Stock Code: 2807

Standard Chartered
渣打銀行

STANDARD CHARTERED BANK
(TAIWAN) LIMITED

Financial Statements

With Independent Auditors' Report

For the Six Months Ended June 30, 2020 and 2019

The reader is advised that these financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

Financial Statements

Table of Contents

EY 安永
Building a better working world

安永聯合會計師事務所

11012 台北市基隆路一段333號9樓
9F, No. 333, Sec. 1, Keelung Road
Taipei City, Taiwan, R.O.C.

Tel: 886 2 2757 8888
Fax: 886 2 2757 6050
www.ey.com/taiwan

Independent Auditors' Report

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

Opinion

We have audited the accompanying balance sheets of Standard Chartered Bank (Taiwan) Limited ("the Company"), and the related statements of comprehensive income, changes in equity and cash flows for the six months ended June 30, 2020, and notes to the financial statements, including the summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2020, and their financial performance and cash flows for the six months ended June 30, 2020, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and the International Accounting Standard (IAS) 34, *Interim Financial Reporting*, as endorsed by Financial Supervisory Commission of the Republic of China ("FSC").

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Jin-Guan-Yin-(Fa)-Zi No. 10802731571, and auditing standards generally accepted in the Republic of China for the six months ended June 30, 2020. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for 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 for 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.

Building a better working world

Recognition of loss provision for loans

As of June 30, 2020, total outstanding loan balance of the Company was $283,458,662 thousand, accounting for 43%, which was significant to the Company's financial statements. The Company was required to assess and recognize the expected credit losses (ECL) provision in accordance with IFRS 9 and *the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans*. The assumptions, including the indicators of significant increase in credit risk since initial recognition and credit impairment which has been incurred, the selection and incorporation of forward-looking information for the remaining life of an exposure, the quantitative measurement of probability of default (PD) and the loss given default (LGD), management applied to the ECL provision assessment involved exercise of significant professional judgment and was therefore a key audit matter for our audit.

We performed the following audit procedures, including but not limited to: evaluating and testing the controls related to ECL provision calculation, including examining whether ECL model has been approved by the management and testing the appropriateness of the inputs into the model, engaging the specialists to evaluate the appropriateness of ECL model, sampling all loans to test the appropriateness and reasonableness of the parameters used for ECL model, which include PD and LGD. In addition, we reviewed and examined whether the loss provision for loans is reserved in line with the minimum requirement of the regulations and ensured the appropriateness of loan classification in compliance with the regulations.

Please refer to note 4, 5, and 6 to the Company's financial statements for the disclosure on accounting policies and assessment of loss provision for loans.

Valuation of financial instruments

Fair value of certain financial instruments was determined by the Company's internal valuation techniques which often involve the exercise of judgment and the use of assumptions and estimates. Change on the assumptions used by the Company would cause significant impact on fair value of the financial instruments. Therefore, we determined the valuation of financial instruments is a key audit matter.

We performed the following audit procedures, including but not limited to: evaluating and testing the controls related to valuation of financial instruments, including those controls over determining and approving the use of valuation models and their assumptions, any changes on the valuation techniques and assumptions, and management review. In addition, we engaged the valuation specialists to assist in reviewing the valuation techniques by sampling, understating and assessing the reasonableness of key assumptions, and performing independent valuation and determining whether the difference falls within the acceptable range.

Please refer to note 4, 5, 6, and 12 to the Company's financial statements for the relevant disclosure on valuation of financial instruments.

Disclosures on related party transactions

The Company is one of the subsidiaries under Standard Chartered PLC (the "Group") and has signed multiple service agreements with significant amounts with other affiliates in the Group. The services include interbank fund transferring, derivatives trading, service income and service fees. Due to the risk of undisclosed or unidentified related party transactions, we determined disclosures on related party transactions is a key audit matter.

We performed the following audit procedures, including but not limited to: understanding and assessing the Company's processes of identifying related parties and related transactions, agreeing the total accounting records and balance of related party transactions to the records and balances that management provided, performing the reconciliation if any differences were identified.

Please refer to note 7 to the Company's financial statements for detailed disclosures on related parties and associated transactions.

Other Matters – Prior Period Financial Statements Audited by Predecessor Auditor.

The Company's financial statements for the six months ended June 30, 2019 were audited by predecessor auditor and issued an unmodified opinion on August 30, 2019.

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 requirements of the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, and International Accounting Standard (IAS) 34, *Interim Financial Reporting*, as endorsed by Financial Supervisory Commission of the Republic of China ("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 ability to continue as a going concern of the Company, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted 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 auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. 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.

EY 安永
Building a better working world

2. 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 internal control of the Company.

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

4. 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 ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

From the matters communicated with those who charged with governance, we determine those matters that were of most significance in the audit of the financial statements for 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.

Building a better working world

Chang, Cheng-tao

Huang, Chieh-che

Ernst & Young, Taiwan

August 26, 2020

English Translation of Financial Statements Originally Issued in Chinese

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Balance Sheets

June 30, 2020, December 31, 2019, and June 30, 2019

(Expressed in thousands of New Taiwan Dollars)

			June 30, 2020		December 31, 2019		June 30, 2019	
		Note	Amount	%	Amount	%	Amount	%
	Assets							
11000	Cash and cash equivalents	6(1) & 7	$15,160,788	2	$22,466,040	4	$22,516,989	4
11500	Due from the Central Bank and call loans to banks	6(1), 6(2) & 7	129,578,894	20	88,584,862	14	99,930,646	16
12000	Financial assets at fair value through profit or loss	6(3) & 7	15,251,943	2	16,521,008	3	18,757,467	3
12100	Financial assets at fair value through other comprehensive income	6(4) & 6(6)	155,671,151	24	150,617,928	24	155,871,424	24
12200	Debt instrument investment measured at amortized cost	6(5)	1,925,370	-	1,929,246	-	1,933,133	-
12300	Financial assets for hedging	6(6)	33,129	-	173,117	-	1,025,979	-
12500	Securities and bonds purchased under resell agreements	6(1), 6(7) & 7	4,958,679	1	6,393,794	1	3,764,637	1
13000	Receivables-net	6(8) & 7	19,805,510	3	23,479,450	4	24,754,536	4
13200	Current tax assets	6(25)	142,742	-	352,623	-	294,430	-
13300	Assets held-for-sale	6(9)	-	-	-	-	391,275	-
13500	Discounts and loans-net	6(6), 6(10) & 7	283,458,662	43	282,220,611	45	282,863,817	43
15500	Other financial assets-net	6(11) & 8	16,004,135	2	16,144,482	3	17,652,259	3
18500	Property and equipment-net	6(12)	3,409,381	1	3,707,099	1	3,859,323	1
18600	Right-of-use assets-net	6(35)	1,829,360	-	1,939,425	-	1,886,739	-
19000	Intangible assets-net	6(13)	3,293,008	1	3,275,479	1	3,268,576	1
19300	Deferred tax assets	6(24)	847,735	-	967,376	-	1,288,977	-
19500	Other assets-net	6(14), 7 & 8	3,189,951	1	2,899,408	-	1,802,161	-
	Total assets		$654,560,438	100	$621,671,948	100	$641,862,368	100

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

English Translation of Financial Statements Originally Issued in Chinese

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Balance Sheets (Continued)

June 30, 2020, December 31, 2019, and June 30, 2019

(Expressed in thousands of New Taiwan Dollars)

			June 30, 2020		December 31, 2019		June 30, 2019	
		Note	Amount	%	Amount	%	Amount	%
	Liabilities							
21000	Deposits from the Central Bank and banks	6(15) & 7	$15,484,494	2	$22,768,336	4	$30,969,221	5
21500	Funds borrowed from the Central Bank and banks	6(16)	2,500	-	-	-	-	-
22000	Financial liabilities at fair value through profit or loss	6(3) & 7	11,342,881	2	8,611,500	1	8,655,103	1
22300	Financial liabilities for hedging	6(6)	221,326	-	289,328	-	11,604	-
23000	Payables	6(17)	3,032,666	1	5,581,086	1	6,848,050	1
23100	Related parties payable	7	7,911,963	1	7,139,839	1	7,007,600	1
23200	Current tax liabilities	6(24)	162,818	-	149,083	-	50,589	-
23500	Deposits and remittances	6(18) & 7	553,819,065	85	514,240,351	84	524,017,114	83
24000	Financial debentures	6(19) & 7	7,931,051	1	8,023,443	1	8,217,443	1
25500	Other financial liabilities	6(20)	119,803	-	152,574	-	774,345	-
25600	Provisions	6(21) & 6(23)	1,412,152	-	1,466,595	-	1,541,455	-
26000	Lease liabilities	6(35)	1,814,597	-	1,937,022	-	1,844,560	-
29300	Deferred tax liabilities	6(24)	834,058	-	818,811	-	833,507	-
29500	Other liabilities	6(22) & 7	4,598,176	1	4,649,707	1	6,059,458	1
	Total liabilities		608,687,550	93	575,827,675	93	596,830,049	93
	Equity							
31101	Common stock	6(25)	29,105,720	4	29,105,720	5	29,105,720	5
31500	Capital surplus	6(25)	5,794,771	1	5,794,771	1	5,794,771	1
32000	Retained earnings	6(25)						
32001	Legal reserve		8,659,800	2	7,907,463	1	7,907,463	1
32003	Special reserve		282,545	-	288,953	-	294,696	-
32005	Unappropriated earnings		1,679,777	-	2,665,076	-	1,823,175	-
			10,622,122	2	10,861,492	1	10,025,334	1
32500	Other equity interest	6(25)	350,275	-	82,290	-	106,494	-
	Total equity		45,872,888	7	45,844,273	7	45,032,319	7
	Total liabilities and equity		$654,560,438	100	$621,671,948	100	$641,862,368	100

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

English Translation of Financial Statements Originally Issued in Chinese

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Statements of Comprehensive Income

For the six months ended June 30, 2020 and 2019

(Expressed in thousands of New Taiwan Dollars, except for Basic Earnings Per Share)

			For the six months ended June 30			
			2020		2019	
		Note	Amount	%	Amount	%
41000	Interest income	6(28) & 7	$4,794,398	70	$5,741,520	83
51000	Less: Interest expenses	6(28) & 7	2,394,853	35	3,733,309	54
49010	Net interest income		2,399,545	35	2,008,211	29
49020	Net non-interest income					
49100	Net service fee income	6(29) & 7	2,385,929	35	2,373,761	34
49200	Gains on financial assets or liabilities at fair value through profit or loss	6(30) & 7	1,793,717	26	3,272,669	48
49310	Realized gains on financial assets at fair value through other comprehensive income	6(4) & 6(31)	21,791	-	6,488	-
49600	Foreign exchange gains (losses)		170,327	2	(777,111)	(11)
49700	Impairment losses on assets	6(33)	(76)	-	(1,173)	-
49800	Net other non-interest income	6(6), 6(32) & 7	124,127	2	32,935	-
	Total net non-interest income		4,495,815	65	4,907,569	71
	Net revenue		6,895,360	100	6,915,780	100
58200	Bad debt expense, commitment and guarantee liability provision	6(34)	206,661	3	233,784	3
58400	Operating expenses					
58500	Employee benefits expenses	6(23), 6(26), 6(36) & 7	2,487,525	36	2,579,044	37
59000	Depreciation and amortization expenses	6(12), 6(13), 6(35) & 6(37)	302,159	5	277,262	4
59500	Other general and administrative expenses	6(38) & 7	1,933,496	28	1,835,548	27
	Total operating expenses		4,723,180	69	4,691,854	68
61001	Profit from continuing operations before tax		1,965,519	28	1,990,142	29
61003	Less: Income tax expenses	6(24)	292,478	4	319,188	5
61000	Profit		1,673,041	24	1,670,954	24
65000	Other comprehensive income					
65200	Components of other comprehensive income that will not be reclassified to profit or loss					
65201	Remeasurements of defined benefit plans		410	-	850	-
65204	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		14,438	-	(45,223)	(1)
65220	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(25)	(82)	-	(170)	-
			14,766	-	(44,543)	(1)
65300	Components of other comprehensive income that will be reclassified to profit or loss					
65305	Gains on hedging instruments	6(25)	18,216	-	98,267	1
65309	Revaluation gains from investments in debt instruments measured at fair value through other comprehensive income		257,839	4	28,624	-
65310	Provision of impairment losses from investments in debt instruments measured at fair value through other comprehensive income		95	-	1,095	-
65320	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(24)	(22,603)	-	(20,393)	-
	Components of other comprehensive income that will be reclassified to profit or loss		253,547	4	107,593	1
65000	Other comprehensive income		268,313	4	63,050	-
66000	Total comprehensive income		$1,941,354	28	$1,734,004	24
67500	Basic earnings per share (NTD)	6(27)	$0.57		$0.57	

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

English Translation of Financial Statements Originally Issued in Chinese

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Statements of Changes in Equity

For the six months ended June 30, 2020 and 2019

(Expressed in thousands of New Taiwan Dollars)

			Retained earnings			Other items in stockholders' equity		
	Common Stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Total equity
Balance at January 1, 2019	$29,105,720	$5,794,771	$7,090,437	$354,033	$2,756,697	$52,269	$(8,145)	$45,145,782
Appropriation and distribution of retained earnings								
Legal reserve	-	-	817,026	-	(817,026)	-	-	-
Special reserve	-	-	-	13,617	(13,617)	-	-	-
Cash dividends	-	-	-	-	(1,847,467)	-	-	(1,847,467)
Reversal of special reserve	-	-	-	(72,954)	72,954	-	-	-
Net income	-	-	-	-	1,670,954	-	-	1,670,954
Other comprehensive income	-	-	-	-	680	(16,244)	78,614	63,050
Total comprehensive income	-	-	-	-	1,671,634	(16,244)	78,614	1,734,004
Balance at June 30, 2019	$29,105,720	$5,794,771	$7,907,463	$294,696	$1,823,175	$36,025	$70,469	$45,032,319
Balance at January 1, 2020	$29,105,720	$5,794,771	$7,907,463	$288,953	$2,665,076	$71,880	$10,410	$45,844,273
Appropriation and distribution of retained earnings								
Legal reserve	-	-	752,337	-	(752,337)	-	-	-
Cash dividends	-	-	-	-	(1,912,739)	-	-	(1,912,739)
Reversal of special reserve	-	-	-	(6,408)	6,408	-	-	-
Net income	-	-	-	-	1,673,041	-	-	1,673,041
Other comprehensive income	-	-	-	-	328	253,412	14,573	268,313
Total comprehensive income	-	-	-	-	1,673,369	253,412	14,573	1,941,354
Balance at June 30, 2020	$29,105,720	$5,794,771	$8,659,800	$282,545	$1,679,777	$325,292	$24,983	$45,872,888

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

English Translation of Financial Statements Originally Issued in Chinese

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Statements of Cash Flows

For the six months ended June 30, 2020 and 2019

(expressed in thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2020	2019
Cash flows from (used in) operating activities		
Profit before tax	$1,965,519	$1,990,142
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation expense	292,400	267,503
Amortization expense	9,759	9,759
Bad debt expense, commitment and guarantee liability provision	206,661	233,784
Interest expense	2,394,853	3,733,309
Interest income	(4,794,398)	(5,741,520)
Net change in other provisions	(45,193)	(26,327)
Gain on disposal of property and equipment	(119,553)	(28,042)
Impairment losses on assets	76	1,173
Total adjustments to reconcile profit (loss)	(2,055,395)	(1,550,361)
Changes in operating assets and liabilities		
Changes in operating assets		
Due from the Central Bank and call loans to banks	(12,513,224)	(929,904)
Financial assets at fair value through profit or loss	1,269,065	(2,426,039)
Financial assets at fair value through other comprehensive income	(4,787,149)	6,600,434
Debt instrument investment measured at amortized cost	3,876	3,817
Receivables	3,460,576	(650,584)
Discounts and loans	(1,463,131)	(5,672,209)
Other financial assets	104,969	(2,484,361)
Total changes in operating assets	(13,925,018)	(5,558,846)
Changes in operating liabilities		
Deposits from the Central Bank and banks	(7,283,842)	(5,527,052)
Financial liabilities at fair value through profit or loss	2,731,381	549,335
Payables	(1,713,524)	3,141,363
Deposits and remittances	39,578,714	13,248,846
Other financial liabilities	(32,771)	445,155
Other liabilities	(51,531)	1,984,292
Total changes in operating liabilities	33,228,427	13,841,939
Total changes in operating assets and liabilities	19,303,409	8,283,093
Total adjustments	17,248,014	6,732,732
Cash inflow generated from operating activities	19,213,533	8,722,874
Interest received	5,053,935	6,217,877
Interest paid	(2,437,806)	(4,021,163)
Income taxes refunded	43,266	135,796
Net cash flows from operating activities	21,872,928	11,055,384
Cash flows from investing activities		
Acquisition of property and equipment	(23,867)	(88,320)
Proceeds from disposal of property and equipment	353,480	129,166
Increase in derivatives collateral	(352,344)	(77,611)
Acquisition of intangible assets	(27,288)	(20,314)
Decrease (increase) in other assets	54,571	(56,210)
Net cash flows from (used in) investing activities	4,552	(113,289)
Cash flows used in financing activities		
Increase in funds borrowed from the Central Bank and banks	2,500	-
Decrease (Increase) in financial instruments for hedging	96,485	(670,858)
Payment of lease liabilities	(230,893)	(213,494)
Cash dividends paid	(1,912,739)	(1,847,467)
Net cash flows used in financing activities	(2,044,647)	(2,731,819)
Change in foreign exchange rate	(92,392)	67,772
Net increase in cash and cash equivalents	19,740,441	8,278,048
Cash and cash equivalents at beginning of period	86,545,536	90,713,130
Cash and cash equivalents at end of period	$106,285,977	$98,991,178
Composition of cash and cash equivalents		
Cash and cash equivalents reported in the statement of financial position	$15,160,788	$22,516,989
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	86,166,510	72,709,552
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	4,958,679	3,764,637
Cash and cash equivalents at end of period	$106,285,977	$98,991,178

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

1. Organization and operations

Standard Chartered Bank (Taiwan) Limited (the "Company") was established on September 15, 1948, in the Taoyuan, Hsinchu, and Miaoli areas. The original name of the Company 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 Company 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 Company 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 Company'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 Company established a Trust Department in January 1989, pursuant to approval granted by the SFC, the Company 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 Company 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 Company started cross-regional operations. On January 16, 1995, the Company established an Offshore Banking Unit ("OBU"), which began operations immediately.

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

During 2006, Standard Chartered Bank provided a tender offer to acquire the outstanding shares of Hsinchu International Bank Co., Ltd. Accordingly, Standard Chartered Bank acquired over 95% of the outstanding. After completion of the acquisition of shares, Hsinchu International Bank Co., Ltd. immediately submitted the delisting application, which was approved by the related authorities on January 18, 2007. On June 30, 2007, the operations of Standard Chartered Bank, Taipei Branch were transferred to Hsinchu International Bank Co., Ltd.; subsequently, Hsinchu International Bank Co., Ltd. was renamed Standard Chartered Bank (Taiwan) Limited on July 2, 2007. As of June 30, 2020, the Company comprises 65 branches, a business department, a trust department, and an offshore banking unit.
The Company 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 Company 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 Company was approved to start engaging in underwriting of bonds and marketable securities (limited to fixed income securities).

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 Company through absorption on October 1, 2016. The Company'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 Company. Since the Company no longer has other subsidiaries, therefore, the Company only issues individual financial statements as of the fourth quarter of 2016.

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

2. Date and procedures of authorization for issuance of the financial statements

The financial statements were authorized for issuance by the Board of Directors on August 26, 2020.

3. Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by Financial Supervisory Commission ("FSC") and became effective for annual periods beginning on or after January 1, 2019. The first-time adoption of these new standards and amendments had no material impact on the Company.

(2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are not endorsed by FSC, and not yet adopted by the Company as of the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a.	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b.	IFRS 17 "Insurance Contracts"	January 1, 2023
c.	Classification of Liabilities as Current or Non-current-Amendments to IAS 1	January 1, 2023
d.	Narrow-scope Amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	January 1, 2022

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Company assessed that the abovementioned standards and interpretations have no material impact on the Company.

4. Summary of significant accounting policies

(1) Statement of compliance

The financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, and International Accounting Standard 34 "Interim Financial Reporting" endorsed by FSC.

(2) Basis of preparation

The financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value.

(3) Foreign currency transactions

Except for accounts in the OBU of the Company 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 Company's financial statements are presented in New Taiwan Dollars, the functional currency of the Company. 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.

(4) Cash and cash equivalents

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

(5) Financial instruments

(a) Financial assets

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

Financial assets are recognized when the Company 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 Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

i. Financial assets measured at amortized cost

A. Debt instrument investment measured at amortized cost

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

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

b. 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 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.

ii. 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:

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

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

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

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

iii. 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 Company 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, are recognized in profit or loss.

iv. Impairment of financial assets

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

At each reporting date, the Company assesses whether financial assets at amortized cost and debt instrument investment 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 instrument investment 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 Company 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 Company's procedures for recovery of amounts due.

Please refer to note 6(39) for information on financial risks for the Company's judgment on whether the credit risk has significantly increased after initial recognition and prospective adjustments.

v. Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Company 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 Company still possess the ownership of the financial assets, then the Company shall continuously recognize it as assets according to the extent of its own involvement.

vi. Reclassification of financial assets

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

(b) Financial liabilities

The financial liabilities held by the Company include financial liabilities measured at fair value through profit or loss and hedge derivatives.

i. Financial liabilities at fair value through profit or loss

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

ii. Financial liabilities measured at amortized cost

All financial liabilities not classified as FVTPL described as above, derivative financial liabilities for hedging, loan commitment, financial guarantee contract on below-market rate of interest are measured at amortized cost.

iii. Financial debentures

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

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

iv. Derecognition of a financial liability

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

v. Mutual offset of financial assets and liabilities

Financial assets and financial liabilities shall be offset only when the Company 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.

(c) Derivatives and hedging accounting

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

The Company 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:

i. Fair value hedge

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

ii. Cash flow hedge

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

(6) Non-financial asset impairment

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

(7) Property and equipment

Property and equipment is stated at cost or measured at cost plus any revaluation increments (land revaluation based on the announcement of the adjustment in current land value), net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located. Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

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

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year and adjusted prospectively, if appropriate.

(8) Intangible assets

(a) Computer software

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

(b) Goodwill

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

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

(c) Research and development

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Company can demonstrate:

i. The technical feasibility of completing the intangible asset so that it will be available for use or sale
ii. Its intention to complete and its ability to use or sell the asset
iii. How the asset will generate future economic benefits
iv. The availability of resources to complete the asset
v. The ability to measure reliably the expenditure during development. The amount of the expenditure exceeds USD500 thousand.

Otherwise, they will be recognized in profit or loss as incurred.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. During the period of development, the asset is tested for impairment annually. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

(9) Leases

The Company assesses whether the 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. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

(a) the right to obtain substantially all of the economic benefits from use of the identified asset; and
(b) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, or leases without the right to direct the use of the identified asset, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
(b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as of the commencement date;
(c) amounts expected to be payable by the lessee under residual value guarantees;

(d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
(e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

(a) the amount of the initial measurement of the lease liability;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset 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.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements of comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

For a contract that contains lease components and non-lease components, the Company allocates the consideration in the contract applying IFRS 15.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

(10) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(11) 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 statements of comprehensive income under "Interest income" and "Income expense".

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

(12) Employee benefit

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

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

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

ii. A defined benefit plan is a post-employment benefit plan under which benefit is paid to an employee on the basis of their ages, service periods and compensated salaries at the date of retirement. The Company 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 Company 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.

(13) 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 Company 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 statements of comprehensive income, 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 statements of comprehensive income 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.

(14) 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, which amendments became effective on January 1, 2013. The calculation of the Company'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 Company 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 Company.

(15) 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 judgments, estimates and assumptions

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 FSC, the Company 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 Company keeps testing applicable judgements, 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:

(1) Impairment evaluation of loans and receivables

The Company'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 Company considers the default rate of the financial assets, issuer, or the counterparty, and multiplied by the default of 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 Company'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(39) for detailed information of primary assumption and inputs.

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

(2) 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. The changes of the valuation techniques will influence fair value of financial instruments. Please refer to note 6(39) for further disclosure of valuation of financial instruments.

(3) Goodwill impairment

The assessment of goodwill impairment requires the Company to make subjective judgments to identify cash-generating units and estimate the recoverable amount of relevant cash-generating units. Please refer to note 6(13) for further disclosure of goodwill.

6. Contents of significant accounts

(1) Cash and cash equivalents

	June 30, 2020	December 31, 2019	June 30, 2019
Cash on hand	$3,389,246	$4,320,690	$3,414,108
Checks for clearing	3,992	473,720	92,315
Deposits with other banks	2,764,713	8,665,917	4,449,730
Deposits with other banks－affiliates	9,003,901	9,006,081	14,561,065
Subtotal	15,161,852	22,466,408	22,517,218
Less: allowance for bad debts	1,064	368	229
Total	$15,160,788	$22,466,040	$22,516,989

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

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 as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Cash and cash equivalents reported in the balance sheets	$15,160,788	$22,466,040	$22,516,989
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	86,166,510	57,685,702	72,709,552
Securities and bonds purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	4,958,679	6,393,794	3,764,637
Cash and cash equivalents reported in the statements of cash flows	$106,285,977	$86,545,536	$98,991,178

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

	For the six months ended June 30, 2020							
	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	$368	$-	$-	$-	$-	$368	$-	$368
Changes due to financial instrument recognition:								
Financial assets derecognized during the period	(368)	-	-	-	-	(368)	-	(368)
New financial assets originated or purchased	1,064	-	-	-	-	1,064	-	1,064
Ending balance	$1,064	$-	$-	$-	$-	$1,064	$-	$1,064

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

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

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

	June 30, 2020	December 31, 2019	June 30, 2019
Required reserve—checking account	$7,876,626	$3,538,520	$7,840,398
Required reserve—demand account	11,128,588	11,271,426	10,776,521
Required reserve—foreign currency	296,443	240,850	248,610
Required reserve—settlement account	1,517,131	2,000,816	1,503,211
Call loans to banks	68,605,995	19,165,673	26,247,588
Call loans to banks—affiliates	40,154,111	52,367,577	53,314,318
Total	$129,578,894	$88,584,862	$99,930,646

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.

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

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

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

	June 30, 2020	December 31, 2019	June 30, 2019
Financial assets mandatorily measured at fair value through profit or loss:			
Government bonds	$4,802,417	$9,607,164	$7,727,417
Corporate bonds	-	551,864	603,851
Subtotal	4,802,417	10,159,028	8,331,268
Derivative financial assets:			
Interest rate swap	6,601,930	2,677,718	2,783,215
Interest rate option	137,437	99,124	92,286
Spot/forward/swap	3,372,133	3,353,470	7,004,124
Cross currency swap	91,216	92,924	407,708
Foreign exchange option	158,949	137,696	134,777
Commodity swap	70,511	-	3,505
Commodity option	15,558	1,048	584
Commodity forward	1,792	-	-
Subtotal	10,449,526	6,361,980	10,426,199
Total	$15,251,943	$16,521,008	$18,757,467

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

	June 30, 2020	December 31, 2019	June 30, 2019
Derivative financial liabilities:			
Interest rate swap	$6,494,577	$2,688,694	$2,620,388
Interest rate option	12,623	20,345	9,758
Spot/forward/swap	4,411,149	5,602,567	5,853,058
Cross currency swap	176,907	161,411	34,168
Foreign exchange option	159,872	137,458	133,637
Commodity swap	70,473	-	3,510
Commodity option	15,488	1,025	584
Commodity forward	1,792	-	-
Total	$11,342,881	$8,611,500	$8,655,103

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

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

	June 30, 2020	December 31, 2019	June 30, 2019
Debt instrument:			
Negotiable certificates of deposit	$97,921,253	$103,736,462	$87,972,742
Treasury Bills	13,606,778	3,822,365	15,484,799
Government bonds	43,281,321	42,711,740	52,072,064
Subtotal	154,809,352	150,270,567	155,529,605
Equity instrument:			
Non-listed stock	861,799	347,361	341,819
Total	$155,671,151	$150,617,928	$155,871,424
The total calculation above includes the revaluation adjustment of hedge items	$6,283	$5,192	$6,394

Please refer to note 6(39) for credit risk and market risk information.

As of June 30, 2020, December 31, 2019 and June 30, 2019, the Company's financial assets at fair value through other comprehensive income mentioned above have adopted interest rate swaps as instruments for fair value hedging in order to reduce the impacts of fluctuations in interest rates on the fair values.

For the six months ended June 30, 2020 and 2019, dividend income of the above equity instrument investments were $312 thousand and $110 thousand, respectively, recorded under realized gain on financial assets at fair value through other comprehensive income.

As of June 30, 2020, December 31, 2019 and June 30, 2019, the Company's allowance for impairments of the above financial assets at fair value through other comprehensive income were $5,075 thousand, $4,905 thousand and $4,822 thousand, respectively.

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

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

	For the six months ended June 30, 2020				
	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	$4,905	$-	$-	$-	$4,905
Changes due to financial instrument recognition:					
Financial assets derecognized during the period	(753)	-	-	-	(753)
New financial assets originated or purchased	1,818	-	-	-	1,818
Foreign currency exchange and other changes	(895)	-	-	-	(895)
Ending Balance	$5,075	$-	$-	$-	$5,075

	For the six months ended June 30, 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	(962)	-	-	-	(962)
New financial assets originated or purchased	3,338	-	-	-	3,338
Foreign currency exchange and other changes	(1,515)	-	-	-	(1,515)
Ending Balance	$4,822	$-	$-	$-	$4,822

Changes in the book value of the above debt instrument investments were as follow:

	For the six months ended June 30, 2020				
	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	$150,270,567	$-	$-	$-	$150,270,567
Changes due to financial instrument recognition:					
Financial assets derecognized during the period	(105,171,800)	-	-	-	(105,171,800)
New financial assets originated or purchased	109,653,792	-	-	-	109,653,792
Foreign currency exchange and other changes	56,793	-	-	-	56,793
Ending Balance	$154,809,352	$-	$-	$-	$154,809,352

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

	For the six months ended June 30, 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	(126,951,156)	-	-	-	(126,951,156)
New financial assets originated or purchased	120,538,047	-	-	-	120,538,047
Foreign currency exchange and other changes	(165,327)	-	-	-	(165,327)
Ending Balance	$155,529,605	$-	$-	$-	$155,529,605

(5) Debt instrument investment measured at amortized cost

	June 30, 2020	December 31, 2019	June 30, 2019
Government bonds	$1,925,370	$1,929,246	$1,933,133

As of June 30, 2020, December 31, 2019 and June 30, 2019, allowance for impairments of the above bonds were all $117 thousand.

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

	For the six months ended June 30, 2020				
	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	$117	$-	$-	$-	$117
New financial assets originated or purchased	-	-	-	-	-
Ending Balance	$117	$-	$-	$-	$117

	For the six months ended June 30, 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

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

(6) Financial assets for hedging

Financial assets for hedging were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Cash flow hedge:			
Cross currency swap	$33,129	$173,117	$1,025,979

Financial liabilities for hedging were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Fair value hedge:			
Interest rate swap	$12,098	$7,328	$11,604
Cash flow hedge:			
Cross currency swap	209,228	282,000	-
Total	$221,326	$289,328	$11,604

(a)Fair value hedge

A fair value hedge is the hedging of the hedged items exposure to change in fair value of recognized assets or liabilities that are attributable to particular hedged risks that could affect profit or loss. As of June 30, 2020, December 31, 2019 and June 30, 2019, mark-to-market adjustments of hedged items and the corresponding hedging instruments accounted as fair value hedge were as follows:

Hedged items		Hedging instruments	
Underlying instruments	June 30, 2020	Contract type	June 30, 2020
Financial assets at fair value through other comprehensive income:			
Government bonds — revaluation adjustment	$6,283	Interest rate swap	$(12,098)

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

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)

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

For the six months ended June 30, 2020 and 2019, net losses on the hedging financial instruments listed above amounted to $1,123 thousand and $331 thousand, respectively. For the six months ended June 30, 2020 and 2019, net gains(losses) from the hedged risk of the hedged items amounted to $777 thousand and $(809) thousand, respectively.

(b)Cash flow hedge

The Company 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.

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

Hedged items	Financial instruments designated as hedging instruments	Fair value June 30, 2020	Fair value December 31, 2019	Fair value June 30, 2019
Discounts and loans－floating interest rate	Cross currency swap	$-	$-	$1,025,979
Deposits and remittances－fixed interest rate	Cross currency swap	(176,099)	(108,883)	-
Total		$(176,099)	$(108,883)	$1,025,979

(7) Securities and bonds purchased under resell agreements

	June 30, 2020	December 31, 2019	June 30, 2019
Securities purchased under resell agreements	$4,958,679	$6,393,794	$3,764,637
Face value of debt instruments	$4,932,213	$6,423,623	$3,771,125
Interest rate	0.01%~0.27%	0.48%~1.90%	0.48%~2.47%
Last settlement date	2020.7.17	2020.1.15	2019.7.24
Resell price	$4,959,300	$6,396,155	$3,766,424

As of June 30, 2020, December 31, 2019 and June 30, 2019, allowance for impairments of the above securities and bonds purchased under resell agreements were $32 thousand, $38 thousand and $34 thousand, respectively.

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

	For the six months ended June 30, 2020				
	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	$38	$-	$-	$-	$38
Changes due to financial instrument recognition:					
Financial assets derecognized during the period	(38)	-	-	-	(38)
New financial assets originated or purchased	32	-	-	-	32
Ending Balance	$32	$-	$-	$-	$32

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

	For the six months ended June 30, 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	34	-	-	-	34
Ending Balance	$34	$-	$-	$-	$34

(8) Receivables—net

	June 30, 2020	December 31, 2019	June 30, 2019
Accounts receivable factoring	$10,588,787	$13,681,368	$12,517,437
Credit cards accounts receivable	4,627,454	5,350,341	5,424,848
Accounts receivable	598,514	808,479	644,515
Interest receivable	1,334,263	1,667,701	1,413,120
Acceptances receivable	456,479	749,138	891,254
Accounts receivable—related parties	1,263,907	922,118	675,026
Unsettled trades receivable	1,094,252	511,990	3,316,518
Other	216,819	240,174	306,242
Subtotal	20,180,475	23,931,309	25,188,960
Less: allowance for bad debts	374,965	451,859	434,424
Total	$19,805,510	$23,479,450	$24,754,536

Please refer to note 6(39) for relating information on credit risk and market risk.

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

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

	For the six months ended June 30, 2020							
	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	$59,975	$6,681	$-	$235,747	$-	$302,403	$149,456	$451,859
Changes due to financial instrument recognition:								
Transferred to lifetime expected credit losses	(203)	232	-	(29)	-	-	-	-
Transferred to credit impaired financial asset	(761)	(533)	-	1,294	-	-	-	-
Transferred to 12-months expected credit losses	1,469	(1,149)	-	(320)	-	-	-	-
Financial assets derecognized during the period	(7,826)	(4,585)	-	(48,013)	-	(60,424)	-	(60,424)
New financial assets originated or purchased	12,233	1,542	-	50,331	-	64,106	-	64,106
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	(33,655)	(33,655)
Bad-Debt Write offs	(161)	(1,338)	-	(43,878)	-	(45,377)	-	(45,377)
Foreign currency exchange and other changes	4,581	4,080	-	(10,205)	-	(1,544)	-	(1,544)
Ending balance	$69,307	$4,930	$-	$184,927	$-	$259,164	$115,801	$374,965

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

	For the six months ended June 30, 2019							
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment losses according to IFRS 9 (total)	Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	Total
Beginning balance	$63,350	$6,757	$-	$245,345	$-	$315,452	$174,929	$490,381
Changes due to financial instrument recognition:								
Transferred to lifetime expected credit losses	(323)	338	-	(15)	-	-	-	-
Transferred to credit impaired financial asset	(784)	(186)	-	970	-	-	-	-
Transferred to 12-months expected credit losses	29	(29)	-	-	-	-	-	-
Financial assets derecognized during the period	(9,509)	(5,318)	-	(17,641)	-	(32,468)	-	(32,468)
New financial assets originated or purchased	15,795	2,369	-	54,556	-	72,720	-	72,720
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	(33,703)	(33,703)
Bad-Debt Write offs	(141)	(1,392)	-	(48,467)	-	(50,000)	-	(50,000)
Foreign currency exchange and other changes	(5,607)	3,844	-	(10,743)	-	(12,506)	-	(12,506)
Ending balance	$62,810	$6,383	$-	$224,005	$-	$293,198	$141,226	$434,424

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

Changes in the book value of receivables were as follows:

	For the six months ended June 30, 2020					
	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	$20,496,629	$2,909,709	$-	$524,971	$-	$23,931,309
Changes due to financial instrument recognition:						
Transferred to lifetime expected credit losses	(205,893)	205,924	-	(31)	-	-
Transferred to credit impaired financial asset	(20,879)	(12,245)	-	33,124	-	-
Transferred to 12-months expected credit losses	1,269,209	(1,268,947)	-	(262)	-	-
Financial assets derecognized during the period	(17,021,060)	(1,634,897)	-	(98,323)	-	(18,754,280)
New financial assets originated or purchased	12,128,466	1,604	-	20,349	-	12,150,419
Bad-Debt Write offs	(161)	(1,338)	-	(43,878)	-	(45,377)
Foreign currency exchange and other changes	2,870,614	6,812	-	20,978	-	2,898,404
Ending balance	$19,516,925	$206,622	$-	$456,928	$-	$20,180,475

	For the six months ended June 30, 2019					
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	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	(303,781)	303,877	-	(96)	-	-
Transferred to credit impaired financial asset	(17,242)	(13,346)	-	30,588	-	-
Transferred to 12-months expected credit losses	1,156,451	(1,156,384)	-	(67)	-	-
Financial assets derecognized during the period	(19,480,484)	(264,526)	-	(68,984)	-	(19,813,994)
New financial assets originated or purchased	17,879,956	102,641	-	27,141	-	18,009,738
Bad-Debt Write offs	(141)	(1,392)	-	(48,467)	-	(50,000)
Foreign currency exchange and other changes	1,759,913	197,478	-	18,884	-	1,976,275
Ending balance	$23,965,609	$697,510	$-	$525,841	$-	$25,188,960

(9) Assets held-for-sale

	June 30, 2020	December 31, 2019	June 30, 2019
Property and equipment	$-	$-	$391,275

The Board of Directors authorized the sale of property on June 25, 2019, and reclassified it to asset held-for-sale under IFRS 5. The asset held-for-sale has been sold in October, 2019.

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

(10) Discounts and loans — net

	June 30, 2020	December 31, 2019	June 30, 2019
Bills negotiations and bills and notes discounted	$356,120	$386,206	$1,007,404
Short-term loans and overdrafts	36,946,206	43,194,303	44,038,055
Short-term secured loans	13,967,261	7,604,525	8,341,633
Medium-term loans	45,241,433	45,544,865	46,297,431
Medium-term secured loans	3,526,002	2,414,300	2,448,890
Long-term loans	10,856,657	9,797,523	8,842,036
Long-term secured loans	176,996,549	177,713,487	176,282,425
Overdue loans	132,403	205,511	263,973
Subtotal	288,022,631	286,860,720	287,521,847
Add: premium adjustments on discounts and loans	126,610	78,570	80,839
Less: allowance for bad debts	4,690,579	4,718,679	4,738,869
Total	$283,458,662	$282,220,611	$282,863,817

Please refer to note 6(39) for relating information on credit risk and market risk.

As of June 30, 2019, the Company'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. Please refer to note 6(6) for further details.

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

As of June 30, 2020, December 31, 2019 and June 30, 2019, the amounts of outstanding loans with interest charges suspended amounted to $132,403 thousand, $205,511 thousand and $263,973 thousand, respectively. The amounts of interest not accrued derived from the aforementioned loans were $2,115 thousand, $2,801 thousand and $5,424 thousand, respectively.

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

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

	For the six months ended June 30, 2020							
	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	$598,910	$363,994	$-	$884,074	$-	$1,846,978	$2,871,701	$4,718,679
Changes due to financial instrument recognition:								
Transferred to lifetime expected credit losses	(22,869)	24,378	-	(1,509)	-	-	-	-
Transferred to credit impaired financial asset	(11,955)	(18,802)	-	30,757	-	-	-	-
Transferred to 12-months expected credit losses	81,142	(78,367)	-	(2,775)	-	-	-	-
Financial assets derecognized during the period	(91,503)	(119,101)	-	(87,114)	-	(297,718)	-	(297,718)
New financial assets originated or purchased	148,651	27,550	-	290,694	-	466,895	-	466,895
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	231,300	231,300
Bad-Debt Write offs	(4,238)	(2,041)	-	(374,328)	-	(380,607)	-	(380,607)
Foreign currency exchange and other changes	(218,686)	137,523	-	33,193	-	(47,970)	-	(47,970)
Ending balance	$479,452	$335,134	$-	$772,992	$-	$1,587,578	$3,103,001	$4,690,579

	For the six months ended June 30, 2019							
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment Losses according to IFRS 9 (total)	Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	Total
Beginning balance	$607,739	$254,192	$-	$1,522,134	$-	$2,384,065	$2,437,326	$4,821,391
Changes due to financial instrument recognition:								
Transferred to lifetime expected credit losses	(19,087)	20,585	-	(1,498)	-	-	-	-
Transferred to credit impaired financial asset	(3,012)	(16,907)	-	19,919	-	-	-	-
Transferred to 12-months expected credit losses	6,034	(6,020)	-	(14)	-	-	-	-
Financial assets derecognized during the period	(127,165)	(47,517)	-	(59,932)	-	(234,614)	-	(234,614)
New financial assets originated or purchased	161,340	73,360	-	243,386	-	478,086	-	478,086
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	329,683	329,683
Bad-Debt Write offs	(114)	(368)	-	(499,104)	-	(499,586)	-	(499,586)
Foreign currency exchange and other changes	(84,106)	58,414	-	(130,399)	-	(156,091)	-	(156,091)
Ending balance	$541,629	$335,739	$-	$1,094,492	$-	$1,971,860	$2,767,009	$4,738,869

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

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

	For the six months ended June 30, 2020					
	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	$275,405,649	$7,478,311	$-	$3,976,760	$-	$286,860,720
Changes due to financial instrument recognition:						
Transferred to lifetime expected credit losses	(9,109,976)	9,112,886	-	(2,910)	-	-
Transferred to credit impaired financial asset	(263,444)	(161,704)	-	425,148	-	-
Transferred to 12-months expected credit losses	1,458,487	(1,427,802)	-	(30,685)	-	-
Financial assets derecognized during the period	(70,555,905)	(2,824,456)	-	(570,309)	-	(73,950,670)
New financial assets originated or purchased	73,463,475	1,785,958	-	227,682	-	75,477,115
Bad-Debt Write offs	(4,238)	(2,041)	-	(374,328)	-	(380,607)
Foreign currency exchange and other changes	12,942	8	-	3,123	-	16,073
Ending balance	$270,406,990	$13,961,160	$-	$3,654,481	$-	$288,022,631

	For the six months ended June 30, 2019					
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	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	(1,135,668)	1,143,810	-	(8,142)	-	-
Transferred to credit impaired financial asset	(147,518)	(140,661)	-	288,179	-	-
Transferred to 12-months expected credit losses	939,294	(903,010)	-	(36,284)	-	-
Financial assets derecognized during the period	(67,172,950)	(1,700,050)	-	(429,645)	-	(69,302,645)
New financial assets originated or purchased	73,983,788	889,011	-	188,075	-	75,060,874
Bad-Debt Write offs	(114)	(368)	-	(499,104)	-	(499,586)
Foreign currency exchange and other changes	75,026	115	-	(64,546)	-	10,595
Ending balance	$277,281,352	$5,418,919	$-	$4,821,576	$-	$287,521,847

(11) Other financial assets—net

	June 30, 2020	December 31, 2019	June 30, 2019
Restricted assets—debt instruments	$16,004,135	$16,089,692	$17,652,259
Short-term advance	-	54,790	-
Non-accrual loans other than those reclassified from loans	42,899	7,521	7,791
Less: allowance for bad debts-non-accrual loans other than those reclassified from loans	42,899	7,521	7,791
Total	$16,004,135	$16,144,482	$17,652,259

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

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

	For the six months ended June 30, 2020							
	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	$-	$-	$-	$49	$-	$49	$7,472	$7,521
New financial assets originated or purchased	-	-	-	33,952	-	33,952	-	33,952
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	1,475	1,475
Bad-Debt Write offs	-	-	-	(49)	-	(49)	-	(49)
Ending balance	$-	$-	$-	$33,952	$-	$33,952	$8,947	$42,899

	For the six months ended June 30, 2019							
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment losses according to IFRS 9 (total)	Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	Total
Beginning balance	$-	$-	$-	$22,879	$-	$22,879	$7,448	$30,327
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	343	343
Bad-Debt Write offs	-	-	-	(22,587)	-	(22,587)	-	(22,587)
Foreign currency exchange and other changes	-	-	-	(292)	-	(292)	-	(292)
Ending balance	$-	$-	$-	$-	$-	$-	$7,791	$7,791

Changes in the book values of non-accrual loans other than those reclassified from loans were as follows:

	For the six months ended June 30, 2020					
	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	$-	$-	$-	$7,521	$-	$7,521
New financial assets originated or purchased	-	-	-	36,008	-	36,008
Foreign currency exchange and other changes	-	-	-	(630)	-	(630)
Ending balance	$-	$-	$-	$42,899	$-	$42,899

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

	For the six months ended June 30, 2019					
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Total
Beginning balance	$-	$-	$-	$30,327	$-	$30,327
Bad Debt Write offs	-	-	-	(22,587)	-	(22,587)
Foreign currency exchange and other changes	-	-	-	51	-	51
Ending balance	$-	$-	$-	$7,791	$-	$7,791

(12) Property and equipment－net

	Land	Buildings	Office equipment	Leasehold improvements	Other equipment	Construction in progress	Total
Cost:							
2020.1.1	$2,308,603	$2,405,477	$323,201	$624,604	$492,849	$48,268	$6,203,002
Additions	-	-	-	-	23,867	-	23,867
Disposals	(120,079)	(231,436)	-	-	(30,198)	-	(381,713)
Reclassification	-	30,403	-	-	17,632	(48,035)	-
Other changes	-	-	-	(1,216)	-	(233)	(1,449)
2020.6.30	$2,188,524	$2,204,444	$323,201	$623,388	$504,150	$-	$5,843,707
2019.1.1	$2,653,772	$2,774,228	$355,850	$607,366	$525,748	$35,441	$6,952,405
Additions	-	-	4,600	22,755	32,411	28,554	88,320
Disposals	(140,855)	(22,030)	(12,680)	(25,576)	(36,290)	-	(237,431)
Transfers	(142,607)	(335,343)	-	-	-	-	(477,950)
2019.6.30	$2,370,310	$2,416,855	$347,770	$604,545	$521,869	$63,995	$6,325,344
Accumulated depreciation and impairment:							
2020.1.1	$18,073	$1,310,530	$316,451	$507,946	$342,903	$-	$2,495,903
Depreciation	-	28,440	1,540	17,111	39,118	-	86,209
Disposals	-	(117,620)	-	-	(30,166)	-	(147,786)
2020.6.30	$18,073	$1,221,350	$317,991	$525,057	$351,855	$-	$2,434,326
2019.1.1	$83,975	$1,340,326	$350,322	$479,402	347,323	$-	$2,601,348
Depreciation	-	34,296	1,629	16,973	34,757	-	87,655
Disposals	(39,730)	(22,030)	(12,680)	(25,576)	(36,291)	-	(136,307)
Transfers	-	(86,675)	-	-	-	-	(86,675)
2019.6.30	$44,245	$1,265,917	$339,271	$470,799	$345,789	$-	$2,466,021
Net carrying amount as of:							
2020.6.30	$2,170,451	$983,094	$5,210	$98,331	$152,295	$-	$3,409,381
2019.12.31	$2,290,530	$1,094,947	$6,750	$116,658	$149,946	$48,268	$3,707,099
2019.6.30	$2,326,065	$1,150,938	$8,499	$133,746	$176,080	$63,995	$3,859,323

The transfers of cost and accumulated depreciation for the six months ended June 30, 2019, was reclassified to assets held-for-sale. Please refer to note 6(9) for further information.

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

(13)Intangible assets－net

	Work in Process	Goodwill	Capitalized Software	Total
Cost:				
2020.1.1	$86,900	$3,156,048	$83,109	$3,326,057
Additions	27,288	-	-	27,288
2020.6.30	$114,188	$3,156,048	$83,109	$3,353,345
2019.1.1	$49,923	$3,156,048	$83,109	$3,289,080
Additions	20,314	-	-	20,314
2019.6.30	$70,237	$3,156,048	$83,109	$3,309,394
Amortization and Impairment:				
2020.1.1	$-	$-	$50,578	$50,578
Additions	-	-	9,759	9,759
2020.6.30	$-	$-	$60,337	$60,337
2019.1.1	$-	$-	$31,059	$31,059
Additions	-	-	9,759	9,759
2019.6.30	$-	$-	$40,818	$40,818
2020.6.30	$114,188	$3,156,048	$22,772	$3,293,008
2019.12.31	$86,900	$3,156,048	$32,531	$3,275,479
2019.6.30	$70,237	$3,156,048	$42,291	$3,268,576

(14) Other assets－net

	June 30, 2020	December 31, 2019	June 30, 2019
Refundable deposits	$366,067	$274,533	$290,825
Refundable deposits－derivative financial instruments	2,618,737	2,266,393	1,258,399
Prepaid fee	202,483	253,304	230,426
Prepayments for investments	-	100,000	-
Other	2,664	5,178	22,511
Total	$3,189,951	$2,899,408	$1,802,161

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

As of June 30, 2020, December 31, 2019 and June 30, 2019, allowance for impairments of the above other assets were $36 thousand, $44 thousand and $1 thousand, respectively, recorded under refundable deposits.

The aforementioned prepayments for investments was the Company's investment in LINE Bank. The Company's percentage of ownership is 5%. LINE Bank was established on July 30, 2019, under approval granted by FSC, and it is expected to start operations in the third quarter of 2020. As of June 30, 2020, the aforementioned prepayments for investments was reclassified to financial assets at fair value through other comprehensive income.

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

	For the six months ended June 30, 2020							
	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	$44	$-	$-	$-	$-	$44	$-	$44
Changes due to financial instrument recognition:								
Financial assets derecognized during the period	(44)	-	-	-	-	(44)	-	(44)
New financial assets originated or purchased	36	-	-	-	-	36	-	36
Foreign currency exchange and other changes	-	-	-	-	-	-	-	-
Ending balance	$36	$-	$-	$-	$-	$36	$-	$36

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

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

(15) Deposits from the Central Bank and banks

	June 30, 2020	December 31, 2019	June 30, 2019
Deposits from banks	$97,800	$97,589	$106,981
Deposits from banks－affiliates	1,406,794	918,066	7,814
Overdrafts on banks	40,134	3,458	325,592
Overdrafts on banks－affiliates	599,850	1,048,022	-
Call loans from banks－affiliates	13,339,916	20,701,201	30,528,834
Total	$15,484,494	$22,768,336	$30,969,221

(16) Funds borrowed from the Central Bank and banks

	June 30, 2020	December 31, 2019	June 30, 2019
Funds borrowed from the Central Bank	$2,500	$-	$-

(17) Payables

	June 30, 2020	December 31, 2019	June 30, 2019
Accounts payable	$22,955	$13,109	$28,680
Accrued interest	302,786	362,202	488,810
Accrued expenses	1,241,251	1,997,736	1,396,263
Collection payable	36,361	57,928	253,094
Unsettled bonds payable	-	1,297,533	2,918,991
Acceptances payable	456,479	749,138	891,254
Temporary receipts in advance	41,463	55,986	63,012
Other	931,371	1,047,454	807,946
Total	$3,032,666	$5,581,086	$6,848,050

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

(18) Deposits and remittances

	June 30, 2020	December 31, 2019	June 30, 2019
Checking accounts deposits	$2,274,461	$3,382,794	$1,953,300
Demand deposits:			
Demand deposits	256,327,644	204,044,123	187,732,850
Saving account deposits	144,481,232	132,011,192	132,795,739
Subtotal of demand deposits	400,808,876	336,055,315	320,528,589
Time deposits:			
Time deposits	122,987,381	146,135,224	171,767,038
Time savings deposits	27,599,589	28,488,910	29,666,933
Subtotal of time deposits	150,586,970	174,624,134	201,433,971
Remittances	148,758	178,108	101,254
Total	$553,819,065	$514,240,351	$524,017,114

As of June 30, 2020, December 31,2019 and June 30, 2019, the Company'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. Please refer to note 6(6) for further information.

(19) Financial debentures

As of June 30, 2020, December 31, 2019 and June 30, 2019, details of financial debentures issued by the Company were as follows:

Bond	Conditions for issuance	June 30, 2020	December 31, 2019	June 30, 2019
91-1A	5-year term, interest accrued and paid semiannually, annual interest rate for the first 3 years is 4.25%, and 4.5% for the last 2 years; maturity date: July 19, 2007	$1,000	$1,000	$1,000
94-1	No maturity date, interest accrued and paid semiannually, based on the average one year regular floating rate of the nine largest banks plus 1.493%	1,100	1,100	1,100
94-2	No maturity date, interest accrued and paid semiannually, based on the average one year regular floating rate of the nine largest banks plus 1.493%	100	100	100
100-4D	10-year-term, interest accrued and paid quarterly, TWD 90-day CP interest rate plus 0.15% and TWD 90-day TIBOR interest rate plus 0.15% from March 29, 2015 ;maturity date: June 29, 2021	2,000,000	2,000,000	2,000,000
103-2	10 year term, USD based, interest accrued and paid semiannually, annual rate is 4.50%; maturity date: December 18, 2024	5,928,851	6,021,243	6,215,243
Total		$7,931,051	$8,023,443	$8,217,443

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

(20) Other financial liabilities

	June 30, 2020	December 31, 2019	June 30, 2019
Structured deposits	$119,803	$152,574	$774,345

(21) Provisions

	June 30, 2020	December 31, 2019	June 30, 2019
Provision for employee benefits	$1,183,381	$1,228,875	$1,324,802
Provision for decommissioning, restoration and rehabilitation cost	163,583	164,799	144,531
Provision for guarantee liability	39,382	41,935	39,210
Provision for loan commitment	17,788	22,874	24,495
Other miscellaneous provisions	122	216	522
Other	7,896	7,896	7,895
Total	$1,412,152	$1,466,595	$1,541,455

The changes in the book values of guarantee liability, loan commitment and other miscellaneous provisions were as follows:

	For the six months ended June 30, 2020							
	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	$23,080	$1,516	$-	$-	$-	$24,596	$40,429	$65,025
Changes due to financial instrument recognition:								
Transferred to lifetime expected credit losses	(80)	80	-	-	-	-	-	-
Transferred to 12-months expected credit losses	422	(422)	-	-	-	-	-	-
Financial assets derecognized during the period	(2,431)	(761)	-	-	-	(3,192)	-	(3,192)
New financial assets originated or purchased	5,811	81	-	-	-	5,892	-	5,892
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	(2,106)	(2,106)
Foreign currency exchange and other changes	(8,643)	316	-	-	-	(8,327)	-	(8,327)
Ending balance	$18,159	$810	$-	$-	$-	$18,969	$38,323	$57,292

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

	For the six months ended June 30, 2019							
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment losses according to IFRS 9 (total)	Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	Total
Beginning balance	$48,721	$558	$-	$-	$-	$49,279	$47,780	$97,059
Changes due to financial instrument recognition:								
Transferred to lifetime expected credit losses	(72)	72	-	-	-	-	-	-
Transferred to 12-months expected credit losses	426	(426)	-	-	-	-	-	-
Financial assets derecognized during the period	(32,295)	(50)	-	-	-	(32,345)	-	(32,345)
New financial assets originated or purchased	6,947	39	-	-	-	6,986	-	6,986
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	(9,408)	(9,408)
Foreign currency exchange and other changes	(3,438)	5,373	-	-	-	1,935	-	1,935
Ending balance	$20,289	$5,566	$-	$-	$-	$25,855	$38,372	$64,227

(22) Other liabilities

	June 30, 2020	December 31, 2019	June 30, 2019
Advance received from customers	$1,476,942	$1,597,000	$1,710,484
Refundable deposits—derivatives financial instruments	1,744,608	1,490,397	3,407,418
Tax payable	523,758	484,060	464,474
Deferred income	192,089	197,741	205,774
Guarantee deposits received	2,742	3,064	20,165
Other	658,037	877,445	251,143
Total	$4,598,176	$4,649,707	$6,059,458

(23) Employee benefits

(a) Defined contribution plan

The Company'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 Company has no legal or constructive obligation to make other payments after the making the fixed amount of contribution to the Bureau of Labor Insurance.

For the six months ended June 30, 2020 and 2019, the pension expense under defined contribution plan of the Company amounted to $83,860 thousand and $81,215 thousand, respectively, recorded under operating expenses-employee benefits expense.

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

(b)Provision for employee benefits

i. Defined benefit plan

	June 30, 2020	December 31, 2019	June 30, 2019
Defined benefit plan	$1,183,381	$1,228,875	$1,324,802

The Company 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.

ii. Cost recognized as profit or loss

For the six months ended June 30, 2020 and 2019, the cost recognized as profit or loss were $27,486 thousand and $33,013 thousand, respectively, recorded under operating expenses-employee benefits expense.

iii. Primary actuarial assumptions

	For the six months ended June 30, 2020	2019
Defined benefit plan discount rate	0.50%	0.70%
Incremental rate of future compensation levels	3.00%	3.00%

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

(24) Income tax

The major components of income tax expense for the six months ended June 30, 2020 and 2019 were as follows:

Income tax expense recognized in profit or loss

	For the six months ended June 30	
	2020	2019
Current income tax expense		
Current income tax charge	$181,144	$6,993
Adjustments in respect of current income tax of prior periods	(3,856)	-
Deferred income tax expense		
Deferred tax expense relating to origination and reversal of temporary differences	115,190	312,195
Income tax expense	$292,478	$319,188

Income tax related to components of other comprehensive income

	For the six months ended June 30	
	2020	2019
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		
Remeasurements of defined benefit plans	$82	$170
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	18,960	740
Hedging instruments	3,643	19,653
Total	$22,685	$20,563

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

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

	For the six months ended June 30	
	2020	2019
Accounting profit before tax from continuing operations	$1,965,519	$1,990,142
Income tax from profit before tax at statutory rate	$393,104	$398,028
Permanent difference	(142,358)	(84,149)
Prior-year income tax adjustments	73	(183)
Surtax on undistributed retained earnings	(3,929)	3,929
Basic income tax	162,818	46,660
Other adjustments per tax regulation	(117,230)	(45,097)
Income tax expense	$292,478	$319,188

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

	For the six months ended June 30	
	2020	2019
Bad debt expense and guarantee liability provision	$(18,445)	$(3,235)
Depreciation expense	35	(566)
Expenses from share-based payments	(260)	(1,816)
Employee benefits	9,016	4,370
Rental expense	18,781	-
Provisions	(4,616)	10,959
Loss carryforwards	113,822	295,689
Unrealized interest income on financial assets	(3,143)	6,794
	$115,190	$312,195

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

The Company's temporary difference of deferred tax components, based on the income tax rate for June 30, 2020, December 31, 2019 and June 30, 2019 were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Deferred tax assets			
Bad debt expense and guarantee liability provision	$484,291	$465,846	$445,043
Depreciation expense	41,457	41,492	36,097
Impairment loss on assets	19,411	19,411	11,901
Expenses from share-based payments	47,889	47,629	47,629
Employee benefits	236,674	245,772	264,958
Rental expense	-	18,781	-
Provisions	17,749	13,133	7,659
Loss carryforwards	-	113,822	471,179
Unrealized loss on financial assets measured at fair value through other comprehensive income	264	1,490	4,511
Total	$847,735	$967,376	$1,288,977
Deferred tax liabilities			
Unrealized interest income on financial assets	$116,115	$119,258	$118,865
Amortization of goodwill	618,585	618,585	618,585
Land value increment tax	71,571	74,633	77,212
Unrealized gain on financial assets measured at fair value through other comprehensive income	21,541	3,732	1,228
Gain on hedging instruments	6,246	2,603	17,617
Total	$834,058	$818,811	$833,507

The movements of deferred tax items were as follows:

	For the six months ended June 30	
	2020	2019
Beginning balance	$148,234	$744,738
Land value increment tax	3,062	43,256
Recognized in current period profit and loss	(115,190)	(312,195)
Recognized in other comprehensive income	(22,429)	(20,563)
Ending balance	$13,677	$455,236

The income tax returns of the prior years have been assessed up to the year 2018.

(25) Stockholders' equity

(a) Capital

As of June 30, 2020, the Company'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 was $29,105,720 thousand and 2,910,572 thousand of shares issued.

(b) Capital surplus

The R.O.C. Company Act as amended in January 2012 requires capital surplus to be used to offset an accumulated deficit before capitalization to shareholders' equity as realized capital surplus or distribution of cash dividends. The aforementioned realized capital surplus includes the proceeds received in excess of the par value of common stock issued and any amounts donated to the Company. 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 Company's issued share capital.

(c) Legal reserve

Whenever the Company generates a profit in accordance with "The Banking Act of The Republic of China". The Company, 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 Company's paid in capital. In addition to the legal reserve, a special reserve can be appropriated after being approved during the stockholders' meeting.

(d)Special reserve

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

For the six months ended June 30, 2020 and 2019, due to a disposal of assets mentioned above by the Company, the proportional amount of the special reserve resulted from the first time adoption of IFRS was reversed and increased unappropriated retained earnings amounted to $6,408 thousand and $72,954 thousand, respectively.

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

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

(e) Other equity interest

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

	Unrealized gains from financial assets measured at fair value through other comprehensive income	Gains on hedging instruments	Total
January 1, 2020	$71,880	$10,410	$82,290
Gains on hedging instruments	-	14,573	14,573
Financial assets at fair value through other comprehensive income			
Valuation adjustment	253,412	-	253,412
June 30, 2020	$325,292	$24,983	$350,275

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

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

(f) 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 Company 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 18, 2020 and June 25, 2019, the board of directors, representing shareholders, approved the distribution of retained earnings and distributed cash dividends for 2019 and 2018 were as follows:

	2019	2018
Legal reserve appropriated	$752,337	$817,026
Special reserve appropriated	-	13,617
Cash dividends of ordinary share	1,912,739	1,847,467
Total	$2,665,076	$2,678,110

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

(26) Share-based payments

The SC PLC Group operates a number of share-based arrangements for its executive directors and employees. For the six months ended June 30, 2020 and 2019, the share-based payment schemes adopted by the Company were as follows:

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

Under the All Employee Sharesave Plans ("AESP"), employees may open a savings contract. Within a period of six months after the third 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.

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

The option movements of the AESP were as follows:

	For the six months ended June 30	
	2020 Units	2019 Units
Beginning balance	278,232	347,025
Less: exercised	9,908	90,941
lapsed	28,970	33,944
Ending balance	239,354	222,140

For the six months ended June 30, 2020 and 2019, the costs of the AESP charged to profits or losses were $1,938 thousand and $1,896 thousand, respectively, recorded under operating expenses-employee benefits expense.

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

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

Restricted Share Awards ("RSA") 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 Company 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 Company, RSA is not subject to an annual limit and does not have any performance measures.

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

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

The option movements of the RSA were as follows:

	For the six months ended June 30	
	2020 Units	2019 Units
Beginning balance	108,883	105,959
Add: granted	80,553	61,861
dividend	1,237	911
Less: exercised	40,639	52,859
lapsed	3,102	896
Ending balance	146,932	114,976

For the six months ended June 30, 2020 and 2019, the costs of the RSA charged to profits or losses were $3,410 thousand and $5,927 thousand, respectively, recorded under operating expenses-employee benefits expense.

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

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

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

	For the six months ended June 30	
	2020 Units	2019 Units
Beginning balance	836	836
Less: exercised	-	-
lapsed	-	-
Ending balance	836	836

For the six months ended June 30, 2020 and 2019, the costs of the PSA (PSP) charged to profits or losses were $101 thousand and $84 thousand, respectively, recorded under operating expenses-employee benefits expense.

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

(d)Long-term Incentive Plan Awards

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

The option movements of the LTIP were as follows:

	For the six months ended June 30	
	2020 Units	2019 Units
Beginning balance	34,347	52,090
Add: granted	-	486
Less: exercised	-	14,326
lapsed	-	3,903
Ending balance	34,347	34,347

For the six months ended June 30, 2020 and 2019, no related cost of stock warrants was recorded.

For the six months ended June 30, 2020 and 2019, 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.

(e) Upfront Shares Awards (UFSA)

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

For the six months ended June 30, 2020 and 2019, the cost of the UFSA reversed and charged to profits or losses were $492 thousand and $11 thousand, respectively, recorded under operating expenses-employee benefits expense.

(27) Earnings per share

	For the six months ended June 30	
	2020	2019
Net income attributable to common stockholders (after tax)	$1,673,041	$1,670,954
Common stock (in thousands)	2,910,572	2,910,572
Basic EPS (in dollars)	$0.57	$0.57

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

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

(28) Net interest income

	For the six months ended June 30	
	2020	2019
Interest income		
Interest income, discounts and loans	$3,305,590	$3,597,496
Interest income, accounts receivable factoring	87,271	152,727
Interest income, due from banks	756,710	895,615
Interest income, investment securities	447,814	463,928
Interest income, credit card recurrence	84,968	102,880
Interest income, other	112,045	528,874
Subtotal	4,794,398	5,741,520
Interest expense		
Interest expense, deposits	2,174,118	3,348,551
Interest expense, due to banks	48,886	194,413
Interest expense, financial debentures	143,831	148,393
Lease liabilities	19,586	19,730
Interest expense, other	8,432	22,222
Subtotal	2,394,853	3,733,309
Total	$2,399,545	$2,008,211

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

(29) Net service fee income

	For the six months ended June 30	
	2020	2019
Service fee		
Service fee, loan	$49,312	$77,407
Service fee, agency	2,139	2,557
Service fee, insurance commission	1,066,046	990,669
Service fee, remittance and interbank	51,894	51,324
Service fee, guarantee, import, export and acceptance payable	20,217	31,552
Service fee, credit card	130,510	98,323
Service fee, trust	1,138,354	1,138,820
Service fee, factoring	9,373	6,462
Service fee, underwriting	133,309	137,927
Service fee, other	101,483	135,080
Subtotal	2,702,637	2,670,121
Service charge		
Service charge, interbank	76,113	77,102
Service charge, agency	86,462	77,282
Service charge, custodian	61,751	58,856
Service charge, other	92,382	83,120
Subtotal	316,708	296,360
Total	$2,385,929	$2,373,761

(30) Gains on financial assets or liabilities at fair value through profit or loss

	For the six months ended June 30	
	2020	2019
Gains on disposal		
Interest-rate instruments	$31,341	$18,894
Derivative financial instruments	202,545	65,373
Subtotal	233,886	84,267
Gains on valuation		
Interest-rate instruments	3,440	7,098
Derivative financial instruments	1,541,785	3,155,939
Subtotal	1,545,225	3,163,037
Interest income	14,606	25,365
Total	$1,793,717	$3,272,669

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

(31) Realized gains on financial assets at fair value through other comprehensive income

	For the six months ended June 30	
	2020	2019
Dividend income－equity instruments	$312	$110
Profit on sale－debt instruments	21,479	6,378
Total	$21,791	$6,488

(32) Net other non-interest income

	For the six months ended June 30	
	2020	2019
Administrative support service income	$1,637	$1,631
Net gains on disposal of assets	119,553	28,042
Rental income	3,933	4,185
Net losses on fair value hedge	(346)	(1,140)
Other	(650)	217
Total	$124,127	$32,935

(33) Impairment losses on assets

	For the six months ended June 30	
	2020	2019
Impairment losses－debt instruments	$90	$1,210
Gains on reversal－other	(14)	(37)
Total	$76	$1,173

(34) Bad debt expense, commitment and guarantee liability provision

	For the six months ended June 30	
	2020	2019
Bad debt expense	$214,285	$266,883
Reversal of guarantee liabilities	(2,543)	(9,184)
Reversal of loan commitment	(4,988)	(24,317)
Other (reversal) provision	(93)	402
Total	$206,661	$233,784

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

(35) Leases

(a) The Company as a lessee

The Company leases various properties, including real estate such as land and buildings, transportation equipment, and other equipment. The lease terms range from 2 to 5 years.

The Company's leases effect on the financial position, financial performance and cash flows were as follows:

i. Amounts recognized in the balance sheets

A. Right-of-use assets

The carrying amount of right-of-use assets

	June 30, 2020	December 31, 2019	June 30, 2019
Buildings	$1,654,011	$1,731,051	$1,634,714
Transportation equipment	2,911	4,410	5,549
Other equipment	172,438	203,964	246,476
Total	$1,829,360	$1,939,425	$1,886,739

For the six months ended June 30, 2020 and 2019, the Company's additions to right-of-use assets were $236,558 thousand and $75,178 thousand, respectively.

B. Lease liabilities

	June 30, 2020	December 31, 2019	June 30, 2019
Lease liabilities	$1,814,597	$1,937,022	$1,844,560

Please refer to note 6(28) for the interest expense on lease liabilities recognized for the six months ended June 30, 2020 and 2019 and refer to note 6(39) Disclosure of financial instruments for the maturity analysis of lease liabilities.

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

ii. Amounts recognized in the statement of comprehensive income

Depreciation charge for right-of-use assets

	For the six months ended June 30	
	2020	2019
Buildings	$173,697	$145,758
Transportation equipment	968	901
Other equipment	31,526	32,991
Total	$206,191	$179,650

iii. Income and costs relating to leasing activities

	For the six months ended June 30	
	2020	2019
The expenses relating to short-term leases	$698	$25,378
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	205	288
Income from subleasing right-of-use assets	1,553	1,553

iv. Cash outflow relating to leasing activities

For the six months ended June 30, 2020 and 2019, the Company's total cash outflows for leases were $251,382 thousand and $258,890 thousand, respectively.

(36) Employee benefits expenses

	For the six months ended June 30	
	2020	2019
Salary expense	$2,102,213	$2,231,280
Employee insurance	163,428	162,495
Pension		
Defined contribution plan	83,860	81,215
Defined benefit plan	27,486	33,013
Other	110,538	71,041
Total	$2,487,525	$2,579,044

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

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

The accrued employee's remuneration of the Company for the six months ended June 30, 2020 and 2019 were $197 thousand and $199 thousand, respectively, recorded under operating expenses—employee benefits expenses.

Material difference between estimated amounts and the amounts resolved by the board of directors on or before the annual financial statements are authorized for issue are adjusted in the year the compensation was recognized. If there is a change in the resolved amounts after the annual financial statements are authorized for issue, the differences are recorded as a change in accounting estimate.

The accrued employee's remuneration of the Company for the years ended December 31, 2019 and 2018 were $325 thousand and $281 thousand respectively, recorded under operating expenses—employee benefits expenses, with no difference between the actual and estimated distributed bonus. Relevant information can be accessed through Market Observation Post System.

For the six months ended June 30, 2020 and 2019, the average numbers of the Company's employees were 3,044 and 3,143, of which the number of directors who had not served concurrently as employees were both 5.

(37) Depreciation and amortization expenses

	For the six months ended June 30	
	2020	2019
Depreciation expense		
Buildings	$28,440	$34,296
Office equipment	1,540	1,629
Leasehold improvements	17,111	16,973
Other equipment	39,118	34,757
Right-of-use assets	206,191	179,848
Subtotal	292,400	267,503
Amortization expense	9,759	9,759
Total	$302,159	$277,262

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

(38) Other general and administrative expenses

	For the six months ended June 30	
	2020	2019
Rental expense	$2,158	$31,981
Office supplies	34,639	37,819
Postage	80,726	99,373
Repairs and maintenance	67,622	6,051
Advertising expense	36,154	57,353
Utilities fee	26,524	28,771
Taxes	322,145	232,685
Professional service fee	44,130	41,114
Operational and advisory service fee	477,599	489,541
Consulting and technical support service fee	303,901	314,649
Wholesale banking business service fee	61,549	41,009
Building management fee	52,962	78,142
Computer management fee	118,681	140,573
Director's remuneration	3,218	4,125
Other	301,488	232,362
Total	$1,933,496	$1,835,548

(39) Disclosure of financial instruments

(a) Financial instruments measured at fair value

i. 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.

ii. The Company 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 Company 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 Company's PD to the Company's negative expected exposure against the counterparty. Collateral held are taken into account for the calculation of CVA and DVA.

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

iii. The 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:

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

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

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

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

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.

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

iv. Fair value hierarchy information of financial instruments measured at fair value

Financial instruments at fair value	June 30, 2020 Level 1	Level 2	Level 3	Total
Non-derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss				
Debt instruments	$-	$4,802,417	$-	$4,802,417
Financial assets at fair value through other comprehensive income				
Debt instruments	-	154,809,352	-	154,809,352
Equity instruments	-	-	861,799	861,799
Other financial assets-net				
Restricted assets-debt instruments	-	16,004,135	-	16,004,135
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	24,371	10,425,155	-	10,449,526
Financial assets for hedging	-	33,129	-	33,129
Liabilities:				
Financial liabilities at fair value through profit or loss	27,596	11,315,285	-	11,342,881
Financial liabilities for hedging	-	221,326	-	221,326

Financial instruments at fair value	December 31, 2019 Level 1	Level 2	Level 3	Total
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	3,822,365	146,448,202	-	150,270,567
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	15,609	6,346,371	-	6,361,980
Financial assets for hedging	-	173,117	-	173,117
Liabilities:				
Financial liabilities at fair value through profit or loss	14,383	8,597,117	-	8,611,500
Financial liabilities for hedging	-	289,328	-	289,328

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

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

v. For the six months ended June 30, 2020 and 2019, the Company did not have any transfer of financial assets measured at fair value between Level 1 and Level 2.

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

Name	For the six months ended June 30, 2020 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	$347,361	$-	$14,438	$500,000	$-	$861,799

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

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

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

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

Level 3 financial instruments of the Company 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 Company applied. The impact to other comprehensive income under this assumption is describe as follows:

Finanicial insruments at fair value	Fair value changes reflected in profit or loss of the period: Beneficial changes	Fair value changes reflected in profit or loss of the period: Adverse changes	Fair value changes reflected on other comprehensive income: Beneficial changes	Fair value changes reflected on other comprehensive income: Adverse changes
June 30, 2020				
Financial assets at fair value through other comprehensive income equity instruments	$-	$-	$71,523	$(41,278)

Finanicial insruments at fair value	Fair value changes reflected in profit or loss of the period: Beneficial changes	Fair value changes reflected in profit or loss of the period: Adverse changes	Fair value changes reflected on other comprehensive income: Beneficial changes	Fair value changes reflected on other comprehensive income: Adverse changes
December 31, 2019				
Financial assets at fair value through other comprehensive income equity instruments	$-	$-	$32,542	$(25,812)

Finanicial insruments at fair value	Fair value changes reflected in profit or loss of the period: Beneficial changes	Fair value changes reflected in profit or loss of the period: Adverse changes	Fair value changes reflected on other comprehensive income: Beneficial changes	Fair value changes reflected on other comprehensive income: Adverse changes
June 30, 2019				
Financial assets at fair value through other comprehensive income equity instruments	$-	$-	$30,984	$(24,785)

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

June 30, 2020

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	$45,558	Net asset value approach	Net asset value	-0.10%~0.10%	The higher the net asset value, the higher the fair value.
	272,291	Income approach	Discount rate/ Sustainable growth rate	Discount rate is 7.01%~15.22% Sustainable growth rate is -0.20%~1.78%	The higher the discount rate, the lower the fair value. The higher the sustainable growth rate, the higher the fair value.
	43,950	Asset approach	Unlisted marketability discount	15.93%~25.93%	The higher the unlisted marketability discount rate, the lower the fair value.

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.

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

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

ix. The valuation procedure of fair value attributed to Level 3

The fair value of the level 3 financial instruments of the Company was 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 Company checks the valuation model on a periodic basis. When necessary, the Company will calibrate and adjust accordingly to ensure the reasonableness of the valuation results, and that they are in line with the market condition.

(b)Financial instruments measured at amortized cost

i. 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, funds borrowed from the Central Bank and 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 instrument 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.

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

D. Securities purchased under resell agreements and debt instruments: for securities that have direct observable market values, market values were used as fair values; 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 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.

ii. Fair value of financial instruments measured at amortized cost

	June 30, 2020	
Financial assets	Book value	Fair value
Cash and cash equivalents	$15,160,788	$15,164,530
Due from the Central Bank and call loans to banks	129,578,894	128,119,344
Debt instrument investment measured at amortized cost	1,925,370	1,951,057
Securities and bonds purchased under resell agreements	4,958,679	5,338,896
Receivables－net	19,805,510	19,805,510
Discounts and loans－net	283,458,662	285,361,697

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

Financial assets	December 31, 2019 Book value	December 31, 2019 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 and bonds purchased under resell agreements	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	June 30, 2019 Book value	June 30, 2019 Fair value
Cash and cash equivalents	$22,516,989	$22,518,000
Due from the Central Bank and call loans to banks	99,930,646	99,933,911
Debt instrument investment measured at amortized cost	1,933,133	1,944,284
Securities and bonds purchased under resell agreements	3,764,637	4,077,959
Receivables-net	24,754,536	24,754,536
Discounts and loans-net	282,863,817	280,500,017

Financial liabilities	June 30, 2020 Book value	June 30, 2020 Fair value
Deposits from the Central Bank and banks	$15,484,494	$15,484,332
Funds borrowed from the Central Bank and banks	2,500	2,500
Payables	3,032,666	3,032,666
Related parties payable	7,911,963	7,911,963
Deposits and remittances	553,819,065	553,207,552
Financial debentures	7,931,051	7,931,051
Other financial liabilities	119,803	119,803

Financial liabilities	December 31, 2019 Book value	December 31, 2019 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

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

Financial liabilities	June 30, 2019 Book value	Fair value
Deposits from the Central Bank and banks	$30,969,221	$30,969,325
Payables	6,848,050	6,848,050
Related parties payable	7,007,600	7,007,600
Deposits and remittances	524,017,114	524,210,630
Financial debentures	8,217,443	8,217,443
Other financial liabilities	774,345	774,345

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

Financial instruments measured at amortized cost	June 30, 2020				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Assets:					
Cash and cash equivalents	$15,160,788	$-	$15,164,530	$-	$15,164,530
Due from the Central Bank and call loans to banks	129,578,894	-	128,119,344	-	128,119,344
Debt instrument investment measured at amortized cost	1,925,370	-	1,951,057	-	1,951,057
Securities and bonds purchased under resell agreements	4,958,679	-	5,338,896	-	5,338,896
Receivables-net	19,805,510	-	19,805,510	-	19,805,510
Discounts and loans-net	283,458,662	-	5,000,000	280,361,697	285,361,697
Liabilities:					
Deposits from the Central Bank and banks	15,484,494	-	15,484,332	-	15,484,332
Funds borrowed from the Central Bank and banks	2,500	-	2,500	-	2,500
Payables	3,032,666	-	3,032,666	-	3,032,666
Related parties payables	7,911,963	-	7,911,963	-	7,911,963
Deposits and remittances	553,819,065	-	553,207,552	-	553,207,552
Financial debentures	7,931,051	-	7,931,051	-	7,931,051
Other financial liabilities	119,803	-	119,803	-	119,803

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

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 and bonds purchased under resell agreements	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	June 30, 2019				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Assets:					
Cash and cash equivalents	$22,516,989	$-	$22,518,000	$-	$22,518,000
Due from the Central Bank and call loans to banks	99,930,646	-	99,933,911	-	99,933,911
Debt instrument investment measured at amortized cost	1,933,133	-	1,944,284	-	1,944,284
Securities and bonds purchased under resell agreements	3,764,637	-	4,077,959	-	4,077,959
Receivables-net	24,754,536	-	24,754,536	-	24,754,536
Discounts and loans-net	282,863,817	-	-	280,500,517	280,500,517
Liabilities:					
Deposits from the Central Bank and banks	30,969,221	-	30,969,325	-	30,969,325
Payables	6,848,050	-	6,848,050	-	6,848,050
Related parties payables	7,007,600	-	7,007,600	-	7,007,600
Deposits and remittances	524,017,114	-	524,210,630	-	524,210,630
Financial debentures	8,217,443	-	8,217,443	-	8,217,443
Other financial liabilities	774,345	-	774,345	-	774,345

(c) Information on financial risk

The Company'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 Company 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 Company 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.

i. Market risk

A. Strategy and procedure of market risk management

The Company recognizes market risk as loss resulting from changes in market prices and rates. The Company is exposed to market risk arising principally from customer-driven transactions. The objective of the Company'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 Company also receives strong support from SCB regional and group business and market risk management functions based outside of Taiwan.

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

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 Company are interest rate risk and currency exchange rate risk linked to trading products in financial markets, as the Company has not held any positions relating to equity price risk.

The Company 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 Company. Market risk represents potential losses that the Company may suffer in one day when unfavorable changes occur on the Company's position at a 97.5% confidence interval under a certain price probability distribution.

	For the six months ended June 30					
	2020			2019		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Foreign exchange VaR	$3,343	$6,493	$1,341	$3,708	$10,356	$791
Interest rate VaR	56,704	105,358	29,824	48,052	59,503	42,420
Total VaR	56,839	105,391	29,912	48,225	59,662	42,811

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 Company 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.

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

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 Company'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 was as follows:

	June 30, 2020		
	Foreign currency	Exchange rate	NTD
Long position			
USD	$18,889,344	29.644	$559,960,561
CNY	11,397,504	4.191	47,762,302
EUR	790,863	33.270	26,311,701
JPY	76,041,939	0.275	20,931,914
AUD	661,864	20.318	13,447,790
Short position			
USD	19,054,635	29.644	564,860,496
CNY	11,382,105	4.191	47,697,774
EUR	791,571	33.270	26,335,251
JPY	69,503,450	0.275	19,132,077
AUD	661,809	20.318	13,446,664

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

	December 31, 2019		
	Foreign currency	Exchange rate	NTD
Long position			
USD	$14,916,509	30.106	$449,079,619
CNY	14,499,232	4.321	62,648,196
EUR	1,026,075	33.734	34,614,128
AUD	781,400	21.095	16,483,477
JPY	56,996,267	0.277	15,784,532
Short position			
USD	14,864,803	30.106	447,522,946
CNY	14,488,000	4.321	62,599,666
EUR	1,027,071	33.734	34,647,718
AUD	781,167	21.095	16,478,545
JPY	56,943,436	0.277	15,769,901

	June 30, 2019		
	Foreign currency	Exchange rate	NTD
Long position			
USD	$19,069,535	31.076	$592,608,966
CNY	16,254,412	4.528	73,606,641
EUR	1,293,399	35.368	45,744,495
AUD	949,982	21.790	20,700,038
JPY	60,108,833	0.288	17,335,515
Short position			
USD	19,015,656	31.076	590,934,588
CNY	16,211,276	4.528	73,411,306
EUR	1,307,217	35.368	46,233,197
AUD	949,839	21.790	20,696,913
JPY	60,046,965	0.288	17,317,672

G. Interest rate sensitivity information

a. Interest rate sensitivity analysis (NTD)

June 30, 2020

Item	Day 1 to 90 days	Day 91 to180 days	Day 181 to1 Year	Over 1 year	Total
Interest rate sensitive assets	$330,638,120	$21,746,051	$57,533,702	$55,286,250	$465,204,123
Interest rate sensitive liabilities	251,724,629	15,986,286	31,403,906	108,217,057	407,331,878
Interest rate sensitive gap	78,913,491	5,759,765	26,129,796	(52,930,807)	57,872,245
Net worth					45,084,930
Ratio of interest rate sensitive assets to liabilities (%)					114.21
Ratio of interest rate sensitive gap to net worth (%)					128.36

December 31, 2019

Item	Day 1 to 90 days	Day 91 to180 days	Day 181 to1 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

June 30, 2019

Item	Day 1 to 90 days	Day 91 to180 days	Day 181 to1 Year	Over 1 year	Total
Interest rate sensitive assets	$342,884,986	$31,255,327	$41,569,720	$51,371,070	$467,081,103
Interest rate sensitive liabilities	273,225,427	23,131,189	23,936,581	3,193,444	323,486,641
Interest rate sensitive gap	69,659,559	8,124,138	17,633,139	48,177,626	143,594,462
Net worth					44,324,567
Ratio of interest rate sensitive assets to liabilities (%)					144.39
Ratio of interest rate sensitive gap to net worth (%)					323.96

b. Interest rate sensitivity analysis (USD)

June 30, 2020

Units: in thousands of US Dollars

Item	Day 1 to 90 days	Day 91 to180 days	Day 181 to1 Year	Over 1 year	Total
Interest rate sensitive assets	$3,968,495	$145,604	$1,150,484	$439	$5,265,022
Interest rate sensitive liabilities	7,203,511	337,079	809,639	200,000	8,550,229
Interest rate sensitive gap	(3,235,016)	(191,475)	340,845	(199,561)	(3,285,207)
Net worth					18,540
Ratio of interest rate sensitive assets to liabilities (%)					61.58
Ratio of interest rate sensitive gap to net worth (%)					(17,719.56)

December 31, 2019

Units: in thousands of US Dollars

Item	Day 1 to 90 days	Day 91 to180 days	Day 181 to1 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)

June 30, 2019

Units: in thousands of US Dollars

Item	Day 1 to 90 days	Day 91 to180 days	Day 181 to1 Year	Over 1 year	Total
Interest rate sensitive assets	$3,552,399	$434,653	$509,807	$-	$4,496,859
Interest rate sensitive liabilities	5,214,533	683,667	475,713	200,000	6,573,913
Interest rate sensitive gap	(1,662,134)	(249,014)	34,094	(200,000)	(2,077,054)
Net worth					24,317
Ratio of interest rate sensitive assets to liabilities (%)					68.40
Ratio of interest rate sensitive gap to net worth (%)					(8,541.57)

ii. Operational risk

A. Strategy and procedure of operational risk management

The Company 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 Company 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 Company 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.

iii. 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 Company is responsible for the implementation of compliance system of the Company. The Legal Department of the Company 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 Company follows relevant regulatory compliance and legal matters.

iv. Credit risk management

A. Credit risk strategy, goal, policy and procedure

The management of risk lies at the heart of the Company'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 Company.

a. 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:

- 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 Company is taken are consistent with the approved strategy and within the Company's risk tolerances and risk appetite. The Company manages the risk profile to maintain a low probability of an unexpected loss event that would materially undermine the confidence of the investors;

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

- Responsibility and Accountability: The Company takes individual responsibility to ensure risk-taking is disciplined and focused, particularly within our area of authority. The Company makes sure risk taking is transparent, controlled and reported within risk appetite;

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

- Competitive Advantage: The Company seeks competitive advantage through efficient and effective risk management and control.

b. Policies and procedures

The credit policies and procedures are considered and approved by the Board, 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 Company Board. The Executive 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 Company 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 Company 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 is equal to their carrying values. Maximum exposures of financial instruments (without taking collateral or other credit enhancement, and irrevocable maximum exposure) were as follows:

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

Off-balance-sheet items	Maximum exposure to credit risk		
	June 30, 2020	December 31, 2019	June 30, 2019
Other guarantees	$3,450,390	$3,715,079	$3,455,493
Unused amount of irrevocable loan commitments	8,558,469	4,098,466	3,407,689
Unused amount of irrevocable letters of credit	908,674	1,499,755	1,774,141
Total	$12,917,533	$9,313,300	$8,637,323

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

G. Concentrations of credit risk

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

The Company'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 Company currently has no concentration of transaction to a single counterparty nor a single transaction with a counterparty for the Company'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 Company:

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

a. By industry

	June 30, 2020	December 31, 2019	June 30, 2019
Individual	$198,001,475	$197,264,236	$194,066,004
Manufacturing	41,974,715	38,600,433	49,405,333
Transportation and warehousing	13,345,500	13,823,965	13,938,376
Financial industry	10,265,465	13,027,123	11,283,351
Commercial	6,923,308	6,472,019	6,553,015
Government	5,000,000	6,000,000	-
Other	12,512,168	11,672,944	12,275,768
Total	$288,022,631	$286,860,720	$287,521,847

b. By area

	June 30, 2020	December 31, 2019	June 30, 2019
Domestic	$247,574,308	$248,590,029	$250,432,215
Overseas	40,448,323	38,270,691	37,089,632
Total	$288,022,631	$286,860,720	$287,521,847

c. By collateral

	June 30, 2020	December 31, 2019	June 30, 2019
Unsecured	$79,844,530	$84,358,781	$87,648,293
Secured			
-Real estate	174,099,056	173,675,075	172,200,389
-Movable asset	14,705,607	14,628,457	14,827,612
-Debt instrument	11,500,500	11,403,446	8,985,924
-Other	7,872,938	2,794,961	3,859,629
Total	$288,022,631	$286,860,720	$287,521,847

H. Credit quality and impairment analysis on financial asset

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

a. Internal/external risk rating of credit extensions at the reporting date deteriorates significantly compared to that at the initial recognition date.
b. Significant change in the probability of default over the lifetime since origination.
c. Borrowers that fail to make payment and are past due over 30 days.
d. Borrowers that have outstanding amounts unpaid past maturity dates and are overdue for the agreed grace period.
e. Borrowers that have significant deterioration in ability to repay and face the compulsory enforcement, debt restructuring or legal action.

f. 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:

a. Borrower is deceased.
b. Borrower has declared bankruptcy or may declare bankruptcy or financial restructuring.
c. Enterprise has been temporarily suspended.
d. 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 Company adopts a forward looking approach to generate multiple macroeconomic scenarios to ensure that ECL has been evaluated in a range of possible outcomes. The Company 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.

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

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

i) Credit quality analysis

	June 30, 2020											
	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	$5,383,466	$5,038,184	$-	$10,421,650	$-	$167,137	$-	$167,137	$-	$-	$109,887	$10,478,900
-Credit cards receivable	2,542,829	1,625,175	7,052	4,175,056	-	8,414	3,473	11,887	123,275	317,236	255,909	4,371,545
Discounts and loans												
-Consumer banking	169,479,609	23,118,628	215,164	192,813,401	352,864	1,268,779	522,908	2,144,551	554,183	2,752,365	3,561,697	194,702,803
-Wholesale banking	54,406,463	23,184,501	2,626	77,593,590	1,469,135	10,347,473	-	11,816,608	130,537	84,993	1,106,404	88,519,324
-Non-accrual loans	-	-	-	-	-	-	-	-	22,479	109,924	22,478	109,925
Other financial assets												
-Non-accrual loans other than those reclassified form loans	-	-	-	-	-	-	-	-	42,899	-	42,899	-
Off-balance sheet items												
Loan commitment and guarantees	8,491,825	1,817,998	-	10,309,823	491,291	2,116,419	-	2,607,710	-	-	57,292	12,860,241

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

	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

	June 30, 2019											
	Stage 1				Stage 2				Stage 3			
	Investment grade	Sub-investment grade	High risk grade	Subtotal	Investment grade	Sub-investment grade	High risk grade	Subtotal	Individually impaired	Collectively impaired	Allowance of bad debt	Total
Balance sheet items												
Accounts receivable												
-Accounts receivable factoring	$8,542,473	$3,316,675	$-	$11,859,148	$92,834	$565,455	$-	$658,289	$-	$	$129,174	$12,388,263
-Credit cards receivable	2,940,301	1,953,449	5,980	4,899,730	55	10,896	4,886	15,837	149,658	359,623	290,183	5,134,665
Discounts and loans												
-Consumer banking	161,949,246	26,312,150	517,430	188,778,826	289,968	1,155,451	679,861	2,125,280	641,482	2,821,555	3,420,385	190,946,758
-Wholesale banking	55,582,957	32,908,698	10,871	88,502,526	1,445,958	1,844,444	3,236	3,293,638	1,010,957	83,610	1,143,440	91,747,291
-Non-accrual loans	-	-	-	-	-	-	-	-	175,044	88,929	175,044	88,929
Other financial assets												
-Non-accrual loans other than those reclassified form loans	-	-	-	-	-	-	-	-	7,791	-	7,791	-
Off-balance sheet items												
Loan commitment and guarantees	4,239,407	3,922,447	-	8,161,854	40,230	435,239	-	475,469	-	-	64,227	8,573,096

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

I. Asset quality of non-performing loans and overdue receivables

a. Asset quality of the Company

Product \ Period			June 30, 2020				
			Non-performing loan	Loan balances	NPL ratio	Allowance for bad debts	Coverage ratio
Wholesale Banking	Secured		$56,409	$24,120,805	0.23%	$316,703	561.44%
	Unsecured		34,435	65,556,437	0.05%	809,508	2350.83%
Consumer Banking	Mortgage		115,467	141,685,441	0.08%	2,166,430	1876.23%
	Personal loan		87,911	22,741,263	0.39%	1,255,285	1427.90%
	Others	Secured	19,897	28,873,990	0.07%	49,761	250.09%
		Unsecured	1,654	5,044,695	0.03%	92,892	5616.20%
Total			315,773	288,022,631	0.11%	4,690,579	1485.43%
			Overdue receivables	Accounts receivable	Overdue ratio	Allowance for bad debts	Coverage ratio
Credit card			8,314	4,627,454	0.18%	255,909	3078.05%
Factoring loan receivable without recourse			-	10,588,787	-%	109,888	-%

Product \ Period			December 31, 2019				
			Non-performing loan	Loan balances	NPL ratio	Allowance for bad debts	Coverage ratio
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 \ Period			June 30, 2019				
			Non-performing loan	Loan balances	NPL ratio	Allowance for bad debts	Coverage ratio
Wholesale Banking	Secured		$33,060	$21,033,237	0.16%	$284,206	859.67%
	Unsecured		178,919	72,046,188	0.25%	1,030,768	576.11%
Consumer Banking	Mortgage		100,499	140,574,930	0.07%	2,160,845	2,150.12%
	Personal loan		82,460	26,456,794	0.31%	1,227,009	1,488.01%
	Others	Secured	30,675	25,671,408	0.12%	33,378	108.81%
		Unsecured	-	1,739,290	-%	2,663	-%
Total			425,613	287,521,847	0.15%	4,738,869	1,113.42%
			Overdue receivables	Accounts receivable	Overdue ratio	Allowance for bad debts	Coverage ratio
Credit card			12,118	5,424,848	0.22%	290,183	2,394.64%
Factoring loan receivable without recourse			-	12,517,437	-%	129,174	-%

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

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

	June 30, 2020		December 31, 2019	
	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	$2,322	$7,302	$2,598	$8,671
The amount under debt discharge program and rehabilitation program without default by debtors	204,992	29,012	224,424	32,168
	$207,314	$36,314	$227,022	$40,839

	June 30, 2019	
	Loans that may be exempted from reporting as overdue loans	Receivables that may be exempted from reporting as overdue receivables
The amount under inter-bank debt relief program without default by debtors	$3,146	$10,420
The amount under debt discharge program and rehabilitation program without default by debtors	247,988	33,869
	$251,134	$44,289

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

b. Concentration of corporate credit risk for the Company

June 30, 2020				
Rank	Industry classification of group enterprise		Outstanding credit	% of net assets
1	A Group	Other service activities incidental to water transportation	$6,288,503	13.71%
2	B Company	Other financial services activities not elsewhere classified	5,335,966	11.63%
3	C Company	Other non-metallic mineral products manufacturing	4,446,639	9.69%
4	D Group	Packaging and testing of semi conductors	4,390,873	9.57%
5	E Group	Air transport	3,804,537	8.29%
6	F Group	Manufacture of cement	3,214,816	7.01%
7	G Group	Air transport	2,930,166	6.39%
8	H Group	Manufacture of footwear	2,827,576	6.16%
9	I Group	Manufacture of bicycle parts	2,537,417	5.53%
10	J Company	Electronic parts and components manufacturing	1,778,655	3.88%

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	D Group	Packaging and testing of semi-conductors	5,606,054	12.23%
3	B Company	Other financial services activities not elsewhere classified	5,419,119	11.82%
4	F Group	Manufacture of cement	4,945,862	10.97%
5	G Group	Air transport	3,304,031	7.21%
6	H Group	Manufacture of footwear	2,737,659	5.97%
7	E Group	Air transport	2,695,966	5.88%
8	K Group	Manufacture of electric wires and cables	2,021,487	4.41%
9	L Company	Activities of other holding companies	2,018,316	4.40%
10	I Group	Manufacture of bicycle parts	1,951,179	4.26%

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

June 30, 2019				
Rank	Industry classification of group enterprise		Outstanding credit	% of net assets
1	A Group	Other service activities incidental to water transportation	$7,464,908	16.58%
2	F Group	Manufacture of cement	6,522,720	14.48%
3	D Group	Packaging and testing of semi conductors	6,157,348	13.67%
4	B Company	Other financial services activities not elsewhere classified	5,593,719	12.42%
5	G Group	Air transport	3,747,490	8.32%
6	H Group	Manufacture of footwear	2,959,760	6.57%
7	M Group	Manufacture of other electronic parts and components not elsewhere classified	2,083,668	4.63%
8	N Company	Smelting and refining of iron and steel	2,034,461	4.52%
9	O Company	Manufacture of computers	1,858,687	4.13%
10	P Company	Manufacture of electric wires and cables	1,707,000	3.79%

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

v. Liquidity risk management mechanism

A. Definition and sources of liquidity risk

Liquidity risk is the potential that the Company 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 Company maintains a liquid portfolio of marketable securities as a liquidity buffer as required by local regulation. In total, it maintains a liquidity buffer of 180.6 billion as of June 30, 2020, which is equivalent to 27.59% of the Company's total assets. The level of the Company's aggregate liquid reserves is in accordance with local regulatory minimum liquidity requirements.

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

The asset side of the balance sheet is of equal importance to the Company's balance sheet as the liability side. The Company'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 Company 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 Company does not hold capital in respect of liquidity risk.

C. Financial assets held for liquidity risk management

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

D. Maturity analysis of non-derivatives liabilities

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

	June 30, 2020				
	Within 3 months	3 months~ 1 year	1~5 years	Over 5 years	Total
Deposits from the Central Bank and banks	$15,400,524	$83,970	$-	$-	$15,484,494
Funds borrowed from the Central Bank and banks	-	2,500	-	-	2,500
Payables	3,032,666	-	-	-	3,032,666
Related parties payable	7,911,963	-	-	-	7,911,963
Deposits and remittances	477,797,200	73,014,966	3,006,899	-	553,819,065
Financial debentures	2,200	2,000,000	5,928,851	-	7,931,051
Other financial liabilities	119,803	-	-	-	119,803
Lease liabilities	85,468	306,077	1,157,885	265,167	1,814,597
Total	$504,349,824	$75,407,513	$10,093,635	$265,167	$590,116,139

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

	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 liabilities	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

	June 30, 2019				
	Within 3 months	3 months~ 1 year	1~5 years	Over 5 years	Total
Deposits from the Central Bank and banks	$30,882,621	$86,600	$-	$-	$30,969,221
Payables	6,848,050	-	-	-	6,848,050
Related parties payable	7,007,600	-	-	-	7,007,600
Deposits and remittances	436,334,869	84,470,594	3,211,651	-	524,017,114
Financial debentures	2,200	-	2,000,000	6,215,243	8,217,443
Other financial liabilities	772,064	2,281	-	-	774,345
Lease liabilities	69,967	273,243	1,052,388	448,962	1,844,560
Total	$481,917,371	$84,832,718	$6,264,039	$6,664,205	$579,678,333

E. Maturity analysis of derivative financial liabilities

The Company 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 were as follows:

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

a. Maturity analysis of net settled derivatives

	June 30, 2020					
	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	$100,252	$31,813	$36,321	$40,176	$11	$208,573
Interest rate derivative instruments	74,140	131,623	43,563	184,566	6,073,308	6,507,200
Derivative financial instruments for hedging						
Interest rate derivative instruments	-	-	5,844	-	6,254	12,098
	$174,392	$163,436	$85,728	$224,742	$6,079,573	$6,727,871

	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

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

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

b. Maturity analysis of gross settled derivatives

	June 30, 2020					
	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	$149,608,273	$189,371,622	$103,961,201	$68,751,809	$4,779,784	$516,472,689
Cash inflow	148,416,558	187,676,184	103,396,808	68,511,605	4,991,619	512,992,774
Derivative financial instruments for hedging						
Foreign exchange derivative instruments						
Cash outflow	-	1,515,166	-	14,993,950	-	16,509,116
Net cash flow	$(1,191,715)	$(3,210,604)	$(564,393)	$(15,234,154)	$211,835	$(19,989,031)

	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)

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

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

F. Maturity analysis of off-balance-sheet items

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

	June 30, 2020				
	0~30 days	31~90 Days	91 days~1 year	Over 1 year	Total
Other guarantees	$273,580	$315,675	$42,256	$2,818,879	$3,450,390
Unused amount of irrevocable loan commitments	-	-	188,101	8,370,368	8,558,469
Unused amount of irrevocable letters of credit	421,666	457,855	29,153	-	908,674
	$695,246	$773,530	$259,510	$11,189,247	$12,917,533

	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

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

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

G. Structure analysis of maturity, New Taiwan Dollars

June 30, 2020

	Total	Remaining period to maturity					
		0~10 days	11~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Main capital inflow on maturity	$741,114,355	$98,334,843	$55,705,197	$132,588,659	$89,725,986	$126,199,888	$238,559,782
Main capital outflow on maturity	793,023,397	68,168,166	76,879,821	199,086,613	110,305,922	89,273,655	249,309,220
Gap	(51,909,042)	30,166,677	(21,174,624)	(66,497,954)	(20,579,936)	36,926,233	(10,749,438)

December 31, 2019

	Total	Remaining period to maturity					
		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)

June 30, 2019

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

H. Structure analysis of maturity, US Dollars

June 30, 2020

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	$22,010,430	$7,137,960	$6,800,553	$3,559,339	$3,644,450	$868,128
Main capital outflow on maturity	24,296,224	8,375,323	8,315,370	2,884,271	3,014,983	1,706,277
Gap	(2,285,794)	(1,237,363)	(1,514,817)	675,068	629,467	(838,149)

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)

June 30, 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	$20,346,790	$6,672,777	$6,724,212	$4,161,193	$2,096,366	$692,242
Main capital outflow on maturity	22,259,976	7,566,401	7,986,677	3,060,014	2,083,100	1,563,784
Gap	(1,913,186)	(893,624)	(1,262,465)	1,101,179	13,266	(871,542)

iv. The offsetting information for financial assets and financial liabilities

The Company 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.

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

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

	June 30, 2020					
	Financial assets under net executable settlement contracts or similar agreements					
	Total financial assets recognized (a)	Offset total financial liabilities recognized in the balance sheet (b)	Net financial assets reported in the balance sheet (c)=(a)-(b)	Relevant amounts not offset on balance sheet (d): Financial instruments (Note)	Relevant amounts not offset on balance sheet (d): Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial assets	$10,482,655	$-	$10,482,655	$7,586,538	$1,744,608	$1,151,509
Securities and bonds purchased under resell agreements	4,958,679	-	$4,958,679	-	4,958,679	-
Total	$15,441,334	$-	$15,441,334	$7,586,538	$6,703,287	$1,151,509

	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): Financial instruments (Note)	Relevant amounts not offset on balance sheet (d): Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial assets	$6,535,097	$-	$6,535,097	$3,979,877	$1,490,397	$1,064,823
Securities and bonds purchased under resell agreements	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

	June 30, 2019					
	Financial assets under net executable settlement contracts or similar agreements					
	Total financial assets recognized (a)	Offset total financial liabilities recognized in the balance sheet (b)	Net financial assets reported in the balance sheet (c)=(a)-(b)	Relevant amounts not offset on balance sheet (d): Financial instruments (Note)	Relevant amounts not offset on balance sheet (d): Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial assets	$10,426,199	$-	$10,426,199	$5,136,150	$3,407,418	$1,882,631
Securities and bonds purchased under resell agreements	3,764,637	-	3,764,637	-	3,764,637	-
Total	$14,190,836	$-	$14,190,836	$5,136,150	$7,172,055	$1,882,631

	June 30, 2020					
	Financial liabilities under net executable settlement contracts or similar agreements					
	Total financial liabilities recognized (a)	Offset total financial assets recognized in the balance sheet (b)	Net financial liabilities reported in the balance sheet (c)=(a)-(b)	Relevant amounts not offset on balance sheet (d): Financial instruments (Note)	Relevant amounts not offset on balance sheet (d): Cash collateral pledged	Net amount (e)=(c)-(d)
Derivative financial liabilities	$11,564,207	$-	$11,564,207	$7,586,538	$2,618,737	$1,358,932

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

	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): Financial instruments (Note)	Relevant amounts not offset on balance sheet (d): Cash collateral pledged	Net amount (e)=(c)-(d)
Derivative financial liabilities	$8,900,828	$-	$8,900,828	$3,979,877	$2,266,393	$2,654,558

	June 30, 2019					
	Financial liabilities under net executable settlement contracts or similar agreements					
	Total financial liabilities recognized (a)	Offset total financial assets recognized in the balance sheet (b)	Net financial liabilities reported in the balance sheet (c)=(a)-(b)	Relevant amounts not offset on balance sheet (d): Financial instruments (Note)	Relevant amounts not offset on balance sheet (d): Cash collateral pledged	Net amount (e)=(c)-(d)
Derivative financial liabilities	$8,666,707	$-	$8,666,707	$5,136,150	$1,258,399	$2,272,158

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

v. Capital management

A. Summary

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

a. To maintain adequate levels of capital so as to support business growth and to meet regulatory capital requirements, which is the Company's fundamental goal for capital management. The Company calculates qualified capital and regulatory capital requirement in accordance with rules issued by the regulator.

b. To hold adequate levels of capital so as to take on all risks arising from the business. The assessment of adequate capital takes into consideration the risk profile and characteristics. The risk management process is conducted through capital risk appetite.

B. Capital management procedure

The Company maintains the capital adequacy ratio in line with the regulatory requirement and reports to the regulator on a quarterly basis. The Company's capital is managed by the Asset and Liability Committee. The regulatory capital is the aggregate amount of 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:
   - Common stock and additional paid-in capital in excess of par-common stock
   - Capital collected in advance
   - Capital reserves
   - Legal reserves
   - Special reserves
   - Accumulated profit or loss
   - Non-controlling interests
   - 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.

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

C. Capital adequacy

Item \ Period-end			June 30, 2020	December 31, 2019	June 30, 2019
Regulatory capital	Common equity Tier 1 capital		$42,551,422	$42,467,978	$41,263,521
	Additional Tier 1 capital		-	-	-
	Tier 2 capital		8,568,912	8,208,048	9,706,269
	Total regulatory capital		51,120,334	50,676,026	50,969,790
Risk-weighted assets	Credit risk	Standardized approach (SA)	285,475,930	271,707,039	279,714,322
		Internal ratings-based approach (IRB)	-	-	-
		Securitization	-	-	-
	Operational risk	Basic indicator approach (BIA)	25,183,422	25,183,422	24,373,762
		Standardized approach (SA) /Alternative standardized approach	-	-	-
		Advanced measurement approaches (AMA)	-	-	-
	Market risk	Standardized approach (SA)	30,514,989	23,058,163	23,994,385
		Internal models approach (IMA)	-	-	-
	Total risk-weighted assets		341,174,341	319,948,624	328,082,469
Capital Adequacy ratio			14.98%	15.84%	15.54%
Ratio of common equity Tier 1 capital to total risk-weighted assets			12.47%	13.27%	12.58%
Ratio of Tier 1 capital to total risk-weighted assets			12.47%	13.27%	12.58%
Leverage ratio			6.17%	6.51%	6.16%

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

7. Related party transactions

Name and relationship of related parties

Name	Relationship
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
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 Company
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.

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

Significant transactions with related parties

(1) Deposits

June 30, 2020			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties not over 1% of total deposits	$5,814,373	1.05	0.00~6.70

December 31, 2019			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties not over 1% of total deposits	$431,848	0.08	0.00~6.95

June 30, 2019			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties not over 1% of total deposits	$559,942	0.11	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 (members of key management personnel or directors) savings accounts was calculated based on the interest rate of time savings deposits with three year term offered to the general public plus 3%.

For the six months ended June 30, 2020 and 2019, interest expenses on the above deposits were $4,715 thousand and $2,169 thousand, respectively. As of June 30, 2020, December 31, 2019 and June 30, 2019, the interest payables on the above transaction were $224 thousand, $244 thousand and $397 thousand, respectively, recorded under related parties payable.

As of June 30, 2020, the time deposit of SCB Hong Kong was $14,822,129 thousand, and the interest payable resulting from the above time deposits was $15,579 thousand. For the six months ended June 30, 2020, interest expense on the time deposit of SCB Hong Kong was $15,614 thousand.

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

(2) Loans

June 30, 2020							
				Repayment			
Type of loan	Maximum Balance during the period	Number of accounts or name of related party	Ending balance	On-schedule	Overdue	Collateral	Difference between terms and conditions offered to the accounts and to the general public
Employee consumer loans	$5,930	11	$4,385	$4,385	-	Unsecured lending	None
Mortgage	81,583	15	77,830	77,830	-	House	None
Other	2,883	Other individuals	2,780	2,780	-	Overdraft on the comprehensive deposits	None

December 31, 2019							
				Repayment			
Type of loan	Maximum Balance during the period	Number of accounts or name of related party	Ending balance	On-schedule	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

June 30, 2019							
				Repayment			
Type of loan	Maximum Balance during the period	Number of accounts or name of related party	Ending balance	On-schedule	Overdue	Collateral	Difference between terms and conditions offered to the accounts and to the general public
Employee consumer loans	$5,632	11	$4,527	$4,527	-	Unsecured lending	None
Mortgage	103,791	15	80,255	80,255	-	House	None
Other	3,155	Other individuals	2,985	2,985	-	Overdraft on the comprehensive deposits	None

For the six months ended June 30, 2020 and 2019, interest income on the above loans were $625 thousand and $903 thousand, respectively. As of June 30, 2020, December 31, 2019 and June 30, 2019 the interest receivables from the above transaction were $56 thousand, $87 thousand and $75 thousand, respectively, recorded under receivables-net.

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

(3) Foreign exchange and derivative transactions

June 30, 2020

Name	Contracts	Contracts duration period	Notional	Gain (loss) on valuation	Balance sheet Account	Balance sheet Balance
SCB	Interest rate swap	2020.7.1~ 2030.9.16	$720,089,357	$122,256	Financial assets at fair value through profit or loss	$3,244,259
					Financial liabilities at fair value through profit or loss	(3,197,077)
	Interest rate option	2024.9.30	1,482,213	(18,607)	Financial assets at fair value through profit or loss	2,157
	Spot/forward/swap	2020.7.1~ 2022.6.30	112,880,999	(318,179)	Financial assets at fair value through profit or loss	649,921
					Financial liabilities at fair value through profit or loss	(764,657)
	Cross currency swap	2020.8.11~ 2023.9.20	1,909,208	(11,354)	Financial assets at fair value through profit or loss	50,059
					Financial liabilities at fair value through profit or loss	(24,213)
	Foreign exchange option	2020.7.1~ 2022.5.10	59,381,160	(28,200)	Financial assets at fair value through profit or loss	38,054
					Financial liabilities at fair value through profit or loss	(120,896)
	Commodity swap	2020.7.2~ 2021.4.6	514,001	70,511	Financial assets at fair value through profit or loss	70,511
	Commodity option	2020.9.23~ 2021.2.23	597,035	(14,510)	Financial liabilities at fair value through profit or loss	(15,558)
SCB Singapore	Spot/forward/swap	2020.7.1~ 2021.12.21	155,573	(5,255)	Financial liabilities at fair value through profit or loss	(2,670)
SCB Hong Kong	Spot/forward/swap	2020.7.2~ 2021.4.28	52,845,572	(160,251)	Financial assets at fair value through profit or loss	89,442
					Financial liabilities at fair value through profit or loss	(52,672)

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

December 31, 2019						
					Balance sheet	
Name	Contracts	Contracts duration period	Notional	Gain (loss) on 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)

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

June 30, 2019						
		Contracts duration		Gain (loss) on	Balance sheet	
Name	Contracts	period	Notional	valuation	Account	Balance
SCB	Interest rate swap	2019.7.1~ 2029.9.18	$355,871,096	$89,485	Financial assets at fair value through profit or loss	$848,142
					Financial liabilities at fair value through profit or loss	(784,137)
	Spot/forward/swap	2019.7.1~ 2020.6.15	125,985,460	(314,788)	Financial assets at fair value through profit or loss	556,636
					Financial liabilities at fair value through profit or loss	(660,251)
	Cross currency swap	2021.6.8~ 2022.1.28	1,461,222	5,097	Financial assets at fair value through profit or loss	29,794
	Foreign exchange option	2019.7.1~ 2020.10.13	55,140,044	204,112	Financial assets at fair value through profit or loss	57,763
					Financial liabilities at fair value through profit or loss	(77,014)
	Commodity swap	2019.10.7~ 2019.11.4	59,514	(3,505)	Financial liabilities at fair value through profit or loss	(3,505)
	Commodity option	2019.12.18	268,498	(584)	Financial liabilities at fair value through profit or loss	(584)
SCB Singapore	Spot/forward/swap	2019.7.3~ 2020.5.6	5,804,001	(259,964)	Financial assets at fair value through profit or loss	59,012
					Financial liabilities at fair value through profit or loss	(31,182)
SCB Hong Kong	Spot/forward/swap	2019.7.1~ 2020.6.17	67,437,600	(442,287)	Financial assets at fair value through profit or loss	116,803
					Financial liabilities at fair value through profit or loss	(539,719)

As of June 30, 2020, December 31, 2019 and June 30, 2019, the premium receivables resulting from the above option contracts were $4,241 thousand, $345 thousand and $1,881 thousand, respectively, recorded under receivables—net. As of June 30, 2020, the premium payables resulting from the above option contracts were $5,789 thousand, recorded under related parties payable.

(4) Deposits with banks-affiliates

	For the six months ended June 30, 2020		
	Balance	Interest rate %	Interest income
SCB Taipei	$7,350,000	0.00~0.25	$6,574
SCB Japan	467,024	-	-
SCB Hong Kong	402,737	-	-
SCB Germany	333,245	-0.63	(1)
SCB	259,300	-	-
SCB Singapore	144,394	-	-
SCB New York	44,316	0.08	2,790
SCB Thailand	1,588	-	-
SCB China	1,128	0.66~2.65	684
SCB Philippines	169	-	-
	$9,003,901		$10,047

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

	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

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

As of June 30, 2020, December 31, 2019 and June 30, 2019, interest receivable resulting from the above deposits with other banks from affiliates were $565 thousand, $2,944 thousand and $1,530 thousand, respectively, recorded under receivables-net. For the six months ended June 30, 2020 and 2019, the service charge from the above deposits were $11,708 thousand and $15,182 thousand, respectively, recorded under net service fee income.

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

(5) Call loans to banks-affiliates

	For the six months ended June 30, 2020		
	Balance	Interest rate %	Interest income
SCB Taipei	$31,260,834	-0.15~3.15	$315,142
SCB Hong Kong	8,893,277	-0.65~4.00	33,228
SCB	-	0.10	105
SCB Thailand	-	0.12~0.20	57
SCB Japan	-	-0.15~-0.10	(141)
	$40,154,111		$348,391

	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

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

As of June 30, 2020, December 31, 2019 and June 30, 2019, the interest receivables resulting from the above call loans to banks from affiliates were $155,526 thousand, $78,117 thousand and $151,226 thousand, respectively, recorded under receivables-net.

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

(6) Deposits from banks-affiliates

	For the six months ended June 30, 2020		
	Balance	Interest rate %	Interest expense
SCB Taipei	$1,406,794	0.01	$10

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

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

As of June 30, 2020, December 31, 2019 and June 30, 2019, the interest payables resulting from the above deposits from banks to affiliates were $1 thousand, $0 thousand, and $1 thousand, respectively, recorded under related parties payable.

(7) Overdrafts on banks-affiliates

	For the six months ended June 30, 2020		
	Balance	Interest rate %	Interest expense
SCB New York	$599,850	0.08	$343
SCB Hong Kong	-	6.25	671
SCB Germany	-	1.50	211
SCB Japan	-	1.55	39
SCB	-	0.10	2
	$599,850		$1,266

	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

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

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

As of June 30, 2020, December 31, 2019 and June 30, 2019, no interest payables resulting from the above overdrafts on banks to affiliates were recorded.

(8) Call loans from banks－affiliates

	For the six months ended June 30, 2020		
	Balance	Interest rate %	Interest expense
SCB Hong Kong	$8,893,277	-0.55~4.30	$19,882
SCB Thailand	1,482,213	0.58~1.60	9,682
SCB Vietnam	1,482,213	0.49~1.45	5,662
SCB Korea	1,482,213	0.01~3.10	4,429
SCB China	-	1.53	1,266
SCB Taipei	-	0.00~1.55	978
	$13,339,916		$41,899

	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

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

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

As of June 30, 2020, December 31, 2019 and June 30, 2019, the interest payables resulting from the above call loans from banks to affiliates were $3,495 thousand, $1,688 thousand, and $(2,940) thousand, respectively, recorded under related parties payable.

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

Name	June 30, 2020	December 31, 2019	June 30, 2019
SCB	$862,711	$825,832	$630,672

For the six months ended June 30, 2020 and 2019, the interest income resulting from the above transaction were $3,617 thousand and $6,501 thousand, respectively. As of June 30, 2020, December 31, 2019 and June 30, 2019, the interest receivable resulting from the above transaction were $10 thousand, $1,108 thousand and $301 thousand, respectively, recorded under receivables—net.

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

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

Name	Bond (Note)	June 30, 2020	December 31, 2019	June 30, 2019
SCB	103-2	$5,928,851	$6,021,243	$6,215,243

Note: The issuance conditions and details of financial debentures are stated in note 6(19).

For the six months ended June 30, 2020 and 2019, the interest expenses on the above transactions were $136,652 thousand and $140,181 thousand, respectively. As of June 30, 2020, December 31, 2019 and June 30, 2019, the interest payables on the above transactions were $9,634 thousand, $10,537 thousand and $10,100 thousand, respectively, recorded under related parties payable.

(11)Guarantee

	2019			
	Maximum balance during the period	Ending balance	Expense	Collateral
SCB Indonesia	$12,336	-	USD100(per case)	None

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

(12)For the six months ended June 30, 2020, operational and advisory service fees, consulting and technical support service fees and wholesale banking business service fees were $477,599 thousand, $303,901 thousand and $61,549 thousand, respectively. For the six months ended June 30, 2019, operational and advisory service fees, consulting and technical support service fees and wholesale banking business service fees were $489,541 thousand, $314,649 thousand and $41,009 thousand, respectively. As of June 30, 2020, December 31, 2019 and June 30, 2019, fees payables to SCB were $7,439,847 thousand, $6,676,278 thousand and $6,572,234 thousand, respectively, recorded under related parties payable. For the six months ended June 30, 2020 and 2019, the group insurance expenses for entering the group insurance amounted to $12,915 thousand and $13,053 thousand, respectively. Furthermore, as of June 30, 2020, December 31, 2019 and June 30, 2019, group insurance expense payable were $12,915 thousand, $0 thousand and $13,053 thousand, respectively, recorded under related parties payable.

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

(13) For the six months ended June 30, 2020 and 2019, the related cost of the Executive Share Option Scheme amounted to $4,957 thousand and $7,896 thousand, respectively. As of June 30, 2020, December 31, 2019 and June 30, 2019, the estimated accounts payable to SCB for the share-based payment scheme costs amounted to $25,657 thousand, $22,222 thousand and $82,293 thousand, respectively, recorded under related parties payable. The prepaid fee to SCB for the share-based payment scheme costs amounted to $826 thousand, $839 thousand and $866 thousand, respectively, recorded under other assets－net.

(14) For the six months ended June 30, 2020 and 2019, expenses resulting from operating and other business related activities with affiliates were as follows:

Name	For the six months ended June 30 2020	For the six months ended June 30 2019
Technical support service fees:		
SCB Singapore	$11,066	$4,360
SCB	5,358	354
SCB Hong Kong	4,470	10,354
Other	1,284	-
Total	$22,178	$15,068
Information technology service fees:		
Standard Chartered Global Business Services Sdn Bhd	$61,716	$57,069
Standard Chartered Global Business Services Private Limited	45,667	50,811
Total	$107,383	$107,880
Consultant service income, origination income, and trading income:		
SCB	$71,961	$64,824
SCB Hong Kong	38,082	55,268
SCB New York	14,236	16,968
Other	10,366	16,999
Total	$134,645	$154,059
Consultant service fees, origination fees, and trading fees:		
SCB New York	$26,529	$11,889
SCB	21,423	16,315
SCB Germany	6,355	(5)
SCB Japan	3,767	2,193
Other	12,891	20,333
Total	$70,965	$50,725

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

As of June 30, 2020, December 31, 2019 and June 30, 2019, technical support service fees payables and information technology service fees payables were $137,898 thousand, $128,880 thousand and $89,122 thousand, respectively, recorded under related parties payable. As of June 30, 2020, December 31, 2019 and June 30, 2019, consultant service income, origination income, trading income and technical support service receivables were $296,493 thousand, $335,248 thousand and $278,735 thousand, respectively, recorded under receivables-net. As of June 30, 2020, December 31, 2019 and June 30, 2019, consultant service fees, origination fees and trading fees payables were $260,924 thousand, $299,990 thousand and $243,340 thousand, respectively, recorded under related parties payable.

(15) The Company has signed a rental contract with SCB Taipei which was calculated by either the main rental contract or market situation and the rental area. The rentals were received monthly. For the six months ended June 30, 2020 and 2019, the rentals were both $1,568 thousand. As of June 30, 2020, December 31, 2019 and June 30, 2019, the utility and information system usage income receivables from SCB Taipei were $312 thousand, $165 thousand and $167 thousand, respectively, recorded under receivables—net. For the six months ended June 30, 2020 and 2019, the related recharge from expense allocation were $568 thousand and $482 thousand, respectively.

(16) For the six months ended June 30, 2020 and 2019, the administrative support service income from SCB Taipei to the Company were $1,637 thousand and $1,631 thousand, respectively. As of June 30, 2020, December 31, 2019 and June 30, 2019 the support service income receivable were all $286 thousand, recorded under receivables—net.

(17) The Company entered into the Exclusivity Fee Sharing Agreement with SCB Singapore. For the six months ended June 30, 2020 and 2019, the service fee income were $388,138 thousand and $369,839 thousand, respectively, recorded under net service fee income. As of June 30, 2020, December 31, 2019 and June 30, 2019, the service income receivables were $806,418 thousand, $503,818 thousand and $240,825 thousand, respectively, recorded under receivables—net. As of June 30, 2020, December 31, 2019 and June 30, 2019 advance service fee income totaled $1,441,542 thousand, $1,545,195 thousand and $1,678,784 thousand, respectively, recorded under other liabilities. (Please refer to note 9(2)).

The salary and remuneration for directors and supervisors

	For the six months ended June 30	
	2020	2019
Salary and other short-term benefits	$191,224	$181,330
Post-employment benefits	804	707
Total	$192,028	$182,037

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

8. Pledged assets

Pledged assets	Pledged for	June 30, 2020	December 31, 2019	June 30, 2019
Negotiable certificates of deposit, bonds (recorded under other financial assets	USD overdraft clearing deposits	$15,520,580	$15,505,288	$17,101,424
Due from the Central Bank and call loans to banks	Funds borrowed from the Central Bank and banks	500,000	-	-
Total		$16,020,580	$15,505,288	$17,101,424

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

Pledged assets	Pledged for	June 30, 2020	December 31, 2019	June 30, 2019
Negotiable certificates of deposit, bonds (recorded under other financial assets	Trust indemnity reserve	$164,363	$164,739	$150,333
	Operating deposits for securities broker	54,788	54,913	50,111
	Operating deposits for securities underwriter	43,830	43,931	50,111
	Operating deposits for securities dealer	10,958	10,983	-
	Operating deposits for bills business	100,041	200,012	200,058
	Bond payment settlement reserve	109,575	109,826	100,222
		483,555	584,404	550,835
Guarantee deposits paid (recorded under other assets)	Operating deposits for securities dealer, bond payment settlement reserve, and self-regulatory fund deposit	40,300	40,300	50,300
Total		$523,855	$624,704	$601,135

(1) USD overdraft clearing deposits are security deposits for the overdraft facility of the Company.

(2) 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.

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

(3) 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.).

(4) 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)

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

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

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

9. Significant commitments and contingent liabilities

(1) Commitments and contingent liabilities

	June 30, 2020	December 31, 2019	June 30, 2019
Consignment collection for others	$3,490,867	$3,850,164	$4,531,553
Securities, consignments and goods in custody	2,039,963,266	2,108,432,955	1,838,872,756
Trust assets	96,718,383	102,531,226	99,770,263
	$2,140,172,516	$2,214,814,345	$1,943,174,572
Other guarantees	$3,450,390	$3,715,079	$3,455,493
Unused amount of irrevocable loan commitments	$8,558,469	$4,098,466	$3,407,689
Unused amount of irrevocable letters of credit	$908,674	$1,499,755	$1,774,141

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

(2) Significant service agreements

The Company 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 Company 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 Company.

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

Trust balance sheet
June 30, 2020

Trust assets		Trust liabilities	
Bank deposits	$5,431	Accounts payable	$3
Short-term investments	90,556,316	Tax payable	-
Structured notes	2,687,568	Payables for securities under custody	3,466,597
Securities under custody	3,466,597	Trust capital and accumulated earnings	93,251,783
Other assets	2,471		
Total trust assets	$96,718,383	Total trust liabilities	$96,718,383

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

Trust balance sheet
June 30, 2019

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

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

Trust statement of comprehensive income

	For the six months ended June 30	
	2020	2019
Trust revenue:		
Interest revenue	$2,444,823	$2,449,781
Common stock cash dividends	36	42
Realized gain on investments	1,989,507	907,152
Unrealized gain on investments	1,295,592	9,959,700
Net gain on trading of assets	-	1
	5,729,958	13,316,676
Trust expenses:		
Management expense	17	11
Realized loss on investments	1,930,774	1,249,154
Unrealized loss on investments	8,521,950	1,665,923
Net loss on trading of assets	5	-
	10,452,746	2,915,088
Net gain (loss) before income tax	(4,722,788)	10,401,588
Income tax expense	-	-
Net gain (loss) after income tax	$(4,722,788)	$10,401,588

Schedules of investment for trust business

Investment items	June 30, 2020	December 31, 2019	June 30, 2019
Bank deposits	$5,431	$5,854	$6,527
Short-term investments:			
Bonds	25,988,723	26,668,206	27,837,222
Common stock	5,925,335	5,142,889	5,460,387
Funds	58,642,258	64,004,606	60,901,171
Structured notes	2,687,568	4,914,606	4,305,265
Securities under custody	3,466,597	1,795,064	1,259,690
Other assets	2,471	1	1
Total	$96,718,383	$102,531,226	$99,770,263

Foreign currency trust business engaged by the Offshore Banking Unit (OBU) as of June 30, 2020, December 31, 2019 and June 30, 2019, were included in the trust balance sheets, trust statements of comprehensive income and schedules of investment for trust business.

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

10. Significant loss due to disasters

None.

11. Significant subsequent events

None.

12. Others

(1) Profitability

Unit: %

Items		June 30, 2020	December 31, 2019	June 30, 2019
Return on assets (Annualized)	Before income tax	0.62	0.52	0.63
	After income tax	0.52	0.40	0.53
Return on equity (Annualized)	Before income tax	8.57	7.15	8.83
	After income tax	7.30	5.49	7.41
Net profit ratio		24.26	18.29	24.16

Note 1: Return on assets = net income before / after tax ÷ average assets
Note 2: Return on equity = net income before / after tax ÷ average equity
Note 3: Net profit ratio = net income after tax ÷ net revenue

13. Other disclosure items

For the six months ended June 30, 2020, relevant information of any major transactions that the Company was required to disclose were as follows:

(1) Related information on significant transactions

(a) Information regarding securities for which the purchase or sale amount for the period exceeded NT$300 million or 10% of the Company's paid in capital: None.
(b) Information on the acquisition of real estate for which the purchase amount exceeded NT$300 million or 10% of the Company's paid in capital: None.
(c) Information on the disposal of real estate for which the sale amount exceeded NT$300 million or 10% of the Company's paid in capital: None.
(d) Information regarding discounted processing fees on transactions with related parties for which the amount exceeded NT$5 million: None.
(e) Information regarding due from related parties for which the amount exceeded NT$300 million or 10% of the Company's paid in capital: Notes 6(8) and 7.

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

(f) Information regarding selling non-performing loans:
  i. Summary table of NPL disposal: None.
  ii. Disposal of a single batch of NPL up to NT$1 billion and information on each transaction: None.

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

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

(i) Other material transaction items which were significant to the financial statements users to make financial decisions: None.

(2) Information on long-term equity investments

Name of investee	Investee's location	Investee's operation	Percentage of ownership	Book value of investments	Gain (loss) recognized during the period	Holdings: Number of shares(thousand)	Holdings: Pro forma number of shares(thousand)	Holdings: Total: Shares (thousand)	Holdings: Total: Percentage	Remark
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%	$33,261	$102	3,417	-	3,417	4.84%	Note 2
Universal Venture Investment, Inc.	8F., No.70, Sec. 3, Nanjing E. Rd., Jhongshan District, Taipei City 10489, Taiwan (R.O.C.)	Venture capital services	4.76%	4,034	-	558	-	558	4.76%	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%	270,643	-	5,938	-	5,938	1.14%	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%	43,950	-	5,000	-	5,000	2.94%	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%	8,263	-	851	-	851	5.00%	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%	1,648	210	85	-	85	1.42%	Note 2
LINE Bank	15F., No206, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	Commercial bank	5.00%	500,000	-	50,000	-	50,000	5.00%	Note 3
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

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

Note 2: Shares held by the Company remained the same as compared to December 31, 2019.

Note 3: New investee.

(3) Information on investments in Mainland China

(a) Name, main operating items and other information of the invested company in Mainland China: None.
(b) Amount limitation of investments in Mainland China: None.

14. Operating segment financial information

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

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

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

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

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

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

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

Majority of the Company'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 Company.

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

	For the six months ended June 30, 2020				
	Retail Banking	International Corporates and Financial Institutions Banking	Commercial Banking	Other Banking	Total
Net interest income	$2,624,910	$126,707	$575,277	$(927,349)	$2,399,545
Net service fee income	1,973,547	379,919	40,304	(7,841)	2,385,929
Other miscellaneous income	312,506	454,187	77,298	1,265,895	2,109,886
Net income	4,910,963	960,813	692,879	330,705	6,895,360
Bad debt expense, commitment and guarantee liability (provision) reversal	(140,056)	52,871	(118,644)	(832)	(206,661)
Operating expense	(3,629,963)	(445,127)	(573,425)	(74,665)	(4,723,180)
Segment profit (loss)	$1,140,944	$568,557	$810	$255,208	$1,965,519
Segment assets	$212,931,684	$63,769,976	$48,777,531	$329,081,247	$654,560,438
Segment liabilities	$320,933,982	$122,848,930	$133,654,660	$31,249,978	$608,687,550

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

STANDARD CHARTERED BANK (TAIWAN) LIMITED SECURITIES DEPARTMENT

Financial Statements

For the Six Months Ended June 30, 2020 and 2019

Securities Department Financial Statements

Table of Contents

English Translation of Financial Statements Originally Issued in Chinese

STANDARD CHARTERED BANK (TAIWAN) LIMITED SECURITIES DEPARTMENT

Balance Sheets

June 30, 2020, December 31, 2019 and June 30, 2019

(Expressed in thousands of New Taiwan Dollars)

			June 30, 2020		December 31, 2019		June 30, 2019	
		Note	Amount	%	Amount	%	Amount	%
	Assets							
110000	Current Assets							
112000	Financial assets at fair value through profit or loss	6(1)	$4,802,417	9	$10,159,028	16	$8,331,268	12
113200	Financial assets at fair value through other comprehensive income	6(2)	43,281,321	77	42,711,740	69	52,072,064	76
113300	Financial assets measured at amortized cost	6(3) & 6(8)	1,925,370	3	1,929,246	3	1,933,133	3
114010	Securities and bonds purchased under resell agreements	6(4) & 6(8)	4,095,967	7	5,567,962	9	3,133,966	4
114130	Accounts receivable	6(5)	1,604,985	3	1,317,663	2	2,621,249	4
119000	Other current assets		114,874	-	221,531	-	160,584	-
	Current Assets		55,824,934	99	61,907,170	99	68,252,264	99
120000	Non-current assets							
129000	Other non-current assets	8	40,300	-	40,300	-	50,300	-
129080	Other financial assets	6(6), 6(8) & 8	383,514	1	384,392	1	350,777	1
	Non-current Assets		423,814	1	424,692	1	401,077	1
	Total assets		$56,248,748	100	$62,331,862	100	$68,653,341	100
	Liabilities and Equity							
210000	Current Liabilities							
214130	Accounts payable	6(7) & 7	$10	-	$1,297,534	2	$1,613,913	2
	Current Liabilities		10	-	1,297,534	2	1,613,913	2
229110	Intercompany		53,694,695	95	58,425,661	94	64,642,317	94
	Total Liabilities		53,694,705	95	59,723,195	96	66,256,230	96
300000	Equity							
301110	Capital surplus		2,000,000	4	2,000,000	3	2,000,000	3
304040	Retained Earnings		321,842	1	559,128	1	353,682	1
305000	Other equity		232,201	-	49,539	-	43,429	-
	Total equity		2,554,043	5	2,608,667	4	2,397,111	4
	Total Liabilities and Equity		$56,248,748	100	$62,331,862	100	$68,653,341	100

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

English Translation of Financial Statements Originally Issued in Chinese

STANDARD CHARTERED BANK (TAIWAN) LIMITED SECURITIES DEPARTMENT

Statements of Comprehensive Income

For the six months ended June 30, 2020 and 2019

(Expressed in thousands of New Taiwan Dollars)

			For the six months ended June 30, 2020		For the six months ended June 30, 2019	
		Note	Amount	%	Amount	%
400000	Operating Revenue					
404000	Revenue from underwriting business		$133,309	39	$137,927	37
411000	Gains on sale of trading securities	6(1)	52,821	16	24,841	7
421200	Interest income	6(1)	150,164	44	201,094	54
421500	Valuation gains on trading securities at fair value through profit or loss	6(1)	2,978	1	6,700	2
425300	Expected credit impairment losses		(465)	-	(399)	-
428000	Other operating income (expense)	7	1	-	(445)	-
	Total operating revenue		338,808	100	369,718	100
500000	Operating expenses					
501000	Brokerage handling fee expenses		3	-	6	-
531000	Employee benefit expenses		6,544	2	7,427	2
533000	Other operating expenses		10,419	3	8,603	2
	Total operating expenses		16,966	5	16,036	4
902005	Profit		321,842	95	353,682	96
805000	Other comprehensive income					
805600	Components of other comprehensive income that will be reclassified to profit or loss					
805615	Revaluation gains from investments in debt instruments measured at fair value through other comprehensive income		182,192	54	25,328	7
805618	Provision of impairment losses from investments in debt instruments measured at fair value through other comprehensive income		470	-	311	-
805699	Income tax related to components of other comprehensive income that will be reclassified to profit or loss		-	-	-	-
805000	Other comprehensive income		182,662	54	25,639	7
902006	Total comprehensive Income		$504,504	149	$379,321	103

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

English Translation of Financial Statements Originally Issued in Chinese

STANDARD CHARTERED BANK (TAIWAN) LIMITED SECURITIES DEPARTMENT

Notes to the Financial Statements

For the six months ended June 30, 2020 and 2019

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

1. Organization and operations

(1) Standard Chartered Bank (Taiwan) Limited (hereinafter referred to as the Company) 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 Company 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 Company 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 Company and offshore banking unit (OBU) started engaging in foreign exchange trading; the Company was approved to conduct its own foreign securities business on November 10, 2017.

(2) Main business includes:

(a) Foreign exchange trading
(b) Various bonds and securitized commodities on their business premises (limited to fixed income securities)
(c) Foreign securities business on its own business premises
(d) Underwriting bonds and securitized commodities (limited to fixed income securities).

2. Date and procedures of authorization for issuance of the financial statements

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

3. Newly issued or revised standards and interpretations

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

4. Summary of significant accounting policies

The financial statements of the securities department of the Company 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:

(1) Current and non-current distinction

Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
(b) The Company holds the asset primarily for the purpose of trading;
(c) The Company expects to realize the asset within 12 months after the reporting period;
(d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) The Company expects to settle the liability in its normal operating cycle
(b) The Company holds the liability primarily for the purpose of trading
(c) The liability is due to be settled within 12 months after the reporting period
(d) The Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(2) Foreign currency

Except for accounts in the OBU of the Company 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 Company's financial statements are presented in New Taiwan Dollars, the functional currency of the Company. 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.

(3) Financial instruments

<u>Financial assets</u>

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

Financial assets are recognized when securities department of the Company 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 Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

(a) Financial assets measured at amortized cost

i. 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;

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

ii. 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 and bonds sold under repurchase agreements or securities and bonds purchased under resell agreements.

iii. 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.

(b) 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:

i. it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
ii. 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, securities department of the Company 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.

(c) 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 Company 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.

(d) Impairment of financial assets

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

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

Please refer to the Company's financial report for the judgment on whether the credit risk has significantly increased after initial recognition and prospective adjustments.

(e) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Company 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 Company still possess the ownership of the financial assets, then securities department of the Company shall continuously recognize it as assets according to the extent of its own involvement.

(f) Reclassification of financial assets

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

(4) Operating guarantee deposits

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.

(5) Revenue recognition

(a) Profit or loss on disposal of trading securities, and relevant brokerage securities transaction charges are recognized at the trading date.
(b) Brokerage handling fee revenue are recognized at the trading date.
(c) Revenue from underwriting business are recognized right after the underwriting service are made.
(d) Interest income: interest income from investments in debt instruments measured at amortized cost and 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.
(e) Operating expenses: Expenses derived from the operating of securities department are mainly classified under employee benefits expense and other operating expense.

5. Significant accounting judgments, estimates and assumptions

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

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

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. Contents of significant accounts

As of June 30, 2020, the Offshore banking unit of the securities department of the Company has not yet completed relevant business. The following details do not include the amount of Offshore banking unit.

(1) 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 Company were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Securities held for operations-dealing:			
Government bonds	$4,802,417	$9,607,164	$7,727,417
Corporate bonds	-	551,864	603,851
Total	$4,802,417	$10,159,028	$8,331,268

For the six months ended June 30, 2020 and 2019, relevant operating details of the securities department of the Company were as follows:

	For the six months ended June 30	
	2020	2019
Gains on sale of trading securities	$31,342	$18,105
Interest income	$14,606	$25,365
Valuation gains on trading securities measured at fair value through profit or loss	$2,978	$6,700

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

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

	June 30, 2020	December 31, 2019	June 30, 2019
Government bonds	$43,281,321	$42,711,740	$52,072,064
Revaluation adjustment of hedge items	$6,283	$5,192	$6,394

As of June 30, 2020, December 31, 2019 and June 30, 2019, the allowance for impairments of the above debt investment were $2,561 thousand, $2,091 thousand and $2,394 thousand, respectively.

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

	For the six months ended June 30, 2020				
	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)	Total
Beginning balance	$2,091	$-	$-	$-	$2,091
Changes due to financial instrument recognition:					
Financial assets derecognized during the period	(101)	-	-	-	(101)
New financial assets originated or purchased	393	-	-	-	393
Foreign currency exchange and other changes	178	-	-	-	178
Ending Balance	$2,561	$-	$-	$-	$2,561

	For the six months ended June 30, 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)	Total
Beginning balance	$2,083	$-	$-	$-	$2,083
Changes due to financial instrument recognition:					
Financial assets derecognized during the period	(241)	-	-	-	(241)
New financial assets originated or purchased	891	-	-	-	891
Foreign currency exchange and other changes	(339)	-	-	-	(339)
Ending Balance	$2,394	$-	$-	$-	$2,394

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

	For the six months ended June 30, 2020				
	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)	Total
Beginning balance	$42,711,740	$-	$-	$-	$42,711,740
Changes due to financial instrument recognition					
Financial assets derecognized during the period	(37,080,340)	-	-	-	(37,080,340)
New financial assets originated or purchased	37,638,510	-	-	-	37,638,510
Foreign currency exchange and other changes	11,411	-	-	-	11,411
Ending Balance	$43,281,321	$-	$-	$-	$43,281,321

	For the six months ended June 30, 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)	Total
Beginning balance	$63,590,995	$-	$-	$-	$63,590,995
Changes due to financial instrument recognition					
Financial assets derecognized during the period	(51,514,671)	-	-	-	(51,514,671)
New financial assets originated or purchased	40,169,152	-	-	-	40,169,152
Foreign currency exchange and other changes	(173,412)	-	-	-	(173,412)
Ending Balance	$52,072,064	$-	$-	$-	$52,072,064

(3) Financial assets measured at amortized cost

The financial assets measured at amortized cost of the securities department of the Company were as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Government bonds	$1,925,370	$1,929,246	$1,933,133

As of June 30, 2020, December 31, 2019 and June 30, 2019, the allowance of impairments of the above financial assets measured at amortized cost were all $117 thousand.

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

	For the six months ended June 30, 2020				
	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)	Total
Beginning balance	$117	$-	$-	$-	$117
New financial assets originated or purchased	-	-	-	-	-
Ending Balance	$117	$-	$-	$-	$117

	For the six months ended June 30, 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)	Total
Beginning balance	$-	$-	$-	$-	$-
New financial assets originated or purchased	117	-	-	-	117
Ending Balance	$117	$-	$-	$-	$117

(4) Securities and bonds purchased under resell agreements

	June 30, 2020	December 31, 2019	June 30, 2019
Bonds purchased under resell agreement	$4,095,967	$5,567,962	$3,133,966
Face value of bonds	$4,200,000	$5,680,000	$3,190,000
Interest rate	0.26% ~ 0.27%	0.48%	0.48% ~ 0.49%
Last settlement date	2020.7.17	2020.1.15	2019.7.10
Resell price	$4,096,576	$5,569,176	$3,134,464

As of June 30, 2020, December 31, 2019 and June 30, 2019, allowance for impairments of the above securities and bonds purchased under resell agreements were $32 thousand, $38 thousand and $34 thousand, respectively.

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

	For the six months ended June 30, 2020				
	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)	Total
Beginning balance	$38	$-	$-	$-	$38
Changes due to financial instrument recognition:					
Financial assets derecognized during the period	(38)	-	-	-	(38)
New financial assets originated or purchased	32	-	-	-	32
Other Changes	-	-	-	-	-
Ending Balance	$32	$-	$-	$-	$32

	For the six months ended June 30, 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	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	34	-	-	-	34
Other Changes	-	-	-	-	-
Ending Balance	$34	$-	$-	$-	$34

(5) Accounts receivable

	June 30, 2020	December 31, 2019	June 30, 2019
Unsettled trades receivable	$1,094,252	$511,990	$2,011,317
Interest receivables	510,733	805,673	609,932
Total	$1,604,985	$1,317,663	$2,621,249

(6) Other financial assets

	June 30, 2020	December 31, 2019	June 30, 2019
Restricted assets-debt instruments	$383,514	$384,392	$350,777

(7) Payables

	June 30, 2020	December 31, 2019	June 30, 2019
Unsettled bonds payable	$-	$1,297,533	$1,613,790
Other	10	1	123
Total	$10	$1,297,534	$1,613,913

(8) Fair value of financial instruments

(a) Fair value of financial instruments

	June 30, 2020	
	Book Value	Fair Value
Amortized cost	$1,925,370	$1,951,057
Securities and bonds purchased under resell agreements	4,095,967	4,476,185
Other financial assets	383,514	383,514

	December 31,2019	
	Book Value	Fair Value
Amortized cost	$1,929,246	$1,941,203
Securities and bonds purchased under resell agreements	5,567,962	5,950,878
Other financial assets	384,392	384,392

	June 30, 2019	
	Book Value	Fair Value
Amortized cost	$1,933,133	$1,944,284
Securities and bonds purchased under resell agreements	3,133,966	3,447,287
Other financial assets	350,777	350,777

(b) Information of financial risk

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

7. Related party transactions

Name and relationship of related parties

Name	Relationship with the Company
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

Significant transactions with related parties

For the six months ended June 30, 2020 and 2019, charge (reversal) of service income from SCB were $1 thousand and $(445) thousand, recorded under other operating income (expenses), respectively. As of June 30, 2020, December 31, 2019 and June 30, 2019, service fee payable resulting from the above service were $10 thousand, $1 thousand and $59 thousand, respectively.

8. Pledged assets

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	June 30, 2020	December 31, 2019	June 30, 2019
Negotiable certificates of deposit, bonds (recorded under other non-current financial assets)	Trust indemnity reserve	$164,363	$164,739	$150,333
	Operating deposits for securities broker	54,788	54,913	50,111
	Operating deposits for securities underwriter	43,830	43,931	50,111
	Operating deposits for securities dealer	10,958	10,983	-
	Bond payment settlement reserve	109,575	109,826	100,222
		383,514	384,392	350,777
Guarantee deposits paid (recorded under other non-current assets)	Operating deposits for securities dealer, bond payment settlement reserve, and self-regulatory fund deposit	40,300	40,300	50,300
Total		$423,814	$424,692	$401,077

(1) 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.

(2) 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.)

(3) 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.)

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

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

9. Significant commitments and contingent liabilities

None.

10. Significant loss due to disasters

None.

11. Significant subsequent events

None.

12. Others

None.

13. Other disclosure 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 Company for the six months ended June 30, 2020:

(1) Related information on significant transactions:

(a) Loans to other parties: None.
(b) Guarantees and endorsements for other parties: None.
(c) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.
(d) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

(e) Service charge discounts on transactions with related parties in an aggregate amount of NT$5 million or more: None.
(f) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock: None.
(g) Details of material transactions between parent company and subsidiaries: None.

(2) Information on long-term equity investments: None.

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

(4) Information on investments in Mainland China: None.

Standard Chartered Bank (Taiwan) Limited Securities Department

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

June 30, 2020

(Expressed in thousands of New Taiwan Dollars)

Name of financial instrustment	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		-	-	$1,600,000	1.25%	$1,641,595	101.15	$1,619,975	-	
A08111		-	-	750,000	0.50%	752,201	100.35	752,609	-	
A011056		-	-	600,000	1.25%	615,787	101.60	609,990	-	
A051136		-	-	550,000	0.63%	553,195	100.43	552,702	-	
A061028		-	-	500,000	0.75%	505,837	100.59	503,887	-	
A09101		-	-	450,000	0.50%	452,998	100.65	453,125	-	
Other (Note)		-	-	300,000	0.50% ~ 2.38%	310,870	100.28 ~ 109.13	310,129	-	
Total				$4,750,000		$4,832,483		$4,802,417	-	

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

June 30, 2020

(Expressed in thousands of New Taiwan Dollars)

Name of financial instrustment	Description	Shares or units	Par value	Total amount	Interest rate	Acquisition cost	Accumulated impairment	Fair value		Note
								Unit price	Total amount	
A07107		-	-	$3,900,000	0.63%	$3,902,477	$228	100.96	$3,937,509	
A07111		-	-	3,300,000	0.75%	3,323,989	196	101.44	3,347,612	
A91107		-	-	2,450,000	3.75%	2,682,924	183	107.38	2,630,846	
A93103		-	-	2,350,000	3.00%	2,591,582	220	109.58	2,575,022	
A94103		-	-	2,350,000	2.38%	2,571,883	160	109.24	2,567,146	
A011098		-	-	2,350,000	1.13%	2,393,003	144	101.91	2,394,908	
A031062		-	-	2,150,000	1.50%	2,239,278	157	104.21	2,240,500	
A08101		-	-	2,150,000	0.63%	2,159,735	126	101.05	2,172,512	
Other (Note 1)		-	-	20,748,900	0.50% ~ 5.38%	21,953,534	1,147	100.27 ~ 111.41	21,415,266	
Total				$41,748,900		$43,818,405	$2,561		$43,281,321	

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

Note2: The fair value hedged financial assets amounted to $3,066,699 thousand, and the revaluation adjustment of hedged items was $6,283 thousand.

Standard Chartered Bank (Taiwan) Limited Securities Department

Statement of financial assets measured at amortized cost

June 30, 2020

(Expressed in thousands of New Taiwan Dollars)

Name of financial instrustment	Description	Shares or units	Par value	Total Amount	Interest rate	Carrying amount	Accumulated impairment	Note
A07107		-	-	$1,000,000	0.63%	$996,632	$58	
A021105		-	-	900,000	1.75%	928,738	59	
Total				$1,900,000		$1,925,370	$117	

Standard Chartered Bank (Taiwan) Limited Securities Department

Statement of securities and bonds purchased under resell agreements

June 30, 2020

(Expressed in thousands of New Taiwan Dollars)

Name	Terms			Bonds		Trading Amount	Note
	Start Date	Maturity Date	Interest rate	Type	Par value		
KGI Bank	2020.06.12	2020.07.06	0.26%	A90108	$800,000	$800,000	
Masterlink Securities Corporation	2020.06.24	2020.07.14	0.27%	A011072	500,000	500,000	
Masterlink Securities Corporation	2020.06.30	2020.07.01	0.27%	A01104	300,000	300,000	
KGI Securities	2020.06.09	2020.07.06	0.27%	A00104	300,000	300,000	
Masterlink Securities Corporation	2020.06.29	2020.07.06	0.27%	A07103	300,000	300,000	
KGI Securities	2020.06.23	2020.07.09	0.27%	A011072	300,000	300,000	
Capital Securities Corporation	2020.06.19	2020.07.09	0.27%	A08111	300,000	280,000	
Capital Securities Corporation	2020.06.23	2020.07.17	0.27%	A051110	300,000	278,000	
Other (Note)					1,100,000	1,037,967	
Total					$4,200,000	$4,095,967	

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

Standard Chartered Bank (Taiwan) Limited Securities Department

Statement of trade receivables

June 30, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Unsettled trades receivable		$1,094,252	
Interest receivables		510,733	
Total		$1,604,985	

Statement of other financial assets

June 30, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Restricted assets-debt instruments		$383,514	

Statement of payables

June 30, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Other		$10	

Standard Chartered Bank (Taiwan) Limited Securities Department

Statement of revenue from underwriting business

For the six months ended June 30, 2020

(Expressed in thousands of New Taiwan Dollars)

Month	Securities underwritting compensation	Consignment securities handling fee revenue	Underwriting operation revenue	Underwriting assit revenue	Other revenue	Total	Note
January	$-	$-	$-	$3,744	$-	$3,744	
February	-	-	-	24,593	-	24,593	
March	-	-	-	(2)	-	(2)	
April	-	-	-	52,608	-	52,608	
May	-	-	-	-	-	-	
June	-	-	-	52,366	-	52,366	
Total	$-	$-	$-	$133,309	$-	$133,309	

Standard Chartered Bank (Taiwan) Limited Securities Department

Statement of gain on sale of trading securities

For the six months ended June 30, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Revenue	Cost	Profit	Note
Dealing				
Securities trading at business establishment	$29,485,991	$29,433,170	$52,821	

Standard Chartered Bank (Taiwan) Limited Securities Department

Statement of interest income

For the six months ended June 30, 2020

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Bonds interest income		$141,837	
Interest income from bond purchased under resell agreements		8,324	
Other (Note)		3	
Total		$150,164	

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