78
Vesting period (years)	3/4/5/6/7	3/4/5/6/7
Expected dividend yield (%)	£ 5.00	£ 5.00
Fair value (RoE)	£ 2.59	£ 2.59
Fair value (TSR)	£ 1.14	£ 1.11
Fair value (Strategic)	£ 2.59	£ 2.59

For the years ended December 31, 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 years ended December 31, 2019 and 2018, the cost of the UFSA reversed and charged to profits or losses were $4,566 thousand and $1,192 thousand, respectively, recorded under operating expenses—employee benefits expense.

(aa) Earnings per share

		2019	2018
Net income attributable to common stockholders (after tax)	$	2,499,860	2,723,419
Common stock (in thousands)	$	2,910,572	2,910,572
Basic EPS (in dollars)	$	0.86	0.94

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.

(ab) Net interest income

		2019	2018
Interest income			
Interest income, discounts and loans	$	7,121,155	6,947,986
Interest income, accounts receivable factoring		285,426	223,866
Interest income, due from banks		1,563,857	1,695,940
Interest income, investment securities		926,531	870,384
Interest income, credit card recurrence		198,014	220,544
Interest income, other		870,572	361,757
Subtotal		10,965,555	10,320,477
Interest expense			
Interest expense, deposits		6,048,561	4,738,792
Interest expense, due to banks		235,646	1,189,680
Interest expense, financial debentures		298,571	308,847
Lease liabilities		38,545	-
Interest expense, other		43,026	26,851
Subtotal		6,664,349	6,264,170
Total	$	4,301,206	4,056,307

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Notes to the Financial Statements

(ac) Net service fee income

		2019	2018
Service fee			
Service fee, loan	$	186,918	190,142
Service fee, agency		5,225	5,004
Service fee, insurance commission		2,051,755	1,930,236
Service fee, remittance and interbank		101,279	103,990
Service fee, guarantee, import, export and acceptance payable		59,062	64,983
Service fee, credit card		209,074	138,241
Service fee, trust		2,389,295	2,214,066
Service fee, factoring		15,319	9,042
Service fee, underwriting		210,552	194,825
Service fee, other		267,874	232,828
Subtotal		5,496,353	5,083,357
Service charge			
Service charge, interbank	$	152,307	153,143
Service charge, agency		156,842	131,791
Service charge, custodian		109,709	127,147
Service charge, other		214,159	196,489
Subtotal		633,017	608,570
Total	$	4,863,336	4,474,787

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

		2019	2018
Gain on disposal			
Interest-rate instruments	$	22,541	7,811
Derivative financial instruments		343,712	536,753
Subtotal		366,253	544,564
Gain on valuation			
Interest-rate instruments		5,752	995
Derivative financial instruments		3,463,005	2,682,661
Subtotal		3,468,757	2,683,656
Interest income		50,922	51,840
Total	$	3,885,932	3,280,060

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

		2019	2018
Dividend income - equity instruments	$	16,492	16,435
Profit on sale - debt instruments		13,113	11,618
Total	$	29,605	28,053

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Notes to the Financial Statements

(af) Net other non-interest income

		2019	2018
Administrative support service income	$	3,268	3,180
Net gain on disposal of assets		186,885	-
Rental income		8,128	6,280
Net (loss) gain on fair value hedge		(1,636)	2,269
Other		(14,573)	(10,002)
Total	$	182,072	1,727

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

		2019	2018
Impairment loss—property and equipment	$	27,410	122,845
Impairment loss (gain on reversal)—debt instruments		1,397	(1,017)
Impairment loss—other		11	2,549
Total	$	28,818	124,377

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

		2019	2018
Bad debt expense	$	530,496	693,032
(Reversal of) provision for guarantee liabilities		(6,432)	14,645
Reversal of loan commitment		(25,898)	(77,180)
Other provision (reversal)		106	(447)
Total	$	498,272	630,050

(ai) Employee benefits expense

		2019	2018
Salary expense	$	4,428,727	4,383,472
Employee insurance		316,673	305,388
Pension			
Defined contribution plan		168,441	161,765
Defined benefit plan		66,026	76,599
Other		209,211	270,630
Total	$	5,189,078	5,197,854

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

The accrued employee's remuneration of the Bank for the year ended December 31, 2019 was $325 thousand, 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 was $281 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.

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED
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For the years ended December 31, 2019 and 2018, the average numbers of the Bank's employees were 3,133 and 3,189, of which the number of directors who had not served concurrently as employees were both 6.

(aj) Depreciation and amortization expenses

	2019	2018
Depreciation expense		
Buildings	$ 67,490	83,527
Office equipment	3,377	1,775
Leasehold improvements	54,330	26,488
Other equipment	71,856	54,426
Right-of-use assets	367,780	-
Subtotal	564,833	166,216
Amortization expense	19,519	6,506
Total	$ 584,352	172,722

(ak) Other general and administrative expenses

	2019	2018
Rental expense	$ 46,552	404,457
Office supplies	84,814	83,418
Postage	188,619	194,727
Repairs and maintenance	79,927	153,345
Advertising expense	270,934	278,416
Utilities fee	70,512	74,379
Taxes	604,878	625,101
Professional service fee	113,912	113,528
Operational and advisory service fee	977,431	961,341
Consulting and technical support service fee	552,567	485,519
Wholesale banking business service fee	86,924	105,578
Building management fee	134,141	149,664
Computer management fee	349,404	411,926
Director's remuneration	8,277	8,250
Other	573,223	498,277
Total	$ 4,142,115	4,547,926

(al) 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:

(Continued)

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:

	December 31, 2019			
Financial instruments at fair value	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss				
Debt instruments	$ 10,159,028	-	10,159,028	-
Financial assets at fair value through other comprehensive income				
Debt instruments	150,270,567	3,822,365	146,448,202	-
Equity instruments	347,361	-	-	347,361
Other financial assets—net				
Restricted assets—debt instruments	16,089,692	-	16,089,692	-
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	6,361,980	15,609	6,346,371	-
Financial assets for hedging	173,117	-	173,117	-
Liabilities:				
Financial liabilities at fair value through profit or loss	8,611,500	14,383	8,597,117	-
Financial liabilities for hedging	289,328	-	289,328	-

(Continued)

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	-

5) For the years ended December 31, 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	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	-	(39,681)	-	-	347,361

Name	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	-	120,360	-	-	387,042

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
December 31, 2019				
Financial assets at fair value through other comprehensive income equity instruments	-	-	32,542	(25,812)
December 31, 2018				
Financial assets at fair value through other comprehensive income equity instruments	-	-	47,807	(35,165)

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

	December 31, 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	43,720	Net asset value approach	Net asset value	-0.10%~0.10%	The higher the net asset value, the higher the fair value
	261,641	Income approach	Discount rate/ sustainable growth rate	Discount rate is 7.61%~12.88%/ Sustainable growth rate is -0.10%~1.14%	The higher the discount rate, the lower the fair value. The higher the sustainable growth rate, the higher the fair value
	42,000	Asset approach	Unlisted marketability discount	18.32%~28.32%	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

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.

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(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 debt instruments that have direct observable market values, market values were used as fair values; for debt instruments that do not have direct observable market values, fair values were measured via valuation technique.

d) Securities purchased under resell agreements and debt instruments: for securities that have direct observable market values, market values were used as fair value; for securities that do not have direct observable market values, fair values were measured via valuation technique.

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 term to 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.

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Notes to the Financial Statements

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

Financial assets	December 31, 2019 Book value	Fair value
Cash and cash equivalents	$ 22,466,040	22,467,894
Due from the Central Bank and call loans to banks	88,584,862	88,590,095
Debt instrument investment measured at amortized cost	1,929,246	1,941,203
Securities purchased under resell agreements and debt instruments	6,393,794	6,776,710
Receivables—net	23,479,450	23,479,450
Discounts and loans—net	282,220,611	282,452,177

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 liabilities	December 31, 2019 Book value	Fair value
Deposits from the Central Bank and banks	$ 22,768,336	22,768,597
Payables	5,581,086	5,581,086
Related parties payable	7,139,839	7,139,839
Deposits and remittances	514,240,351	514,171,405
Financial debentures	8,023,443	8,023,443
Other financial liabilities	152,574	152,574

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

(Continued)

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

Financial instruments measured at amortized cost	December 31, 2019				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Assets:					
Cash and cash equivalents	$ 22,466,040	-	22,467,894	-	22,467,894
Due from the Central Bank and call loans to banks	88,584,862	-	88,590,095	-	88,590,095
Debt instrument investment measured at amortized cost	1,929,246	-	1,941,203	-	1,941,203
Securities purchased under resell agreements and debt instruments	6,393,794	-	6,776,710	-	6,776,710
Receivables－net	23,479,450	-	23,479,450	-	23,479,450
Discounts and loans－net	282,220,611	-	6,000,000	276,452,177	282,452,177
Liabilities:					
Deposits from the Central Bank and banks	22,768,336	-	22,768,597	-	22,768,597
Payables	5,581,086	-	5,581,086	-	5,581,086
Related parties payables	7,139,839	-	7,139,839	-	7,139,839
Deposits and remittances	514,240,351	-	514,171,405	-	514,171,405
Financial debentures	8,023,443	-	8,023,443	-	8,023,443
Other financial liabilities	152,574	-	152,574	-	152,574

Financial instruments measured at amortized cost	December 31, 2018				
		Fair value			
	Book 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 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

(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 Treasury 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 Treasury Risk Taiwan and are in line with Group Market Risk Committee guidance.

Market risk limits are proposed by the business within the terms of the agreed policy. Limits are presented to the Executive Risk Committee or delegated manager for approval with its authority delegated by the Board. The Risk Appetite requires approval from the Board.

Market and Treasury Risk Taiwan monitors exposures against these limits on a daily basis. Related market risk management results are reported to the Executive 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 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.

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	2019			2018		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Foreign exchange VaR	$ 2,999	10,356	791	3,621	7,479	1,228
Interest rate VaR	43,477	59,503	30,432	44,401	50,330	39,553
Total VaR	43,603	59,662	30,534	44,561	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. The Bank 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 Treasury Risk Taiwan. The Traded Risk Type Framework is 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.

f) Exchange rate risk exposure information

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

	December 31, 2019				December 31, 2018		
	Foreign currency	Exchange rate	NTD		Foreign currency	Exchange rate	NTD
Long position				Long position			
USD	$ 14,916,509	30.106	449,079,619	USD	23,149,484	30.737	711,553,944
CNY	14,499,232	4.321	62,648,196	CNY	16,210,757	4.478	72,589,986
EUR	1,026,075	33.734	34,614,128	AUD	900,380	21.673	19,513,515
AUD	781,400	21.095	16,483,477	JPY	59,150,194	0.278	16,443,030
JPY	56,996,267	0.277	15,784,532	EUR	412,901	35.187	14,528,563
Short position				Short position			
USD	14,864,803	30.106	447,522,946	USD	23,122,966	30.737	710,738,859
CNY	14,488,000	4.321	62,599,666	CNY	16,195,736	4.478	72,522,726
EUR	1,027,071	33.734	34,647,718	AUD	896,241	21.673	19,423,819
AUD	781,167	21.095	16,478,545	JPY	58,640,679	0.278	16,301,391
JPY	56,943,436	0.277	15,769,901	EUR	425,934	35.187	14,987,140

(Continued)

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

g) Interest rate sensitivity information

i) Interest rate sensitivity analysis (NTD)

December 31, 2019

Units: in thousands of New Taiwan 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	$ 331,792,516	23,940,081	36,654,054	58,353,623	450,740,274
Interest rate sensitive liabilities	246,024,695	28,375,055	23,130,042	48,763,547	346,293,339
Interest rate sensitive gap	85,767,821	(4,434,974)	13,524,012	9,590,076	104,446,935
Net worth					44,739,459
Ratio of interest rate sensitive assets to liabilities (%)					130.16
Ratio of interest rate sensitive gap to net worth (%)					233.46

December 31, 2018

Units: in thousands of New Taiwan 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	$ 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

ii) Interest rate sensitivity analysis (USD)

December 31, 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	$ 2,915,241	473,523	319,253	484	3,708,501
Interest rate sensitive liabilities	5,774,169	683,007	145,595	200,470	6,803,241
Interest rate sensitive gap	(2,858,928)	(209,484)	173,658	(199,986)	(3,094,740)
Net worth					39,392
Ratio of interest rate sensitive assets to liabilities (%)					54.51
Ratio of interest rate sensitive gap to net worth (%)					(7,856.27)

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)

(Continued)

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

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 ("ERC") 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 ERC oversees the management of operational risks at the country level. The ERC scope includes all client segments, products and functions. ERC 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.

(Continued)

i) Strategy and Goal

Through our enterprise risk management framework ("ERMF"), we manage enterprise-wide risks with the objective of optimizing risk-adjusted returns while remaining within our risk appetite.

Under the ERMF, 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 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, 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 receives regular reports on risk management and is 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.

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 are 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	**December 31, 2019**	**December 31, 2018**
Other guarantees	$ 3,715,079	4,350,959
Unused amount of irrevocable loan commitments	4,098,466	1,404,882
Unused amount of irrevocable letters of credit	1,499,755	781,855
Total	$ 9,313,300	6,537,696

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.

(Continued)

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

	December 31, 2019	December 31, 2018
Individual	$ 197,264,236	191,090,166
Manufacturing	38,600,433	48,279,793
Transportation and warehousing	13,823,965	15,373,969
Financial industry	13,027,123	9,697,751
Commercial	6,472,019	6,804,584
Government	6,000,000	-
Other	11,672,944	11,006,346
Total	$ 286,860,720	282,252,609

ii) By area

	December 31, 2019	December 31, 2018
Domestic	$ 248,590,029	245,458,951
Overseas	38,270,691	36,793,658
Total	$ 286,860,720	282,252,609

iii) By collateral

	December 31, 2019	December 31, 2018
Unsecured	$ 84,358,781	87,313,358
Secured		
－Real estate	173,675,075	168,713,972
－Movable asset	14,628,457	13,647,381
－Debt instrument	11,403,446	9,454,406
－Other	2,794,961	3,123,492
Total	$ 286,860,720	282,252,609

(Continued)

h) Credit quality and default 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.

(Continued)

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

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.

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

	December 31, 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	$ 2,765,406	8,016,728	-	10,782,134	-	2,863,226	-	2,863,226	36,008	-	175,459	13,505,909
—Credit cards receivable	2,952,075	1,908,687	4,369	4,865,131	-	10,211	4,848	15,059	135,232	334,919	264,424	5,085,917
Discounts and loans												
—Consumer banking	167,314,946	24,453,385	195,230	191,963,561	340,075	1,254,757	583,324	2,178,156	582,128	2,840,352	3,602,123	193,962,074
—Wholesale banking	55,717,696	27,715,089	9,303	83,442,088	1,200,707	4,096,912	2,536	5,300,155	283,863	64,906	994,766	88,096,246
—Non-accrual loans	-	-	-	-	-	-	-	-	125,247	80,264	121,790	83,721
Other financial assets												
—Non-accrual loans other than those reclassified form loans	-	-	-	-	-	-	-	-	7,521	-	7,521	-
Off-balance sheet items												
Loan commitment and guarantees	5,015,146	2,075,494	-	7,090,640	692,251	1,530,409	-	2,222,660	-	-	65,025	9,248,275

	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												
—Non-accrual loans other than those reclassified form loans	-	-	-	-	-	-	-	-	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

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			Non-performing loan	Loan balances	NPL ratio	Allowance for bad debts	Coverage ratio
Period			December 31, 2019				
Wholesale Banking	Secured		33,867	18,955,101	0.18 %	211,554	624.66 %
	Unsecured		143,547	70,277,783	0.20 %	902,798	628.92 %
Consumer Banking	Mortgage		99,131	142,147,898	0.07 %	2,174,119	2,193.18 %
	Personal loan		90,625	25,956,385	0.35 %	1,378,833	1,521.47 %
	Others	Secured	31,383	26,807,201	0.12 %	35,609	113.47 %
		Unsecured	723	2,716,352	0.03 %	15,766	2,180.64 %
Total			399,276	286,860,720	0.14 %	4,718,679	1,181.81 %
			Overdue receivables	Accounts receivable	Overdue ratio	Allowance for bad debts	Coverage ratio
Credit card			11,031	5,350,341	0.21 %	264,424	2,397.10 %
Factoring loan receivable without recourse			-	13,681,368	- %	175,459	- %

Product			Non-performing loan	Loan balances	NPL ratio	Allowance for bad debts	Coverage ratio
Period			December 31, 2018				
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 receivables	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	- %

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

Units: in thousands of New Taiwan Dollars

	December 31, 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	$ 2,598	8,671	3,639	12,096
The amount under debt discharge program and rehabilitation program without default by debtors	224,424	32,168	271,949	37,473
	$ 227,022	40,839	275,588	49,569

ii) Concentration of corporate credit risk for the bank

Units: in thousands of New Taiwan Dollars, %

December 31, 2019				
Rank	Industry classification of group enterprise		Outstanding credit	% of net assets
1	A Group	Other service activities incidental to water transportation	7,319,750	15.97 %
2	B Group	Packaging and testing of semi-conductors	5,606,054	12.23 %
3	C Company	Other financial services activities not elsewhere classified	5,419,119	11.82 %
4	D Group	Manufacture of cement	4,945,862	10.97 %
5	E Group	Air transport	3,304,031	7.21 %
6	F Group	Manufacture of footwear	2,737,659	5.97 %
7	G Group	Air transport	2,695,966	5.88 %
8	H Group	Manufacture of electric wires and cables	2,021,487	4.41 %
9	I Company	Activities of other holding companies	2,018,316	4.40 %
10	J Group	Manufacture of bicycle parts	1,951,179	4.26 %

(Continued)

December 31, 2018				
Rank	**Industry classification of group enterprise**		**Outstanding credit**	**% of net assets**
1	D Group	Manufacture of cement	6,173,589	13.67 %
2	B Group	Packaging and testing of semi-conductors	5,739,494	12.71 %
3	C Company	Other financial services activities not elsewhere classified	5,532,724	12.26 %
4	A Group	Ocean transportation	5,076,777	11.25 %
5	E Group	Air transportation	4,038,491	8.95 %
6	K Group	Manufacture of other electronic parts and components not elsewhere classified	3,918,841	8.68 %
7	L Group	Smelting and refining of iron and steel	2,817,900	6.24 %
8	F Group	Manufacture of footwear	2,303,173	5.10 %
9	M Company	Real estate development activities	1,634,504	3.62 %
10	N Company	Air transportation	1,599,476	3.54 %

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 TWD $164.2 billion as of December 31, 2019, which is equivalent to 26.42% of the Bank's total assets. The level of the Bank's aggregate liquid reserves is in accordance with local regulatory minimum liquidity requirements.

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

The Bank is of the view that capital is not a 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.

(Continued)

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

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.

	December 31, 2019				
	Within 3 months	3 months~ 1 year	1~5 years	Over 5 years	Total
Deposits from the Central Bank and banks	$ 22,684,366	83,970	-	-	22,768,336
Payables	5,581,086	-	-	-	5,581,086
Related parties payable	7,139,839	-	-	-	7,139,839
Deposits and remittances	424,664,373	86,379,441	3,196,537	-	514,240,351
Financial debentures	2,200	-	8,021,243	-	8,023,443
Other financial liabilities	152,574	-	-	-	152,574
Lease liability	83,068	299,229	1,203,131	351,594	1,937,022
Total	$ 460,307,506	86,762,640	12,420,911	351,594	559,842,651

	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

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:

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i) Maturity analysis of net settled derivatives

	December 31, 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	$ 153,369	24,570	108,972	57,415	-	344,326
—Interest rate derivative instruments	1,678	20,514	11,940	124,313	2,550,594	2,709,039
Derivative financial instruments for hedging						
—Interest rate derivative instruments	-	-	-	1,551	5,777	7,328
	$ 155,047	45,084	120,912	183,279	2,556,371	3,060,693

	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

ii) Maturity analysis of gross settled derivatives

	December 31, 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	$ 156,082,753	160,767,085	71,729,881	44,840,137	1,362,298	434,782,154
—Cash inflow	154,157,204	158,892,857	71,331,514	44,630,562	1,328,896	430,341,033
Derivative financial instruments for hedging						
—Foreign exchange derivative instruments						
—Cash outflow	1,725,288	3,954,286	2,996,019	2,196,507	-	10,872,100
Net cash flow	$ (3,650,837)	(5,828,514)	(3,394,386)	(2,406,082)	(33,402)	(15,313,221)

	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)

(Continued)

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

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.

December 31, 2019	0~30 days	31~90 Days	91 days~ 1 year	Over 1 year	Total
Other guarantees	$ 281,098	536,649	2,070,196	827,136	3,715,079
Unused amount of irrevocable loan commitments	-	-	-	4,098,466	4,098,466
Unused amount of irrevocable letters of credit	86,830	1,304,344	108,581	-	1,499,755
	$ 367,928	1,840,993	2,178,777	4,925,602	9,313,300

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

g) Structure analysis of maturity, New Taiwan Dollars

December 31, 2019

Units: in thousands of New Taiwan Dollars

		Remaining period to maturity					
	Total	0~10 days	11~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year
Main capital inflow on maturity	$ 667,910,570	116,250,150	60,736,986	99,913,702	66,318,181	85,058,907	239,632,644
Main capital outflow on maturity	719,004,782	67,283,993	76,674,699	167,675,290	99,682,873	59,255,851	248,432,076
Gap	(51,094,212)	48,966,157	(15,937,713)	(67,761,588)	(33,364,692)	25,803,056	(8,799,432)

December 31, 2018

Units: in thousands of New Taiwan Dollars

		Remaining period to maturity					
	Total	0~10 days	11~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year
Main capital inflow on maturity	$ 879,050,471	197,718,458	89,276,860	147,557,086	111,477,953	125,750,669	207,269,445
Main capital outflow on maturity	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)

h) Structure analysis of maturity, US Dollars

December 31, 2019

Units: in thousands of US Dollars

		Remaining period to maturity				
	Total	0~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year
Main capital inflow on maturity	$ 17,829,618	6,461,376	5,711,351	3,174,810	1,690,624	791,457
Main capital outflow on maturity	20,079,386	7,860,040	7,087,595	2,143,747	1,397,400	1,590,604
Gap	(2,249,768)	(1,398,664)	(1,376,244)	1,031,063	293,224	(799,147)

December 31, 2018

Units: in thousands of US Dollars

		Remaining period to maturity				
	Total	0~30 days	31~90 days	91~180 days	181 days~ 1 year	Over 1 year
Main capital inflow on maturity	$ 25,447,302	10,758,549	5,713,459	4,434,006	3,776,362	764,926
Main capital outflow on maturity	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)

(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:

December 31, 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)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral received	
Derivative financial assets	$ 6,535,097	-	6,535,097	3,979,877	1,490,397	1,064,823
Securities purchased under resell agreements and debt instruments	6,393,794	-	6,393,794	-	6,393,794	-
Total	$ 12,928,891	-	12,928,891	3,979,877	7,884,191	1,064,823

December 31, 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)		Net amount (e)=(c)-(d)
				Financial instruments (Note)	Cash collateral pledged	
Derivative financial liabilities	$ 8,900,828	-	8,900,828	3,979,877	2,266,393	2,654,558

(Continued)

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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)	Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial assets	$ 8,043,768	-	8,043,768	3,339,296	1,317,955	3,386,517
Securities purchased under resell agreements and debt instruments	11,738,716	-	11,738,716	-	11,738,716	-
Total	$ 19,782,484	-	19,782,484	3,339,296	13,056,671	3,386,517

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)	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

(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, 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) Additional 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.

(Continued)

3) Capital adequacy

Item \ Period-end			December 31, 2019	December 31, 2018
Self-owned capital	Common stock capital		42,467,978	40,752,246
	Other Tier 1 capital		-	-
	Tier 2 capital		8,208,048	9,600,646
	Total self-owned capital		50,676,026	50,352,892
Risk-weighted assets	Credit risk	Standard approach (SA)	271,707,039	274,205,939
		Internal ratings-based approach (IRB)	-	-
		Securitization	-	-
	Operational risk	Basic indicator approach (BIA)	25,183,422	24,373,762
		Standardized approach (SA)/alternative approach	-	-
		Advanced measurement approach (AMA)	-	-
	Market risk	Standardized approach (SA)	23,058,163	20,198,732
		Internal model-based approach (IMA)	-	-
	Total risk-weighted assets		319,948,624	318,778,433
Capital adequacy ratio			15.84 %	15.80 %
Ratio of common stock to total risk-based assets			13.27 %	12.78 %
Ratio of Tier 1 capital to risk-based assets			13.27 %	12.78 %
Leverage ratio			6.51 %	6.19 %

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 with the Bank
Standard Chartered PLC ("SC PLC")	The ultimate parent company
Standard Chartered Bank Hong Kong Limited ("SCB Hong Kong")	Parent company of SC NEA
Standard Chartered NEA Limited ("SC NEA")	Parent company
Standard Chartered Bank ("SCB")	Affiliate
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

(Continued)

STANDARD CHARTERED BANK (TAIWAN) LIMITED
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Name	Relationship with the Bank
Standard Chartered Bank South Africa Limited ("SCB South Africa")	Affiliate
Standard Chartered Bank China Limited ("SCB China")	Affiliate
Standard Chartered Bank Thailand Limited ("SCB Thailand")	Affiliate
Standard Chartered Bank Korea Limited ("SCB Korea")	Affiliate
Standard Chartered Bank Vietnam Limited ("SCB Vietnam")	Affiliate
Standard Chartered Bank North America ("SCB North America")	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 Dubai ("SCB Dubai")	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.

(Continued)

(b) Significant transactions with related parties

(i) Deposits

December 31, 2019			
Name	**Ending balance**	**Percentage of deposits (%)**	**Interest rate (%)**
Deposits by individual related parties not over 1% of total deposits	$ 536,434	0.10	0.00~6.95

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

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

For the years ended December 31, 2019 and 2018, interest expenses on the above deposits were $3,700 thousand and $2,121 thousand, respectively. As of December 31, 2019 and 2018, the interest payables on the above transaction were $244 thousand and $263 thousand, respectively, recorded under related parties payable.

For the year ended December 31, 2018, the interest expense on the time deposit of SCB Hong Kong was $66,068 thousand.

(ii) Loans

2019

Type of loan	Maximum balance during the period	Number of accounts or name of related party	Ending balance	Repayment: On-schedule	Repayment: Overdue	Collateral	Difference between terms and conditions offered to the accounts and to the general public
Employee consumer loans	6,571	12	3,928	3,928	-	Unsecured lending	None
Mortgage	118,574	16	109,753	109,753	-	House	None
Other	3,155	Other individuals	2,883	2,883	-	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: On-schedule	Repayment: Overdue	Collateral	Difference between terms and conditions offered to the accounts and to the general public
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 years ended December 31, 2019 and 2018, interest income on the above loans were $1,534 thousand and $1,405 thousand, respectively. As of December 31, 2019 and 2018 the interest receivables from the above transaction were $87 thousand and $68 thousand, respectively, recorded under receivables-net.

(iii) Foreign exchange and derivative transactions

December 31, 2019						
		Contracts		Gain (loss) on	Balance sheet	
Name	Contracts	duration period	Notional	valuation	Account	Balance
SCB	Interest rate swap	2020.1.2~ 2030.3.20	$ 511,205,838	(49,594)	Financial assets at fair value through profit or loss	972,155
					Financial liabilities at fair value through profit or loss	(1,047,229)
	Interest rate option	2024.9.30	1,505,311	20,764	Financial assets at fair value through profit or loss	20,764
	Spot/forward/swap	2020.1.2~ 2020.12.4	105,613,444	(7,730)	Financial assets at fair value through profit or loss	831,961
					Financial liabilities at fair value through profit or loss	(628,518)
	Cross currency swap	2020.9.22~ 2022.1.28	2,263,316	12,503	Financial assets at fair value through profit or loss	55,863
					Financial liabilities at fair value through profit or loss	(18,663)
	Foreign exchange option	2020.1.2~ 2020.9.23	54,288,341	168,721	Financial assets at fair value through profit or loss	41,527
					Financial liabilities at fair value through profit or loss	(96,169)
	Commodity option	2020.1.17	262,526	(1,048)	Financial liabilities at fair value through profit or loss	(1,048)
SCB Singapore	Spot/forward/swap	2020.5.6	171,155	(285,209)	Financial assets at fair value through profit or loss	2,924
					Financial liabilities at fair value through profit or loss	(339)
SCB Hong Kong	Spot/forward/swap	2020.1.2~ 2020.9.21	50,390,540	197,650	Financial assets at fair value through profit or loss	279,271
					Financial liabilities at fair value through profit or loss	(82,250)

(Continued)

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			December 31, 2018			
		Contracts		Gain (loss) on	Balance sheet	
Name	Contracts	duration period	Notional	valuation	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)

As of December 31, 2019 and 2018, the premium receivables resulting from the above option contracts were $345 thousand and $2,159 thousand, respectively, recorded under receivables—net.

(iv) Deposits with other banks—affiliates

	2019		
	Balance	Interest rate %	Interest income
SCB Taipei	$ 6,900,000	0.05~0.25	15,978
SCB Japan	1,428,143	-	-
SCB Germany	237,460	-	-
SCB Hong Kong	197,953	-	-
SCB	97,362	-	-
SCB Singapore	90,134	-	-
SCB New York	37,421	0.76	25,344
SCB China	16,641	0.00~2.75	70,595
SCB Thailand	799	-	-
SCB Philippines	168	-	-
	$ 9,006,081		111,917

	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

As of December 31, 2019 and 2018, interest receivable resulting from the above deposits with other banks from affiliates were $2,944 thousand and $2,038 thousand, respectively, recorded under receivables-net. For the years ended December 31, 2019 and 2018, the service charge from the above deposits were $27,241 thousand and $24,165 thousand, respectively, recorded under net service fee income.

(v) Call loans to banks — affiliates

	2019		
	Balance	Interest rate %	Interest income
SCB Taipei	$ 41,173,810	-0.27~3.25	640,962
SCB Hong Kong	10,446,030	-1.00~3.50	114,920
SCB Japan	747,737	-0.10~2.60	1,168
SCB	-	-0.55~2.45	114,496
SCB Korea	-	1.85~2.40	1,318
SCB Thailand	-	-0.45~2.45	99
SCB China	-	1.45~6.50	8
	$ 52,367,577		872,971

	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

As of December 31, 2019 and 2018, the interest receivables resulting from the above call loans to banks from affiliates were $78,117 thousand and $185,627 thousand, respectively, recorded under receivables — net.

(Continued)

(vi) Deposits from banks—affiliates

	2019		
	Balance	Interest rate %	Interest expense
SCB Taipei	$ 918,066	0.01	25

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

As of December 31, 2019 and 2018, the interest payables resulting from the above deposits from banks to affiliates were $0 thousand and $1 thousand, respectively, recorded under related parties payable.

(vii) Overdrafts on banks—affiliates

	2019		
	Balance	Interest rate %	Interest expense
SCB New York	$ 1,048,022	1.55	5,090
SCB Germany	-	1.50	1,104
SCB Hong Kong	-	6.38	745
SCB Japan	-	-	116
SCB Singapore	-	10.75	35
	$ 1,048,022		7,090

	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

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

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(viii) Call loans from banks—affiliates

	2019		
	Balance	Interest rate %	Interest expense
SCB Hong Kong	$ 12,571,999	-1.00~7.25	62,117
SCB China	4,722,829	-0.65~2.60	24,263
SCB Korea	1,806,373	1.54~2.60	12,712
SCB Taipei	1,600,000	0.00~2.83	23,620
SCB Vietnam	-	1.70~3.04	21,904
SCB Macau	-	2.13~2.79	10,150
SCB Japan	-	0.00~2.65	5,716
SCB Thailand	-	1.85~2.68	5,656
SCB Singapore	-	-0.90~2.52	4,486
SCB	-	2.40	247
	$ 20,701,201		170,871

	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

As of December 31, 2019 and 2018, the interest payables resulting from the above call loans from banks to affiliates were $1,688 thousand and $167,368 thousand, 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	December 31, 2019	December 31, 2018
SCB	$ 825,832	346,779

For the years ended December 31, 2019 and 2018, the interest income resulting from the above transaction were $13,541 thousand and $6,506 thousand, respectively. As of December 31, 2019 and 2018, the interest receivable resulting from the above transaction were $1,108 thousand and $329 thousand, respectively, recorded under receivables—net.

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

Name	Bond (note)	December 31, 2019	December 31, 2018
SCB	103-2	$ 6,021,243	6,147,471

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

For the years ended December 31, 2019 and 2018, the interest expenses on the above transactions were $282,111 thousand and $275,203 thousand, respectively. As of December 31, 2019 and 2018, the interest payables on the above transactions were $10,537 thousand and $10,758 thousand, respectively, recorded under related parties payable.

(xi) Guarantee

	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

(xii) For the year ended December 31, 2019, operational and advisory service fees, consulting and technical support service fees, and wholesale banking business service fees were $977,431 thousand, $552,567 thousand and $86,924 thousand, respectively. For the year ended December 31, 2018, operational and advisory service fees, consulting and technical support service fees, and wholesale banking business service fees were $961,341 thousand, $485,519 thousand and $105,578 thousand, respectively. As of December 31, 2019 and 2018, fees payables to SCB were $6,676,278 thousand and $5,662,056 thousand, respectively, recorded under related parties payable. For the years ended December 31, 2019 and 2018, the group insurance expenses for joining the group insurance amounted to $26,363 thousand and $21,468 thousand, respectively.

(xiii) For the years ended December 31, 2019 and 2018, the related cost of the Executive Share Option Scheme amounted to $22,887 thousand and $26,752 thousand, respectively. As of December 31, 2019 and 2018, the estimated accounts payable to SCB for the share-based payment scheme costs amounted to $22,222 thousand and $73,574 thousand, respectively, recorded under related parties payable. The prepaid fee to SCB for the share-based payment scheme costs amounted to $839 thousand and $857 thousand, respectively, recorded under other assets-net.

(xiv) For the years ended December 31, 2019 and 2018, expenses resulting from operating and other business-related activities with affiliates were as follows:

Name		2019	2018
Technical support service fees:			
SCB Singapore	$	28,857	10,094
SCB Hong Kong		15,398	6,738
SCB		3,024	7,558
SCB Philippines		-	4,663
SCB Australia		-	1,675
Other		697	1,430
Total	$	47,976	32,158
Information technology service fees:			
Standard Chartered Global Business Services Sdn Bhd	$	125,780	152,220
Standard Chartered Global Business Services Private Limited		103,930	112,315
Total	$	229,710	264,535
Consulting service, origination, and trading income:			
SCB Hong Kong	$	102,574	78,020
SCB		93,603	228,781
SCB New York		31,166	19,058
SCB Singapore		27,036	6,039
SCB China		13,589	14,958
Other		6,236	7,037
Total	$	274,204	353,893
Consulting service, origination, and trading fees:			
SCB	$	34,930	52,681
SCB New York		26,883	43,043
SCB Dubai		22,311	-
SCB Korea		10,663	11,746
SCB North America		7,806	-
SCB China		7,616	11,774
Other		36,971	84,081
Total	$	147,180	203,325

As of December 31, 2019 and 2018, technical support service fees payables and information technology service fees payables were $128,880 thousand and $69,430 thousand, respectively, recorded under related parties payable. As of December 31, 2019 and 2018, consulting, origination, trading, and technical support service fees receivables were $335,248 thousand and $216,111 thousand, respectively, recorded under receivables— net. As of December 31, 2019 and 2018, consulting service, origination, and trading fees payables were $299,990 thousand and $247,672 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 years ended December 31, 2019 and 2018, the rental income were $3,136 thousand and $3,091 thousand, respectively. As of December 31, 2019 and 2018, the utility and information system usage income receivables from SCB Taipei were $165 thousand and $80 thousand, respectively, recorded under receivables — net. For the years ended December 31, 2019 and 2018, the related recharge from expense allocation were $985 thousand and $934 thousand, respectively.

(xvi) For the years ended December 31, 2019 and 2018, the administrative support service income from SCB Taipei to the Bank were $3,268 thousand and $3,180 thousand, respectively. As of December 31, 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 years ended December 31, 2019 and 2018, the service fee income were $699,016 thousand and $664,955 thousand, respectively, recorded under net service fee income. As of December 31, 2019 and 2018, the service income receivables were $503,818 thousand and $476,442 thousand, respectively, recorded under receivables — net. As of December 31, 2019 and 2018, advance of service fee income received amounted to $1,545,195 thousand and $1,743,369 thousand, respectively, recorded under other liabilities. (Please refer to note (9) Significant contingent liabilities and unrecognized commitments — (c) significant service agreements section for related information).

(c) The salary and remuneration for directors and supervisors

	2019	2018
Salary and other short-term benefits	$ 258,880	253,380
Post-employment benefits	1,523	1,175
Total	$ 260,403	254,555

(8) Pledged assets:

Pledged assets	Pledged for	December 31, 2019	December 31, 2018
Negotiable certificates of deposit, and bonds (recorded under other financial assets)	USD overdraft clearing deposits	$ 15,505,288	14,593,221

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Notes to the Financial Statements

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

Pledged assets	Pledged for	December 31, 2019	December 31, 2018
Negotiable certificates of deposit, bonds (recorded under other financial assets)	Trust indemnity reserve	$ 164,739	150,905
	Operating deposits for securities broker	54,913	50,302
	Operating deposits for securities underwriter	43,931	50,302
	Operating deposits for securities dealer	10,983	-
	Operating deposits for bills business	200,012	200,028
	Bond payment settlement reserve	109,826	100,603
		584,404	552,140
Guarantee deposits paid (recorded under other assets)	Operating deposits for securities dealer, bond payment settlement reserve, and self-regulatory fund deposit	40,300	50,300
Total		$ 624,704	602,440

(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 securities broker 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. (Deposits required in accordance with relevant regulations for securities broker is $50,000 thousand.)

(d) Operating deposits for securities underwriter and dealer are operating deposits placed for the competent authority in accordance with the Regulations Governing Securities Firms. (Deposits required in accordance with relevant regulations for securities underwriter and dealer are $40,000 thousand and $10,000 thousand, respectively.)

(e) Operating deposits for bills business are deposits placed in the Central Bank of the Republic of China for the Bank's bills business in accordance with the related regulation governing bills business. (Deposits required in accordance with relevant regulations for bills business is $100,000 thousand.)

(f) Bond payment settlement reserves are reserves placed in the Taipei Exchange' s electronic bond trading system in accordance with related regulations.

(g) Self-regulatory fund deposits are deposit placed in Taiwan Securities Association in accordance with related regulations.

(Continued)

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

(9) Significant contingent liabilities and unrecognized commitments:

(a) Commitments and contingent liabilities

	December 31, 2019	December 31, 2018
Consignment collection for others	$ 3,850,164	5,081,527
Securities, consignments and goods in custody	2,108,432,955	1,669,911,090
Trust assets	102,531,226	89,389,900
	$ 2,214,814,345	1,764,382,517
Other guarantees	$ 3,715,079	4,350,959
Unused amount of irrevocable loan commitments	$ 4,098,466	1,404,882
Unused amount of irrevocable letters of credit	$ 1,499,755	781,855

(b) Operating leases

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

	December 31, 2018
Not later than one year	$ 368,202
Later than one year and less than five years	537,676
Total	$ 905,878

(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
December 31, 2019

Trust assets		Trust liabilities	
Bank deposits	$ 5,854	Accounts payable	$ 3
Short-term investments	95,815,701	Tax payable	-
Structured notes	4,914,606	Payables for securities under custody	1,795,064
Securities under custody	1,795,064	Trust capital and accumulated earnings	100,736,159
Other assets	1		
Total trust assets	$ 102,531,226	Total trust liabilities	$ 102,531,226

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

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

Trust income statements

		2019	2018
Trust revenue:			
Interest revenue	$	4,945,748	4,814,335
Common stock cash dividends		75	238
Realized gain on investments		2,406,972	1,606,738
Unrealized gain on investments		4,401,557	1,053,231
Net gain on trading of assets		-	8
		11,754,352	7,474,550
Trust expenses:			
Management expense	$	37	48
Realized loss on investments		2,299,968	2,235,284
Unrealized loss on investments		1,413,354	7,613,947
Net loss on trading of assets		7	-
		3,713,366	9,849,279
Net gain (loss) before income tax		8,040,986	(2,374,729)
Income tax expense		-	-
Net gain (loss) after income tax	$	8,040,986	(2,374,729)

Schedules of investment for trust business

Investment items		December 31, 2019	December 31, 2018
Bank deposits	$	5,854	7,409
Short-term investments:			
Bonds		26,668,206	24,588,864
Common stock		5,142,889	4,344,437
Funds		64,004,606	55,281,445
Structured notes		4,914,606	4,693,436
Securities under custody		1,795,064	474,308
Other assets		1	1
	$	102,531,226	89,389,900

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

(Continued)

(10) Losses Due to Major Disasters: None

(11) Significant Subsequent Events:

The existence of novel coronavirus (COVID-19) was confirmed in early 2020 and has spread across mainland China and beyond, causing disruptions to businesses and economic activity. The Bank considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, we do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak. The impact of this outbreak on the macroeconomic forecasts will be incorporated into the IFRS9 estimates of expected credit loss provisions in 2020.

(12) Others:

Profitability

Unit: %

Items		December 31, 2019	December 31, 2018
Return on assets	Before income tax	0.52	0.44
	After income tax	0.40	0.43
Return on equity	Before income tax	7.15	6.31
	After income tax	5.49	6.12
Net profit ratio		18.29	20.39

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

(Continued)

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

(13) Other disclosures items:

For the year ended December 31, 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:

(In Thousands of New Taiwan Dollars)

Name of company	Type of property	Transaction date	Acquisition date	Book value	Transaction amount	Amount actually receivable	Gain from disposal	Counter-party	Nature of relationship	Purpose of disposal	Price reference	Other terms
Standard Chartered Bank (Taiwan) Limited	Dongmei building	June 25, 2019	January 28, 2004	389,583	470,000	Cleaned	67,684	FONG-YI Department Stores Company Limited	None	Non-major asset disposal	Professional appraisal report	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: Please refer to 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

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

(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 %	30,361	-	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 %	260,014	16,032	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 %	8,701	-	851	-	851	5.00 %	Note 2
Liyu 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 %	4,659	-	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 %	42,000	350	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 %	1,626	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 item and other information of the invested company in Mainland China: None

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

(14) Operating segment financial information:

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

(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 include 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.

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

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

	2019				
	Retail Banking	International Corporates and Financial Institutions Banking	Commercial Banking	Other Banking	Total
Net interest income	$ 5,476,104	468,212	494,970	(2,138,080)	4,301,206
Net service fee income	3,997,972	776,160	106,568	(17,364)	4,863,336
Other miscellaneous income	705,951	814,411	89,350	2,891,806	4,501,518
Net income	10,180,027	2,058,783	690,888	736,362	13,666,060
Bad debt expense, commitment and guarantee liability (provision) reversal	(570,460)	(63,721)	137,623	(1,714)	(498,272)
Operating expense	(7,858,132)	(1,287,218)	(784,823)	14,628	(9,915,545)
Segment profit	$ 1,751,435	707,844	43,688	749,276	3,252,243
Segment assets	$ 213,337,615	91,679,842	26,605,397	290,049,094	621,671,948
Segment liabilities	$ 332,522,329	177,190,475	39,837,082	26,277,789	575,827,675

	2018				
	Retail Banking	International Corporates and Financial Institutions Banking	Commercial Banking	Other Banking	Total
Net interest income	$ 5,335,858	657,211	521,039	(2,457,801)	4,056,307
Net service fee income	3,657,821	766,356	71,432	(20,822)	4,474,787
Other miscellaneous income	382,064	647,511	195,434	3,600,611	4,825,620
Net income	9,375,743	2,071,078	787,905	1,121,988	13,356,714
Bad debt expense, commitment and guarantee liability (provision) reversal	(418,734)	(178,291)	(34,120)	1,095	(630,050)
Operating expense	(7,613,959)	(1,619,249)	(894,818)	209,524	(9,918,502)
Segment profit (loss)	$ 1,343,050	273,538	(141,033)	1,332,607	2,808,162
Segment assets	$ 206,782,206	91,157,915	27,947,613	300,685,058	626,572,792
Segment liabilities	$ 339,071,988	150,604,216	58,622,020	33,128,786	581,427,010

Standard Chartered Bank (Taiwan) Limited

Statement of cash and cash equivalents

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount
Cash on hand		
TWD		$ 3,491,179
USD	USD1@30.106	188,205
CNY	CNY1@4.321	185,692
JPY	JPY1@0.277	132,061
HKD	HKD1@3.867	128,241
EUR	EUR1@33.734	126,695
GDP	GBP1@39.536	46,016
SGD	SGD1@22.370	22,601
	Subtotal	4,320,690
Checks for clearing		473,720
Deposits with other banks	Bank of China Taipei Branch	7,992,690
	Other (Note)	673,227
	Subtotal	8,665,917
Deposits with other banks-affiliates	SCB Taipei	6,900,000
	SCB Japan	1,428,143
	Other (Note)	677,938
	Subtotal	9,006,081
Subtotal		22,466,408
Less: Allowance for bad debts		368
Total		$ 22,466,040

Note: Individual accounts less than 5% of the total.

Standard Chartered Bank (Taiwan) Limited

Statement of financial assets measured at fair value through profit or loss

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Name of financial instrument	Description	Shares or units	Par value	Total amount	Interest rate	Acquisition cost	Fair value		Fair value changes attributable to the changes in credit risk	Note
							Unit price	Total amount		
Government bonds										
A001099			-	$ 2,700,000	1.25 %	2,751,354	101.26	2,734,044	-	
A061028			-	2,000,000	0.75 %	2,009,816	100.45	2,008,966	-	
A051086			-	1,700,000	0.50 %	1,699,067	99.99	1,699,746	-	
A05105			-	900,000	0.50 %	899,033	100.02	900,164	-	
A051136			-	700,000	0.63 %	701,822	100.18	701,243	-	
A011056			-	600,000	1.25 %	613,880	101.60	609,576	-	
A89107			-	500,000	6.25 %	503,160	100.24	501,219	-	
Others (Note)			-	450,000	0.63~1.38%	462,770	100.21~101.05	452,206	-	
Subtotal								9,607,164	-	

Note: Individual accounts less than 5% of the total.

Standard Chartered Bank (Taiwan) Limited

Statement of financial assets measured at fair value through profit or loss (Continued)

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Name of financial instrument	Description	Shares or units	Par value	Total amount	Interest rate	Acquisition cost	Fair value: Unit price	Fair value: Total amount	Fair value changes attributable to the changes in credit risk	Note
Corporate bonds										
Taiwan Power Company			-	$ 200,000	1.43 %	202,713	100.30	200,609	-	
Hon Hai Precision Industry Co, Ltd.			-	200,000	1.45 %	200,234	100.12	200,234	-	
Taiwan Power Company			-	150,000	1.55 %	151,611	100.68	151,021	-	
Subtotal								551,864	-	
Derivative financial assets										
Interest rate swap								2,677,718	-	
Interest rate option								99,124	-	
Spot/ Forward/ Swap								3,353,470	-	
Cross currency swap								92,924	-	
Foreign exchange option								137,696	-	
Commodity option								1,048	-	
Subtotal								6,361,980	-	
Total								$ 16,521,008	-	

Standard Chartered Bank (Taiwan) Limited

Statement of financial assets measured at fair value through other comprehensive income

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Name of financial instrument	Description	Shares or units	Par value	Total amount	Interest rate	Acquisition cost	Accumulated impairment	Fair value Unit price	Fair value Total amount	Note
Debt instruments										
Negotiable certificates of deposit			-	$ -	- %	-	2,814	-	$ 103,736,462	
Government bonds										
A89107			-	6,250,000	6.25 %	6,887,929	46	100.24	6,265,234	
A07107			-	3,700,000	0.63 %	3,701,215	217	100.21	3,707,751	
A031062			-	2,450,000	1.50 %	2,551,674	157	103.80	2,543,156	
A07111			-	2,500,000	0.75 %	2,513,303	148	100.70	2,517,573	
A011098			-	2,350,000	1.13 %	2,393,003	144	101.59	2,387,370	
A041137			-	2,300,000	1.25 %	2,381,961	124	100.58	2,313,301	
A011056			-	2,200,000	1.25 %	2,239,488	136	101.60	2,235,112	
Other (Note)			-	20,198,900	0.50~5.88%	21,372,695	1,119	99.69~109.83	20,742,243	
Subtotal							2,091		42,711,740	
Treasury bills							-		3,822,365	
Equity instrument										
Non-listed stock							-		347,361	
Total							$ 4,905		$ 150,617,928	

Note: Individual accounts less than 5% of the total.

Standard Chartered Bank (Taiwan) Limited

Statement of financial assets measured at amortized cost

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Name	Description	Units	Par value	Total amount	Interest rate	Accumulated impairment	Unamortized premium/ (discount)	Carrying amount	Note
Government bonds									
A07107		-	-	$ 1,000,000	0.63%	58	(3,836)	996,106	
A021105		-	-	900,000	1.75%	59	33,199	933,140	
Total				$ 1,900,000		117	29,363	1,929,246	

Standard Chartered Bank (Taiwan) Limited

Statement of financial assets and liabilities for hedging

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Name of financial instrument	Description	Fair value	Note
Financial assets for hedging			
Cross currency swap		$ 173,117	Cash flow hedge
Financial liabilities for hedging:			
Interest rate swap		$ 7,328	Fair value hedge
Cross currency swap		282,000	Cash flow hedge
Total		$ 289,328	

Statement of securities purchased under resell agreement and debt instrument

Item	Face value	Carrying amount	Note
Government bonds	$ 6,423,623	6,393,794	

Standard Chartered Bank (Taiwan) Limited

Statement of receivables

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount	Allowance for bad debts	Premium/discount adjustment	Net amount	Note
Accounts receivable factoring	$ 13,681,368	175,459	-	13,505,909	
Credit card accounts receivable	5,350,341	264,424	-	5,085,917	
Accounts receivable:					
Wealth management handling fee receivable	545,369	-	-	545,369	
Income receivable	99,139	-	-	99,139	
Accounts receivable	163,971	-	-	163,971	
Subtotal	808,479	-	-	808,479	
Interest receivable:					
Interest rate instruments	1,146,913	-	-	1,146,913	
Loans	424,261	-	-	424,261	
Deposits with other banks	34,253	-	-	34,253	
Other (Note)	62,274	4,300	-	57,974	
Subtotal	1,667,701	4,300	-	1,663,401	
Acceptances receivable	749,138	7,492	-	741,646	
Accounts receivable-related parties	922,118	-	-	922,118	
Other (Note)	752,164	184	-	751,980	
Total	$ 23,931,309	451,859	-	23,479,450	

Note: Individual accounts less than 5% of the total.

Standard Chartered Bank (Taiwan) Limited

Statement of discounts and loans

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount	Allowance for bad debts	Premium/discount adjustment	Net amount	Note
Bills negotiation and bills and notes discounted	$ 386,206	-	-	386,206	
Short term loans and overdrafts	43,194,303	-	-	43,194,303	
Short-term secured loans	7,604,525	-	-	7,604,525	
Medium-term loans	45,544,865	-	-	45,544,865	
Medium-term secured loans	2,414,300	-	-	2,414,300	
Long-term loans	9,797,523	-	-	9,797,523	
Long-term secured loans	177,713,487	-	-	177,713,487	
Overdue loans	205,511	-	-	205,511	
Add: Premium/ Discount adjustment	-	-	78,570	78,570	
Less: Allowance for bad debts	-	4,718,679	-	4,718,679	
Total	$ 286,860,720	4,718,679	78,570	282,220,611	

Statement of other financial assets

Item	Description	Amount	Note
Restricted assets-debt instruments		$ 16,089,692	
Short-term advance		54,790	
Non-accrual loans other than those reclassified from loans		7,521	
Less: Allowance for bad debts-non-accrual loans other than those reclassified from loans		7,521	
Total		$ 16,144,482	

Standard Chartered Bank (Taiwan) Limited

Statement of changes in property and equipment

For the year ended December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Beginning balance	Increase	Decrease	Reclassify	Ending balance	Collateral	Note
Cost:							
Land	$ 2,653,772	-	345,169	-	2,308,603		
Buildings	2,774,228	-	398,190	29,439	2,405,477		
Office equipment	355,850	4,600	37,249	-	323,201		
Leasehold improvements	607,366	43,024	25,786	-	624,604		
Other equipment	525,748	35,490	76,276	7,887	492,849		
Work in progress	35,441	50,153	-	(37,326)	48,268		
Total	$ 6,952,405	133,267	882,670	-	6,203,002		

Statement of changes in accumulated depreciation of property and equipment

Item	Beginning balance	Increase	Decrease	Ending balance	Note
Buildings	$ 1,280,823	67,490	134,835	1,213,478	
Office equipment	350,323	3,377	37,249	316,451	
Leasehold improvements	479,402	54,330	25,786	507,946	
Other equipment	347,323	71,856	76,276	342,903	
Total	$ 2,457,871	197,053	274,146	2,380,778	

Standard Chartered Bank (Taiwan) Limited

Statement of changes in accumulated impairment of property and equipment

For the year ended December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Beginning balance	Increase	Decrease	Ending balance	Note
Land	$ 83,975	(12,990)	52,912	18,073	
Buildings	59,502	40,400	2,850	97,052	
Total	$ 143,477	27,410	55,762	115,125	

Statement of changes in right-of-use assets

Item	Beginning balance	Increase	Decrease	Ending balance	Note
Buildings	$ 1,710,391	323,972	822	2,033,541	
Transportation	2,736	4,275	561	6,450	
Other equipment	267,016	-	-	267,016	
Total	$ 1,980,143	328,247	1,383	2,307,007	

Standard Chartered Bank (Taiwan) Limited

Statement of changes in accumulated depreciation of right-of-use assets

For the year ended December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Beginning balance	Increase	Decrease	Ending balance	Note
Buildings	$ -	302,490	-	302,490	
Transportation	-	2,238	198	2,040	
Other equipment	-	63,052	-	63,052	
Total	$ -	**367,780**	**198**	**367,582**	

Statement of changes in intangible assets

Item	Beginning balance	Increase	Decrease	Ending balance	Note
Goodwill	$ 3,156,048	-	-	3,156,048	
Other	101,973	36,977	19,519	119,431	
Total	$ **3,258,021**	**36,977**	**19,519**	**3,275,479**	

Standard Chartered Bank (Taiwan) Limited

Statement of deferred tax assets

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Bad debts expense and guarantee liability provision		$ 465,846	
Depreciation expense		41,492	
Impairment loss on assets		19,411	
Expenses from share- based payments		47,629	
Employee benefits		245,772	
Rental expense		18,781	
Provisions		13,133	
Loss carryforwards		113,822	
Unrealized loss on financial assets measured at fair value through other comprehensive income		1,490	
Total		$ 967,376	

Standard Chartered Bank (Taiwan) Limited

Statement of other assets

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Refundable deposits:			
Lease deposits		$ 96,071	
Bond payment settlement reserves, and self-regulatory fund deposit		40,300	
Credit card deposits		93,243	
Other (Note)		44,919	
Subtotal		274,533	
Refundable deposits- derivatives financial instruments		2,266,393	
Prepaid fees		253,304	
Prepayments for investments		100,000	
Other (Note)		5,178	
Total		$ 2,899,408	

Note: Individual accounts less than 5% of the total.

Standard Chartered Bank (Taiwan) Limited

Statement of financial liabilities measured at fair value through profit or loss

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Name of financial instrument	Description	Shares of units	Par value	Total amount	Interest rate	Fair value		Fair value changes attributable to the changes in credit risk	Note
						Unit price	Total amount		
Derivative financial liabilities									
Interest rate swap							$ 2,688,694		
Interest rate option							20,345		
Spot/forward/swap							5,602,567		
Cross currency swap							161,411		
Foreign exchange option							137,458		
Commodity option							1,025		
Total							$ 8,611,500		

Standard Chartered Bank (Taiwan) Limited

Statement of payables

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Accrued interest		$ 362,202	
Accrued expenses		1,997,736	
Unsettled bonds payable		1,297,533	
Acceptances payable		749,138	
Other (Note)		1,174,477	
Total		$ 5,581,086	

Note: Individual accounts less than 5% of the total.

Statement of deposits and remittances

Item	Description	Amount	Note
Check accounts deposits		$ 3,382,794	
Demand deposits		204,044,123	
Savings account deposits		132,011,192	
Time deposits		146,135,224	
Time savings deposits		28,488,910	
Remittances		178,108	
Total		$ 514,240,351	

Standard Chartered Bank (Taiwan) Limited

Statement of financial debentures

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Bond name	Trustee	Issuance date	Interest payment date	Coupon rate	Amount: Total amount	Amount: Repayment paid	Amount: Ending balance	Amount: Unamortized premiums (discount)	Amount: Carrying amount	Repayment	Collateral	Note
91-1		2002.7.19	2007.7.19	Note 1	$ 8,000,000	7,999,000	1,000	-	1,000			A-note
94-1		2005.1.28	Note 2	Note 3	7,636,700	7,635,600	1,100	-	1,100			
94-2		2005.1.28	Note 2	Note 3	2,363,300	2,363,200	100	-	100			
100-4		2011.6.29	2021.6.29	Note 4	2,000,000	-	2,000,000	-	2,000,000			D-note
103-2		2014.12.18	2024.12.18	Note 5	6,588,808	567,565	6,021,243	-	6,021,243			
Total					$ 26,588,808	18,565,365	8,023,443	-	8,023,443			

Note 1: 5-year term, interest accrued and paid semi-annually, annual interest rate for the first 3 years is 4.25% and 4.5% for the last 2 years.

Note 2: No maturity date.

Note 3: Interest accrued and paid semi-annually, based on the average one-year regular floating rate of the nine largest banks plus 1.493%.

Note 4: 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 onwards.

Note 5: 10-year term, USD200,000 thousand at par, interest accrued and paid semi-annually, annual rate is 4.5%.

Standard Chartered Bank (Taiwan) Limited

Statement of other financial liabilities

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Structured deposits		$ 152,574	

Statement of provisions

Item	Description	Amount	Note
Provision for employee benefits		$ 1,228,875	
Provision for decommission, restoration and rehabilitation cost		164,799	
Provision for guarantee liability		41,935	
Provision for loan commitment		22,874	
Other (Note)		8,112	
Total		$ 1,466,595	

Note: Individual accounts less than 5% of the total.

Standard Chartered Bank (Taiwan) Limited

Statement of lease liabilities

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Lease term	Discount rate	Ending balance	Note
Buildings	Leases	2015.02.15~2034.12.31	1.54%~2.49%	$ 1,743,306	
Transportations	Car rental	2018.06.08~2022.02.26	1.54%	4,440	
Other equipment	IT and generator	2016.07.01~2023.03.31	1.54%~1.80%	189,276	
				$ 1,937,022	

Statement of deferred tax liabilities

Item	Description	Amount	Note
Unrealized interest income on financial assets		$ 119,258	
Amortization of goodwill		618,585	
Land value increment tax		74,633	
Unrealized gain on financial assets measured at fair value through other comprehensive income		3,732	
Gain on hedging instruments		2,603	
Total		$ 818,811	

Standard Chartered Bank (Taiwan) Limited

Statement of other liabilities

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Advance received from customers		$ 1,597,000	
Refundable deposits- derivatives financial instruments		1,490,397	
Tax payable		484,060	
Deferred income		197,741	
Guarantee deposits received		3,064	
Other (Note)		877,445	
Total		$ 4,649,707	

Note: Individual accounts less than 5% of the total.

Statement of interest income

For the year ended December 31, 2019

Item	Amount	Note
Interest income- discounts and loans	$ 7,121,155	
Interest income- accounts receivable factoring	285,426	
Interest income- due from banks:		
Due from the Central Bank	26,519	
Due from banks	1,537,338	
Subtotal	1,563,857	
Interest income- investment securities	926,531	
Interest income- credit card recurrence	198,014	
Other (Note)	870,572	
Total	$ 10,965,555	

Note: Individual accounts less than 5% of the total.

Standard Chartered Bank (Taiwan) Limited

Statement of interest expenses

For the year ended December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount	Note
Interest expense- deposits:		
Time deposits interest	$ 4,029,539	
Demand deposits interest	2,019,022	
Subtotal	6,048,561	
Interest expense- due to banks	235,646	
Interest expense- financial debentures	298,571	
Interest expense- lease liabilities	38,545	
Other (Note)	43,026	
Total	$ 6,664,349	

Note: Individual accounts less than 5% of the total.

Standard Chartered Bank (Taiwan) Limited

Statement of net service income

For the year ended December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount	Note
Service fee:		
Service fee- loan	$ 186,918	
Service fee- agency	5,225	
Service fee- insurance commissions	2,051,755	
Service fee- remittance and interbank	101,279	
Service fee- guarantee, import, export and acceptance payable	59,062	
Service fee- credit card	209,074	
Service fee- trust	2,389,295	
Service fee- factoring	15,319	
Service fee- underwriting	210,552	
Other (Note)	267,874	
Subtotal	5,496,353	
Service charge:		
Service charge- interbank	152,307	
Service charge- agency	156,842	
Service charge- custodian	109,709	
Other (Note)	214,159	
Subtotal	633,017	
Total	$ 4,863,336	

Note: Individual accounts less than 5% of the total.

Standard Chartered Bank (Taiwan) Limited

Statement of gain on financial assets or liabilities at fair value through profit or loss

For the year ended December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Amount	Total	Note
Gain on disposal:		
Interest rate instruments		
Government bonds	$ 20,267	
Corporate bonds	1,525	
Financial debentures	749	
Subtotal	22,541	
Derivative financial instruments	343,712	
Total	366,253	
Gain on valuation:		
Interest rate instruments		
Government bonds	(2,330)	
Corporate bonds	(110)	
Other	8,192	
Subtotal	5,752	
Derivative financial instruments	3,463,005	
Total	3,468,757	
Interest Income	50,922	
Total	$ 3,885,932	

Standard Chartered Bank (Taiwan) Limited

Statement of realized gain on financial assets at fair value through other comprehensive income

For the year ended December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount	Note
Dividend income- equity instrument	$ 16,492	
Profit on sale- debt instruments	13,113	
Total	$ 29,605	

Statement of other non-interest income-net

Item	Amount	Note
Administrative support service income	$ 3,268	
Net gain on disposal of assets	186,885	
Rental income	8,128	
Net loss on fair value hedge	(1,636)	
Other (Note)	(14,573)	
Total	$ 182,072	

Note: Individual accounts less than 5% of the total.

Standard Chartered Bank (Taiwan) Limited

Statement of impairment loss and reversal of impairment loss on assets

For the year ended December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount on impairment loss	Amount on reversal of impairment loss	Note
Impairment loss- property and equipment	$ 27,410	-	
Impairment loss-debt instruments investment	1,397	-	
Impairment loss- other	11	-	
Total	$ 28,818	-	

Statement of bad debt expense, commitments and guarantee liability provision

Item	Amount	Note
Bad debt expense	$ 530,496	
Reversal of guarantee liabilities	(6,432)	
Reversal of loan commitment	(25,898)	
Other provisions	106	
Total	$ 498,272	

Standard Chartered Bank (Taiwan) Limited

Statement of employee benefits

For the year ended December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Employee benefit expense	Other general and administrative expense	Total	Note
Salary expense	$ 4,428,727	-	4,428,727	
Employee insurance	316,673	-	316,673	
Pension expense:				
Define contribution plan	168,441	-	168,441	
Define benefit plan	66,026	-	66,026	
Director's remuneration	-	8,277	8,277	
Other (Note1)	209,211	-	209,211	
Total	$ 5,189,078	8,277	5,197,355	

Note1: Individual accounts less than 5% of the total.

Note2:

a. The average numbers of the Bank's employees for the year ended December 31, 2019 and 2018 were 3,133 and 3,189, respectively, of which the number of directors who had not served concurrently as employees were both 6.

b. The average employee benefit expense for the year ended December 31, 2019 was $1,659 thousand. (refer to table above "Total of employee benefit expense"- "Director's remuneration"/ "Total number to employees"- "The number of directors who had not served concurrently as employees")
The average employee benefit expense for the year ended December 31, 2018 was $1,633 thousand. (refer to "Total of employee benefit expense"- "Director's remuneration" for 2018/ "Total number to employees"- "The number of directors who had not served concurrently as employees" for 2018)

c. The average salary expense for the year ended December 31, 2019 was $1,416 thousand. (refer to table above "Total salary expense"/ "Total number of employees"- "The number of directors who had not served concurrently as employees")
The average salary expense for the year ended December 31, 2018 was $1,377 thousand. (refer to "Total salary expense" for 2018/ "Total number of employees"- "The number of directors who had not served concurrently as employees" for 2018)

d. The change of average salary expense was 3%.

Standard Chartered Bank (Taiwan) Limited

Statement of depreciation and amortization expense

For the year ended December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount	Note
Depreciation expense:		
Buildings	$ 67,490	
Office equipment	3,377	
Leasehold improvements	54,330	
Other equipment	71,856	
Right-of-use assets	367,780	
Subtotal	564,833	
Amortization expense	19,519	
Total	$ 584,352	

Standard Chartered Bank (Taiwan) Limited

Statement of other general and administrative expense

For the year ended December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Amount	Note
Rental expense	$ 46,552	
Office supplies	84,814	
Postage	188,619	
Repairs and maintenance	79,927	
Advertising expense	270,934	
Utilities fee	70,512	
Taxes	604,878	
Professional service fee	113,912	
Operational and advisory service fee	977,431	
Consulting and technical support service fee	552,567	
Wholesale banking business service fee	86,924	
Building management fee	134,141	
Computer management fee	349,404	
Director's remuneration	8,277	
Other (Note)	573,223	
Total	$ 4,142,115	

Note: Individual accounts less than 5% of the total.

STANDARD CHARTERED BANK (TAIWAN) LIMITED SECURITIES DEPARTMENT

Financial Statements

For the Years Ended December 31, 2019 and 2018

STANDARD CHARTERED BANK (TAIWAN) LIMITED SECURITIES DEPARTMENT

Balance Sheets

December 31, 2019 and 2018

(Expressed in thousands of New Taiwan Dollars)

		December 31, 2019		December 31, 2018	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
112000	Financial assets at fair value through profit or loss (note 6(a))	$ 10,159,028	16	8,535,034	10
113200	Financial assets at fair value through other comprehensive income (note 6(b))	42,711,740	69	63,590,995	73
113300	Debt instrument investment measured at amortized cost (notes 6(c) and 9)	1,929,246	3	1,937,067	2
114010	Securities and bonds purchased under resell agreements (notes 6(d) and 9)	5,567,962	9	11,391,937	13
114130	Accounts receivable (note 6(e))	1,317,663	2	1,321,879	2
119000	Other current assets	221,531	-	195,146	-
	Subtotal	61,907,170	99	86,972,058	100
	Non-current assets:				
129000	Other non-current assets (notes 6(f) and 8)	40,300	-	50,300	-
129080	Other financial assets (notes 6(g), (i) and 8)	384,392	1	352,112	-
	Subtotal	424,692	1	402,412	-
	Total assets	$ 62,331,862	100	87,374,470	100
	Liabilities and Equity				
	Current Liabilities:				
214130	Accounts payable (notes 6(h) and 7)	$ 1,297,534	2	364,925	-
	Current Liabilities	1,297,534	2	364,925	-
229110	**Intercompany**	58,425,661	94	84,422,589	97
	Total liabilities	59,723,195	96	84,787,514	97
	Equity:				
301110	Capital surplus	2,000,000	3	2,000,000	2
304040	Retained Earnings	559,128	1	569,166	1
305000	Other equity	49,539	-	17,790	-
	Total equity	2,608,667	4	2,586,956	3
	Total liabilities and equity	$ 62,331,862	100	87,374,470	100

See accompanying notes to financial statements.

STANDARD CHARTERED BANK (TAIWAN) LIMITED SECURITIES DEPARTMENT

Statements of Comprehensive Income

For the years ended December 31, 2019 and 2018

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

		2019		2018	
		Amount	%	Amount	%
	Operating Revenue:				
401000	Brokerage handling fee revenue (note 7)	382	-	444	-
404000	Revenue from underwriting business	174,810	29	194,825	32
411000	Gains on sale of trading securities (notes 6(a) and 7)	34,865	6	19,143	3
421200	Interest income (note 6(a))	378,561	64	385,715	65
421500	Valuation gains on trading securities at fair value through profit or loss (note 6(a))	7,130	1	995	-
425300	Expected credit impairment losses	92	-	1,025	-
428000	Other operating (expense) income (note 7)	(515)	-	60	-
	Net revenue	595,325	100	602,207	100
	Operating expenses:				
501000	Brokerage handling fee expense	15	-	15	-
531000	Employee benefits expense	16,207	3	16,867	3
533000	Other operating expense	19,783	3	16,159	3
	Total operating expenses	36,005	6	33,041	6
	Profit	559,320	94	569,166	94
805000	**Other comprehensive income:**				
805600	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**				
805615	Revaluation gains (losses) from investments in debt instruments measured at fair value through other comprehensive income	31,741	5	(55,937)	(9)
805618	(Reversal of) Impairment loss from investments in debt instruments measured at fair value through other comprehensive income	8	-	(1,078)	-
805699	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
805000	**Other comprehensive income**	31,749	5	(57,015)	(9)
	Total comprehensive income	$ 591,069	99	512,151	85

See accompanying notes to financial statements.

(1) Company history

(a) Standard Chartered Bank (Taiwan) Limited (hereinafter referred to as the Bank) established the first securities brokerage office in Taoyuan City in October, 1989. After that, it continued to provide securities brokerage business at various places, and started securities financing and refinancing in January, 1993 and over the counter securities trading business in August, 1995. 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). On July 27, 2015, the securities department of the Bank and offshore banking unit (OBU) started engaging in foreign exchange trading; the Bank was approved to conduct its own foreign securities business on November 10, 2017.

(b) Main business includes:

(i) Foreign exchange trading

(ii) Various bonds and securitized commodities on their business premises (limited to fixed income securities)

(iii) Foreign securities business on its own business premises

(iv) Underwriting bonds and securitized commodities (limited to fixed income securities).

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

The date and procedure of the securities department's financial statements are the same as the Bank's financial statements. Please refer to the Bank's financial statements.

(3) New standards, amendments and interpretations adopted:

The application of the newly issued and revised standards and interpretations by the securities department of the Bank is the same as the financial statements of the Bank. Please refer to the financial statements of the Bank.

(Continued)

(4) Summary of significant accounting policies:

The financial statements of the securities department of the Bank have been prepared in conformity with Regulations Governing the Preparation of Financial Reports by Securities Firms, and International Accounting Standard endorsed by FSC. Significant accounting policies adopted in the financial statements are summarized as below:

(a) Classification of current and non-current assets and liabilities

Current assets are assets generated by a business. It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle; It holds the asset primarily for the purpose of trading; It expects to realize the asset within twelve months after the reporting period; or the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. Assets that are not liquid are classified as non-current assets.

Current liabilities are debt incurred by a business. It expects to settle the liability in its normal operating cycle; It holds the liability primarily for the purpose of trading; the liability is due to be settled within twelve months after the reporting period; or it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Liabilities that are long term are classified as non-current liabilities.

(b) Foreign currency

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 from the conversion of currency are recognized in current period profit or loss.

(c) Financial instruments

(i) Financial assets

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

Financial assets are recognized when securities department of 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).

Securities department of 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 investments measured at amortized cost

When a financial asset meets both of the following conditions and is not designated as at FVTPL, it is 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.

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 and bonds under repurchase/resell agreements

Securities and bonds 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 and receivables

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 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.

(Continued)

On initial recognition of an equity investment that is not held for trading, securities department of 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. Upon derecognition, gains and losses accumulated in OCI of equity investments are reclassified to retained earnings.

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. On initial recognition, securities department of 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.

These assets are subsequently measured at fair value, which take into account any dividend and interest income, and recognized in profit or loss.

4) Impairment of financial assets

Securities department of the Bank measures loss allowances for expected credit losses on financial assets measured at amortized cost (Including securities and bonds purchased under resell agreements, receivables, financial assets measured at amortized cost), debt investments measured at FVOCI and contract assets.

Securities department of 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 securities department of 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 securities department of the Bank is exposed to credit risk.

(Continued)

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 securities department of the Bank in accordance with the contract and the cash flows that securities department of the Bank expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, securities department of 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 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 securities department of 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 securities department of the Bank' s procedures for recovery of amounts due.

Please refer to the Bank's financial report for the 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 securities department of the Bank still possess the ownership of the financial assets, then securities department of 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 securities department of the Bank reclassifies the affected financial assets according to regulations.

(Continued)

(d) Customer margin account and securities broker rights

According to the Regulations Governing Securities Firms, the securities department of the Bank lodged operating deposits and recorded them under other non-current assets, based on the nature of security business.

Based on settlement reserves placed in the Taipei Exchange's electronic bond trading system, which was prepared in accordance with the related regulation, those who had engaged transactions using this system should deposit an amount as settlement reserves for bond proprietary trading; those who had engaged transactions in Taiwan Securities Association fund should deposit an amount as self-regulatory fund deposits.

(e) Revenue recognition

(i) Profit or loss on disposal of trading securities, and relevant brokerage securities transaction charges are recognized at the trading date.

(ii) Brokerage handling fee revenue are recognized at the trading date.

(iii) Revenue from underwriting business are recognized right after the underwriting service are made.

(iv) Interest income: interest income from investments in debt instruments measured at fair value through other comprehensive income are required to be calculated using the effective interest rate method; interest income from securities purchased under resell agreements are measured at accrual basis, according to its principal amount, interest rate and settlement date.

(v) Operating expenses: Expenses derived from the operating of securities department are mainly classified under employee benefits expense and other operating expense.

(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 Securities Firms and the IFRSs endorsed by the FSC, securities department of 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 securities department of 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.

(Continued)

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) 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 are 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.

(6) Explanation of significant accounts:

As of December 31, 2019, the Offshore banking unit of the securities department of the Bank has not yet completed relevant business. The following details do not include the amount of Offshore banking unit.

(a) Financial assets at fair value through profit or loss

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

	December 31, 2019	December 31, 2018
Securities held for operations－dealing:		
Government bonds	$ 9,607,164	6,975,343
Corporate bonds	551,864	1,559,691
Total	$ 10,159,028	8,535,034

For the years ended December 31, 2019 and 2018, relevant operating details of the securities department of the Bank were as follows:

	2019	2018
Gains on sale of trading securities	$ 21,752	7,524
Interest income	$ 50,922	51,840
Valuation gains on trading securities measured fair value through profit or loss	$ 7,130	995

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

The financial assets at fair value through other comprehensive income of securities department of the Bank were as follows:

	December 31, 2019	December 31, 2018
Government bonds	$ 42,711,740	63,590,995
Revaluation adjustment of hedge items	$ 5,192	6,396

As of December 31, 2019 and 2018, the allowance for impairments of the above debt investment were $2,091 thousand and $2,083 thousand, respectively.

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

	2019				
	12-months expected credit losses	Lifetime expected credit losses	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	$ 2,083	-	-	-	2,083
Changes due to financial instrument recognition:					
Financial assets derecognized during the period	(932)	-	-	-	(932)
New financial assets originated or purchased	1,322	-	-	-	1,322
Foreign currency exchange and other changes	(382)	-	-	-	(382)
Ending Balance	$ 2,091	-	-	-	2,091

	2018				
	12-months expected credit losses	Lifetime expected credit losses	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	$ 3,161	-	-	-	3,161
Changes due to financial instrument recognition:					
Financial assets derecognized during the period	(476)	-	-	-	(476)
New financial assets originated or purchased	162	-	-	-	162
Foreign currency exchange and other changes	(764)	-	-	-	(764)
Ending Balance	$ 2,083	-	-	-	2,083

(Continued)

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

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

	2019				
	12-months expected credit losses	Lifetime expected credit losses	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	$ 63,590,995	-	-	-	63,590,995
Changes due to financial instrument recognition:					
Financial assets derecognized during the period	(54,867,458)	-	-	-	(54,867,458)
New financial assets originated or purchased	34,104,117	-	-	-	34,104,117
Foreign currency exchange and other changes	(115,914)	-	-	-	(115,914)
Ending Balance	$ 42,711,740	-	-	-	42,711,740

	2018				
	12-months expected credit losses	Lifetime expected credit losses	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	$ 78,164,425	-	-	-	78,164,425
Changes due to financial instrument recognition:					
Financial assets derecognized during the period	(70,257,883)	-	-	-	(70,257,883)
New financial assets originated or purchased	55,732,417	-	-	-	55,732,417
Foreign currency exchange and other changes	(47,964)	-	-	-	(47,964)
Ending Balance	$ 63,590,995	-	-	-	63,590,995

(c) Amortized cost financial assets

The amortized cost financial assets of the securities department of the Bank were as follows:

	December 31, 2019	December 31, 2018
Government bonds	$ 1,929,246	1,937,067

As of December 31, 2019 and 2018, the allowance for impairments of the above amortized cost financial assets were $117 thousand and $0 thousand, respectively.

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

	2019				
	12-months expected credit losses	Lifetime expected credit losses	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

(d) Securities and bonds purchased under resell agreements

	December 31, 2019	December 31, 2018
Bonds purchased under resell agreement	$ 5,567,962	11,391,937
Face value of bonds	$ 5,680,000	11,510,000
Interest rate	0.48%	0.40%~0.42%
Last settlement date	2020.1.15	2019.1.14
Resell price	$ 5,569,176	11,393,836

As of December 31, 2019 and 2018, allowance for impairments of the above securities and bonds purchased under resell agreements were $38 thousand and $63 thousand, respectively.

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

	2019				
	12-months expected credit losses	Lifetime expected credit losses	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	$ 63	-	-	-	63
Changes due to financial instrument recognition:					
Financial assets derecognized during the period	(63)	-	-	-	(63)
New financial assets originated or purchased	38	-	-	-	38
Ending Balance	$ 38	-	-	-	38

STANDARD CHARTERED BANK (TAIWAN) LIMITED SECURITIES DEPARTMENT

Notes to the Financial Statements

	2018				
	12-months expected credit losses	Lifetime expected credit losses	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	$ 10	-	-	-	10
Changes due to financial instrument recognition:					
Financial assets derecognized during the period	(10)	-	-	-	(10)
New financial assets originated or purchased	63	-	-	-	63
Ending Balance	$ 63	-	-	-	63

(e) Receivables

	December 31, 2019	December 31, 2018
Interest receivables	$ 805,673	1,006,618
Unsettled trades receivable	511,990	315,261
Total	$ 1,317,663	1,321,879

(f) Other non-current assets

	December 31, 2019	December 31, 2018
Bond payment settlement reserves and self-regulatory fund deposit	$ 40,300	40,300
Operating deposits for securities dealer	-	10,000
Total	$ 40,300	50,300

(g) Other financial assets

	December 31, 2019	December 31, 2018
Restricted assets-debt instruments	$ 384,392	352,112

(h) Payables

	December 31, 2019	December 31, 2018
Unsettled bonds payable	$ 1,297,533	364,726
Other	1	199
Total	$ 1,297,534	364,925

(Continued)

(i) Fair value of financial instruments

(i) Fair value of financial instruments

Financial assets	December 31, 2019 Book value	December 31, 2019 Fair value	December 31, 2018 Book value	December 31, 2018 Fair value
Amortized cost	$ 1,929,246	1,941,203	1,937,067	1,939,404
Securities and bonds purchased under resell agreements	5,567,962	5,950,878	11,391,937	12,169,379
Other financial assets	384,392	384,392	352,112	352,112

(ii) Information of financial risk

Please refer to the Bank's financial statements on financial risk for more details.

(7) Related-party transactions:

(a) Name and relationship of related parties

Name	Relationship with the Bank
Standard Chartered PLC ("SC PLC")	The ultimate parent company
Standard Chartered Bank Hong Kong ("SCB Hong Kong")	Parent company of SC NEA
Standard Chartered NEA Limited ("SCB NEA")	Parent company
Standard Chartered Bank ("SCB")	Affiliate
Standard Chartered Bank Singapore ("SCB Singapore")	Affiliate

(b) Significant transactions with related parties

For the year ended December 31, 2018, a service charge of $60 thousand to SCB Hong Kong was recorded under other operating income.

For the years ended December 31, 2019 and 2018, a reversal of service income from SCB were $515 thousand and $333 thousand, recorded under other operating expense and loss on sale of trading securities, respectively. As of December 31, 2019 and 2018, service fee payable resulting from the above service were $1 thousand and $199 thousand, respectively, and were recorded under payables.

For the year ended December 31, 2019, the brokerage handling fee revenue from SCB Singapore to the Bank was $381 thousand.

(8) Pledged assets:

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	December 31, 2019	December 31, 2018
Negotiable certificates of deposit, bonds (recorded under other financial assets)	Trust indemnity reserve	$ 164,739	150,905
	Operating deposits for securities broker	54,913	50,302
	Operating deposits for securities underwriter	43,931	50,302
	Operating deposits for securities dealer	10,983	-
	Bond payment settlement reserve	109,826	100,603
		384,392	352,112
Guarantee deposits paid (recorded under other assets)	Operating deposits for securities dealer, bond payment settlement reserve, and self-regulatory fund deposit	40,300	50,300
Total		$ 424,692	402,412

(a) 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.

(b) Operating deposits for securities broker 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. (Deposits required in accordance with relevant regulations for securities broker is $50,000 thousand.)

(c) Operating deposits for securities underwriter and dealer are operating deposits placed for the competent authority in accordance with the Regulations Governing Securities Firms. (Deposits required in accordance with relevant regulations for securities underwriter and dealer are $40,000 thousand and $10,000 thousand, respectively.)

(d) Bond payment settlement reserves are reserves placed in the Taipei Exchange' s electronic bond trading system in accordance with related regulations.

(e) Self-regulatory fund deposits are deposit placed in Taiwan Securities Association in accordance with related regulations.

(9) Commitments and contingencies: None.

(10) Losses due to major disasters: None.

(11) Significant subsequent events: None.

(12) Others: None.

(Continued)

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

(13) Other disclosures items:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the securities department of the Bank for the year ended December 31, 2019:

(a) Related information on significant transactions:

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties: None

(iii) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(iv) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None

(v) Service charge discounts on transactions with related parties in an aggregate amount of NT$5 million or more: None

(vi) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: None

(vii) Details of material transactions between parent company and subsidiaries: None

(b) Information on long-term equity investments and combined shareholding ratios: None

(c) Related information on overseas branches and representative offices: None

(d) Information on setting up branches and investing in Mainland China: None

(e) Information on investee companies in other countries which do not have any securities authority: None

Standard Chartered Bank (Taiwan) Limited Securities Department

Statement of financial assets measured at fair value through profit or loss

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Name of financial instrument	Description	Shares or units	Par value	Total amount	Interest rate	Acquisition cost	Fair value		Fair value changes attributable to the changes in credit risk	Note
							Unit price	Total amount		
A001099		-	-	$ 2,700,000	1.25%	2,751,354	101.26	2,734,044	-	
A061028		-	-	2,000,000	0.75%	2,009,816	100.45	2,008,966	-	
A051086		-	-	1,700,000	0.50%	1,699,067	99.99	1,699,746	-	
A05105		-	-	900,000	0.50%	899,033	100.02	900,164	-	
A051136		-	-	700,000	0.63%	701,822	100.18	701,243	-	
A011056		-	-	600,000	1.25%	613,880	101.60	609,576	-	
Other (Note)		-	-	1,500,000	0.63%~6.25%	1,520,490	100.12~101.05	1,505,289	-	
Total				$ 10,100,000		10,195,462		10,159,028	-	

Note: Individual accounts less than 5% of the total.

Standard Chartered Bank (Taiwan) Limited Securities Department

Statement of financial assets measured at fair value through other comprehensive income

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Name of financial instrument	Description	Shares or units	Par value	Total amount	Interest rate	Acquisition cost	Accumulated impairment	Fair value: Unit price	Fair value: Total amount	Note
A89107			-	$ 6,250,000	6.25 %	6,887,929	46	100.24	6,265,234	
A07107			-	3,700,000	0.63 %	3,701,215	217	100.21	3,707,751	
A031062			-	2,450,000	1.50 %	2,551,674	157	103.80	2,543,156	
A07111			-	2,500,000	0.75 %	2,513,303	148	100.70	2,517,573	
A011098			-	2,350,000	1.13 %	2,393,003	144	101.59	2,387,370	
A041137			-	2,300,000	1.25 %	2,381,961	124	100.58	2,313,301	
A011056			-	2,200,000	1.25 %	2,239,488	136	101.60	2,235,112	
Other (Note1)			-	20,198,900	0.50%~5.88%	21,372,695	1,119	99.69~109.83	20,742,243	
Total				$ 41,948,900		44,041,268	2,091		$ 42,711,740	

Note1: Individual accounts less than 5% of the total.

Note2: The fair value hedged financial assets amounted to $3,566,182 thousand, and the revaluation adjustment of hedged items was $5,192 thousand.

Standard Chartered Bank (Taiwan) Limited Securities Department

Statement of financial assets measured at amortized cost

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Name	Description	Units	Par value	Total amount	Interest rate	Carrying amount	Accumulated impairment	Note
A07107		-	-	$ 1,000,000	0.63%	996,106	58	
A021105		-	-	900,000	1.75%	933,140	59	
Total				$ 1,900,000		1,929,246	117	

Standard Chartered Bank (Taiwan) Limited
Securities Department
Statement of securities and bonds purchased under resell agreements
December 31, 2019

Name	Terms			Bonds		Trading Amount	Note
	Start Date	Maturity Date	Interest rate	Type	Par Value		
KGI Bank	2019.12.17	2020.01.02	0.48%	A90108	$ 500,000	500,000	
KGI Bank	2019.12.17	2020.01.03	0.48%	A90108	500,000	500,000	
KGI Bank	2019.12.20	2020.01.09	0.48%	A90108	500,000	500,000	
Capital Securities Corporation	2019.12.24	2020.01.07	0.48%	A041129	500,000	470,000	
Masterlink Securities Corporation	2019.12.26	2020.01.02	0.48%	A99107	300,000	300,000	
KGI Bank	2019.12.16	2020.01.07	0.48%	A98102	300,000	300,000	
KGI Bank	2019.12.24	2020.01.09	0.48%	A011072	300,000	300,000	
KGI Bank	2019.12.26	2020.01.13	0.48%	A00107	300,000	300,000	
KGI Bank	2019.12.26	2020.01.15	0.48%	A011023	300,000	300,000	
Capital Securities Corporation	2019.12.20	2020.01.03	0.48%	A07109	300,000	280,000	
Capital Securities Corporation	2019.12.25	2020.01.06	0.48%	A08111	300,000	280,000	
Masterlink Securities Corporation	2019.12.26	2020.01.02	0.48%	A051029	280,000	280,000	
Other (Note)					1,300,000	1,257,962	
Total					$ 5,680,000	5,567,962	

Note: Individual accounts less than 5% of the total.

Standard Chartered Bank (Taiwan) Limited Securities Department

Statement of trade receivables

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Interest receivables		$ 805,673	
Unsettled trades receivable		511,990	
Total		$ 1,317,663	

Statement of other financial assets

Item	Description	Amount	Note
Restricted assets-debt instruments		$ 384,392	

Statement of payables

Item	Description	Amount	Note
Unsettled bonds payable		$ 1,297,533	
Other (Note)		1	
Total		$ 1,297,534	

Note: Individual accounts less than 5% of the total.

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Statement of other non-current assets

December 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Bond payment settlement reserves, and self-regulatory fund deposit		$ 40,300	

Statement of revenue from underwriting business

For the year ended December 31, 2019

Month	Securities underwriting compensation	Consignment securities handling fee revenue	Underwriting operation revenue	Underwriting assit revenue	Other revenue	Total	Note
January	$ -	-	-	-	-	-	
February	-	-	-	-	-	-	
March	-	-	-	67,946	-	67,946	
April	-	-	-	23,018	-	23,018	
May	-	-	-	25,732	-	25,732	
June	-	-	-	21,231	-	21,231	
July	-	-	-	4,900	-	4,900	
August	-	-	-	2,855	-	2,855	
September	-	-	-	(128)	-	(128)	
October	-	-	-	17,980	-	17,980	
November	-	-	-	15,165	-	15,165	
December	-	-	-	(3,889)	-	(3,889)	
Total	$ -	-	-	174,810	-	174,810	

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Statement of gain on sale of trading securities

For the year ended December 31, 2019

Item	Revenue	Cost	Profit	Note
Dealing				
Securities trading at business establishment	$ 56,179,639	56,144,774	34,865	

Statement of interest income

Item	Description	Amount	Note
Bonds interest income		$ 350,378	
Interest income from bond purchased under resell agreements		28,163	
Other (Note)		20	
Total		$ 378,561	

Note: Individual accounts less than 5% of the total.