

**STANDARD CHARTERED BANK
(TAIWAN) LIMITED**

Financial Statements

With Independent Auditors' Report

For the Six Months Ended June 30, 2021 and 2020

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

Items	Page
Cover	1
Table of Contents	2
Independent Auditors' Report	3-8
Balance Sheets	9-10
Statements of Comprehensive Income	11
Statements of Changes in Equity	12
Statements of Cash Flows	13
Notes to the Financial Statements	
1. Organization and operations	14-15
2. Date and procedures of authorization for issuance of the financial statements	15
3. Newly issued or revised standards and interpretations	15-16
4. Summary of significant accounting policies	16-33
5. Significant accounting judgments, estimates and assumptions	33-34
6. Contents of significant accounts	35-116
7. Related party transactions	117-129
8. Pledged assets	129-130
9. Significant commitments and contingent liabilities	130-133
10. Significant loss due to disasters	133
11. Significant subsequent events	133
12. Others	133
13. Other disclosure items	
(1) Related information on significant transactions	134
(2) Information on long-term equity investments	135
(3) Information on investments in Mainland China	135
14. Operating segment financial information	135-137
Securities Department Financial Statements	138-166

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, 2021 and 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, 2021, December 31 and June 30, 2020, and their financial performance and cash flows for the six months ended June 30, 2021 and 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, 2021. 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.

Recognition of loss provision for loans

As of June 30, 2021, total outstanding loan balance of the Company was \$284,065,213 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, and 6 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.

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.

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.

Chang, Cheng-tao

Chang, Cheng-tao

Huang, Chien-che

Huang, Chien-che

Ernst & Young, Taiwan

August 25, 2021

Notice to Readers

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

Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Financial Statements Originally Issued in Chinese

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Balance Sheets

June 30, 2021, December 31, 2020, and June 30, 2020

(Expressed in thousands of New Taiwan Dollars)

			June 30, 2021		December 31, 2020		June 30, 2020		
			Note	Amount	%	Amount	%	Amount	%
Assets									
11000	Cash and cash equivalents	6(1) & 7	\$12,323,137	2	\$18,228,229	3	\$15,160,788	2	
11500	Due from the Central Bank and call loans to banks	6(1), 6(2) & 7	148,714,935	22	142,929,747	20	129,578,894	20	
12000	Financial assets at fair value through profit or loss	6(3) & 7	12,700,664	2	15,606,072	2	15,251,943	2	
12100	Financial assets at fair value through other comprehensive income	6(4) & 6(6)	159,659,249	24	195,809,551	27	155,671,151	24	
12200	Debt instrument investment measured at amortized cost	6(5)	1,917,570	-	1,921,444	-	1,925,370	-	
12300	Financial assets for hedging	6(6)	51,601	-	7,760	-	33,129	-	
12500	Securities and bonds purchased under resell agreements	6(1), 6(7) & 7	3,465,981	1	4,774,030	1	4,958,679	1	
13000	Receivables-net	6(8) & 7	19,384,691	3	21,296,685	3	19,805,510	3	
13200	Current tax assets	6(23)	109,655	-	212,365	-	142,742	-	
13500	Discounts and loans-net	6(6), 6(9) & 7	284,065,213	43	286,069,558	40	283,458,662	43	
15500	Other financial assets-net	6(10) & 8	12,171,327	2	15,983,922	2	16,004,135	2	
18500	Property and equipment-net	6(11)	3,162,005	1	3,354,027	1	3,409,381	1	
18600	Right-of-use assets-net	6(34)	3,104,693	-	1,684,426	-	1,829,360	-	
19000	Intangible assets-net	6(12)	3,159,301	-	3,242,454	-	3,293,008	1	
19300	Deferred tax assets	6(23)	795,304	-	851,365	-	847,735	-	
19500	Other assets-net	6(13), 7 & 8	2,557,346	-	3,759,752	1	3,189,951	1	
Total assets			\$667,342,672	100	\$715,731,387	100	\$654,560,438	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, 2021, December 31, 2020, and June 30, 2020
(Expressed in thousands of New Taiwan Dollars)

			June 30, 2021		December 31, 2020		June 30, 2020		
			Note	Amount	%	Amount	%	Amount	%
Liabilities									
21000	Deposits from the Central Bank and banks	6(14) & 7	\$3,192,006	1	\$7,155,527	1	\$15,484,494	2	
21500	Funds borrowed from the Central Bank and banks	6(15)	817,700	-	557,440	-	2,500	-	
22000	Financial liabilities at fair value through profit or loss	6(3) & 7	9,534,303	1	13,710,635	2	11,342,881	2	
22300	Financial liabilities for hedging	6(6)	31,912	-	753,247	-	221,326	-	
23000	Payables	6(16)	3,018,436	-	3,751,884	1	3,032,666	1	
23100	Related parties payable	7	5,312,830	1	4,625,692	1	7,911,963	1	
23200	Current tax liabilities	6(23)	147,037	-	249,616	-	162,818	-	
23500	Deposits and remittances	6(17) & 7	583,107,019	87	620,944,582	87	553,819,065	85	
24000	Financial debentures	6(18) & 7	5,575,403	1	7,702,800	1	7,931,051	1	
25500	Other financial liabilities	6(19)	71,984	-	159,575	-	119,803	-	
25600	Provisions	6(20) & 6(22)	1,454,689	-	1,514,371	-	1,412,152	-	
26000	Lease liabilities	6(34)	3,135,879	1	1,711,663	-	1,814,597	-	
29300	Deferred tax liabilities	6(23)	819,051	-	833,178	-	834,058	-	
29500	Other liabilities	6(21) & 7	4,891,718	1	5,603,857	1	4,598,176	1	
Total liabilities			621,109,967	93	669,274,067	94	608,687,550	93	
Equity									
31101	Common stock	6(24)	29,105,720	4	29,105,720	4	29,105,720	4	
31500	Capital surplus	6(24)	5,794,771	1	5,794,771	1	5,794,771	1	
32000	Retained earnings	6(24)							
32001	Legal reserve		9,346,691	2	8,659,800	1	8,659,800	2	
32003	Special reserve		247,892	-	282,545	-	282,545	-	
32005	Unappropriated earnings		1,557,717	-	2,296,045	-	1,679,777	-	
			11,152,300	2	11,238,390	1	10,622,122	2	
32500	Other equity interest	6(24)	179,914	-	318,439	-	350,275	-	
Total equity			46,232,705	7	46,457,320	6	45,872,888	7	
Total liabilities and equity			\$667,342,672	100	\$715,731,387	100	\$654,560,438	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, 2021 and 2020

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

			For the six months ended June 30			
			2021		2020	
			Amount	%	Amount	%
	Note					
41000	Interest income	6(27) & 7	\$3,404,995	53	\$4,794,398	70
51000	Less: Interest expenses	6(27) & 7	885,324	14	2,394,853	35
49010	Net interest income		2,519,671	39	2,399,545	35
49020	Net non-interest income					
49100	Net service fee income	6(28) & 7	2,555,494	40	2,385,929	35
49200	Gains on financial assets or liabilities at fair value through profit or loss	6(29) & 7	780,530	12	1,793,717	26
49310	Realized gains on financial assets at fair value through other comprehensive income	6(4) & 6(30)	32,634	1	21,791	-
49600	Foreign exchange gains		326,905	5	170,327	2
49700	Gains on reversal (impairment losses) on assets	6(32)	877	-	(76)	-
49800	Net other non-interest income	6(6), 6(31) & 7	169,731	3	124,127	2
	Total net non-interest income		3,866,171	61	4,495,815	65
	Net revenue		6,385,842	100	6,895,360	100
58200	(Reversal of) bad debt expense, commitment and guarantee liability provision	6(33)	(51,135)	(1)	206,661	3
58400	Operating expenses					
58500	Employee benefits expenses	6(22), 6(25), 6(35) & 7	2,538,420	40	2,487,525	36
59000	Depreciation and amortization expenses	6(11), 6(12), 6(34) & 6(36)	312,321	5	302,159	5
59500	Other general and administrative expenses	6(37) & 7	1,873,723	29	1,933,496	28
	Total operating expenses		4,724,464	74	4,723,180	69
61001	Profit from continuing operations before tax		1,712,513	27	1,965,519	28
61003	Less: Income tax expenses	6(23)	208,923	3	292,478	4
61000	Profit		1,503,590	24	1,673,041	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	6(22)	56,128	1	410	-
65204	Revaluation gains from investments in equity instruments measured at fair value through other comprehensive income		2,678	-	14,438	-
65220	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(23)	(11,226)	-	(82)	-
			47,580	1	14,766	-
65300	Components of other comprehensive income that will be reclassified to profit or loss					
65305	(Losses) gains on hedging instruments	6(24)	(30,604)	(1)	18,216	-
65309	Revaluation (losses) gains from investments in debt instruments measured at fair value through other comprehensive income		(127,641)	(2)	257,839	4
65310	(Reversal) provision of impairment losses from investments in debt instruments		(925)	-	95	-
65320	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(23)	17,967	-	(22,603)	-
	Components of other comprehensive income that will be reclassified to profit or loss		(141,203)	(3)	253,547	4
65000	Other comprehensive income		(93,623)	(2)	268,313	4
66000	Total comprehensive income		\$1,409,967	22	\$1,941,354	28
67500	Basic earnings per share (NTD)	6(26)	\$0.52		\$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, 2021 and 2020

(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, 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
Balance at January 1, 2021	\$29,105,720	\$5,794,771	\$8,659,800	\$282,545	\$2,296,045	\$293,405	\$25,034	\$46,457,320
Appropriation and distribution of retained earnings								
Legal reserve	-	-	686,891	-	(686,891)	-	-	-
Cash dividends	-	-	-	-	(1,634,582)	-	-	(1,634,582)
Reversal of special reserve	-	-	-	(34,653)	34,653	-	-	-
Net income	-	-	-	-	1,503,590	-	-	1,503,590
Other comprehensive income	-	-	-	-	44,902	(114,041)	(24,484)	(93,623)
Total comprehensive income	-	-	-	-	1,548,492	(114,041)	(24,484)	1,409,967
Balance at June 30, 2021	\$29,105,720	\$5,794,771	\$9,346,691	\$247,892	\$1,557,717	\$179,364	\$550	\$46,232,705

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, 2021 and 2020

(expressed in thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2021	2020
Cash flows from (used in) operating activities		
Profit before tax	\$1,712,513	\$1,965,519
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation expense	302,562	292,400
Amortization expense	9,759	9,759
(Reversal of) bad debt expense, commitment and guarantee liability provision	(51,135)	206,661
Interest expense	885,324	2,394,853
Interest income	(3,404,995)	(4,794,398)
Net change in other provisions	43,947	(45,193)
Gain on disposal of property and equipment	(163,274)	(119,553)
(Reversal of) impairment losses on assets	(877)	76
Total adjustments to reconcile profit (loss)	(2,378,689)	(2,055,395)
Changes in operating assets and liabilities		
Changes in operating assets		
Due from the Central Bank and call loans to banks	(21,382,028)	(12,513,224)
Financial assets at fair value through profit or loss	2,905,408	1,269,065
Financial assets at fair value through other comprehensive income	36,022,625	(4,787,149)
Debt instrument investment measured at amortized cost	3,874	3,876
Receivables	1,824,326	3,460,576
Discounts and loans	1,963,667	(1,463,131)
Other financial assets	3,813,538	104,969
Total changes in operating assets	25,151,410	(13,925,018)
Changes in operating liabilities		
Deposits from the Central Bank and banks	(3,963,521)	(7,283,842)
Financial liabilities at fair value through profit or loss	(4,176,332)	2,731,381
Payables	75,594	(1,713,524)
Deposits and remittances	(37,837,563)	39,578,714
Other financial liabilities	(87,591)	(32,771)
Other liabilities	(712,139)	(51,531)
Total changes in operating liabilities	(46,701,552)	33,228,427
Total changes in operating assets and liabilities	(21,550,142)	19,303,409
Total adjustments	(23,928,831)	17,248,014
Cash (outflow) inflow generated from operating activities	(22,216,318)	19,213,533
Interest received	3,609,426	5,053,935
Interest paid	(988,036)	(2,437,806)
Income taxes (paid) refunded	(160,274)	43,266
Net cash flows (used in) from operating activities	(19,755,202)	21,872,928
Cash flows from investing activities		
Acquisition of property and equipment	(96,345)	(23,867)
Proceeds from disposal of property and equipment	364,751	353,480
Decrease (increase) in derivatives collateral	1,147,226	(352,344)
Acquisition of intangible assets	-	(27,288)
Decrease in other assets	111,855	54,571
Net cash flows from investing activities	1,527,487	4,552
Cash flows used in financing activities		
Increase in funds borrowed from the Central Bank and banks	260,260	2,500
(Increase) decrease in financial instruments for hedging	(792,931)	96,485
Decrease in financial debentures	(2,000,000)	-
Payment of lease liabilities	(287,616)	(230,893)
Cash dividends paid	(1,634,582)	(1,912,739)
Net cash flows used in financing activities	(4,454,869)	(2,044,647)
Change in foreign exchange rate	(127,397)	(92,392)
Net (decrease) increase in cash and cash equivalents	(22,809,981)	19,740,441
Cash and cash equivalents at beginning of period	121,506,515	86,545,536
Cash and cash equivalents at end of period	\$98,696,534	\$106,285,977
Composition of cash and cash equivalents		
Cash and cash equivalents reported in the statement of financial position	\$12,323,137	\$15,160,788
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	82,907,416	86,166,510
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	3,465,981	4,958,679
Cash and cash equivalents at end of period	\$98,696,534	\$106,285,977

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
Notes to the Financial Statements
For the six months ended June 30, 2021 and 2020
(Expressed in thousands of New Taiwan Dollars, Unless Otherwise Specified)

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 shares. 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, 2021, 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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

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 25, 2021.

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, 2021. 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 endorsed by FSC, but not yet adopted by the Company as of the end of the reporting period are listed below.

Item	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	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

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2022. The Company assessed that the abovementioned standards and interpretations have no material impact on the Company.

- (3) 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	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	January 1, 2023
e	Definition of Accounting Estimates – Amendments to IAS 8	January 1, 2023
f	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	January 1, 2023

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 (IAS) 34, *Interim Financial Reporting*, as endorsed and became effective 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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

(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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

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

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

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(38) 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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

(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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

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

The Company uses derivative instruments to hedge its foreign currency risks, interest rate risks and transaction prices risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss except for derivatives that are designated as and effective hedging instruments which are classified as financial assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The changes in fair value of derivatives are taken directly to profit or loss, except for the effective portion of hedges, which is recognized in either profit or loss or equity according to types of hedges used.

For the purpose of hedging, there are two types:

- i. Fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.
- ii. Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction and could affect profit or loss.

In conformity with all the conditions for applying hedge accounting, 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 are recognized through profit or loss in the current period.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used shall be amortized to profit or loss. Amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. The adjustment is based on a recalculated effective interest rate at the date amortization begins. The adjustment shall be amortized fully by maturity of the financial instrument. When hedged items derecognized, unamortized fair value is recognized in profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit or loss.

ii. Cash flow hedge

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized in other comprehensive income; and the ineffective portion of the gain or loss on the hedging instrument shall be recognized in profit or loss.

When profits or losses occurred from transaction of hedged items, gains and losses that were recognized in other comprehensive income will be reclassified to profits or losses. If the hedged item is a non-financial asset or non-financial liability, the amount recognized in other comprehensive income shall adjust to the carrying amount of the hedged item.

When a forecast transaction or firm commitment are not expected to occur, the previous cumulative other comprehensive income will be recognized in profit or losses. When the hedging instrument expires or is sold, terminated or exercised, the cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs.

(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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

(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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

(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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

(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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

- 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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

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 basic income tax calculation of the Company is based on the Income Basic Tax Act. 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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

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(38) for detailed information of primary assumption and inputs.

(2) Valuation of financial instruments

Fair value of financial instruments is determined using valuation techniques when there is no active market or quoted price. Under this circumstance, fair value is assessed through relevant observable information or model. If there 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(38) 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(12) for further disclosure of goodwill.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

6. Contents of significant accounts

(1) Cash and cash equivalents

	June 30, 2021	December 31, 2020	June 30, 2020
Cash on hand	\$3,058,203	\$3,201,344	\$3,389,246
Checks for clearing	1,012	1,965	3,992
Deposits with other banks	3,288,177	3,438,881	2,764,713
Deposits with other banks — affiliates	5,975,835	11,588,645	9,003,901
Subtotal	12,323,227	18,230,835	15,161,852
Less: allowance for bad debts	90	2,606	1,064
Total	<u>\$12,323,137</u>	<u>\$18,228,229</u>	<u>\$15,160,788</u>

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, 2021	December 31, 2020	June 30, 2020
Cash and cash equivalents reported in the balance sheets	\$12,323,137	\$18,228,229	\$15,160,788
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	82,907,416	98,504,256	86,166,510
Securities and bonds purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	<u>3,465,981</u>	<u>4,774,030</u>	<u>4,958,679</u>
Cash and cash equivalents reported in the statements of cash flows	<u>\$98,696,534</u>	<u>\$121,506,515</u>	<u>\$106,285,977</u>

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

For the six months ended June 30, 2021								
	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	\$2,606	\$-	\$-	\$-	\$-	\$2,606	\$-	\$2,606
Changes due to financial instrument recognition:								
Financial assets derecognized during the period	(2,606)	-	-	-	-	(2,606)	-	(2,606)
New financial assets originated or purchased	90	-	-	-	-	90	-	90
Ending balance	<u>\$90</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$90</u>	<u>\$-</u>	<u>\$90</u>

STANDARD CHARTERED BANK (TAIWAN) LIMITED
Notes to the Financial Statements (Continued)
(Expressed in thousands of New Taiwan Dollars, Unless Otherwise Specified)

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	<u>\$1,064</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$1,064</u>	<u>\$-</u>	<u>\$1,064</u>

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

	June 30, 2021	December 31, 2020	June 30, 2020
Required reserve — checking account	\$9,328,378	\$7,135,036	\$7,876,626
Required reserve — demand account	23,562,164	13,455,515	11,128,588
Required reserve — foreign currency	278,660	285,030	296,443
Required reserve — settlement account	3,015,553	3,010,061	1,517,131
Call loans to banks	48,817,529	44,782,206	68,605,995
Call loans to banks — affiliates	49,611,990	74,261,899	40,154,111
Trade financing	14,101,692	-	-
Subtotal	148,715,946	142,929,747	129,578,894
Less: allowance for bad debts	1,011	-	-
Total	<u>\$148,714,935</u>	<u>\$142,929,747</u>	<u>\$129,578,894</u>

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

Changes in the allowance for bad debts of Due from the Central Bank and call loans to banks were as follows:

For the six months ended June 30, 2021							
	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	\$-	\$-	\$-	\$-	\$-	\$-	\$-
New financial assets originated or purchased	1,011	-	-	-	-	1,011	1,011
Ending balance	\$1,011	\$-	\$-	\$-	\$-	\$1,011	\$1,011

There was no changes in the allowance for bad debts of Due from the Central Bank and call loans to banks for the six months ended June 30, 2020.

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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

(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, 2021	December 31, 2020	June 30, 2020
Financial assets mandatorily measured at fair value through profit or loss:			
Government bonds	\$3,197,699	\$2,354,721	\$4,802,417
Corporate bonds	100,600	-	-
Subtotal	3,298,299	2,354,721	4,802,417
Derivative financial assets:			
Interest rate swap	4,345,714	4,887,993	6,601,930
Interest rate option	124,655	67,823	137,437
Spot/forward/swap	4,275,536	7,273,590	3,372,133
Cross currency swap	516,110	628,002	91,216
Foreign exchange option	113,881	347,017	158,949
Commodity swap	18,218	28,008	70,511
Commodity option	1,017	15,827	15,558
Commodity forward	7,234	3,091	1,792
Subtotal	9,402,365	13,251,351	10,449,526
Total	<u>\$12,700,664</u>	<u>\$15,606,072</u>	<u>\$15,251,943</u>

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

	June 30, 2021	December 31, 2020	June 30, 2020
Derivative financial liabilities:			
Interest rate swap	\$4,212,737	\$4,769,611	\$6,494,577
Interest rate option	25,145	22,727	12,623
Spot/forward/swap	4,882,228	8,119,527	4,411,149
Cross currency swap	274,346	403,638	176,907
Foreign exchange option	113,436	348,254	159,872
Commodity swap	18,219	27,966	70,473
Commodity option	958	15,821	15,488
Commodity forward	7,234	3,091	1,792
Total	<u>\$9,534,303</u>	<u>\$13,710,635</u>	<u>\$11,342,881</u>

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

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

	June 30, 2021	December 31, 2020	June 30, 2020
Debt instrument:			
Negotiable certificates of deposit	\$95,382,077	\$120,662,739	\$97,921,253
Treasury Bills	26,603,735	37,006,147	13,606,778
Government bonds	36,888,742	37,358,648	43,281,321
Subtotal	<u>158,874,554</u>	<u>195,027,534</u>	<u>154,809,352</u>
Equity instrument:			
Non-listed stock	<u>784,695</u>	<u>782,017</u>	<u>861,799</u>
Total	<u>\$159,659,249</u>	<u>\$195,809,551</u>	<u>\$155,671,151</u>
The revaluation adjustment of hedged items included in the total calculation above	<u>\$2,849</u>	<u>\$3,779</u>	<u>\$6,283</u>

Please refer to note 6(38) for credit risk and market risk information.

As of June 30, 2021, December 31, 2020 and June 30, 2020, 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, 2021 and 2020, dividend income of the above equity instrument investments were \$157 thousand and \$312 thousand, respectively, recorded under realized gain on financial assets at fair value through other comprehensive income.

As of June 30, 2021, December 31, 2020 and June 30, 2020, the Company's allowance for impairments of the above financial assets at fair value through other comprehensive income were \$4,833 thousand, \$5,601 thousand and \$5,075 thousand, respectively.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

(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, 2021					
	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	\$5,601	\$-	\$-	\$-	\$5,601
Changes due to financial instrument recognition:					
Financial assets derecognized during the period	(3,339)	-	-	-	(3,339)
New financial assets originated or purchased	2,162	-	-	-	2,162
Foreign currency exchange and other changes	409	-	-	-	409
Ending Balance	<u>\$4,833</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$4,833</u>

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	<u>\$5,075</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$5,075</u>

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

For the six months ended June 30, 2021					
	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	\$195,027,534	\$-	\$-	\$-	\$195,027,534
Changes due to financial instrument recognition:					
Financial assets derecognized during the period	(126,759,531)	-	-	-	(126,759,531)
New financial assets originated or purchased	90,716,571	-	-	-	90,716,571
Foreign currency exchange and other changes	(110,020)	-	-	-	(110,020)
Ending Balance	<u>\$158,874,554</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$158,874,554</u>

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

	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	<u>\$154,809,352</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$154,809,352</u>

(5) Debt instrument investment measured at amortized cost

	December 31,		
	June 30, 2021	2020	June 30, 2020
Government bonds	<u>\$1,917,570</u>	<u>\$1,921,444</u>	<u>\$1,925,370</u>

As of June 30, 2021, December 31, 2020 and June 30, 2020, 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, 2021				
	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	<u>\$117</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$117</u>

	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	<u>\$117</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$117</u>

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

(6) Financial assets for hedging

Financial assets for hedging were as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Cash flow hedge:			
Cross currency swap	\$51,601	\$7,760	\$33,129

Financial liabilities for hedging were as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Fair value hedge:			
Interest rate swap	\$3,820	\$5,835	\$12,098
Cash flow hedge:			
Interest rate swap	6,191	3,543	-
Cross currency swap	21,901	743,869	209,228
Total	\$31,912	\$753,247	\$221,326

(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, 2021, December 31, 2020 and June 30, 2020, 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, 2021	Contract type	June 30, 2021
Financial assets at fair value through other comprehensive income:			
Government bonds — revaluation adjustment	\$2,849	Interest rate swap	\$(3,820)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

Hedged items		Hedging instruments	
Underlying instruments	December 31, 2020	Contract type	December 31, 2020
Financial assets at fair value through other comprehensive income:			
Government bonds —			
revaluation			
adjustment			
	<u>\$3,779</u>	Interest rate swap	<u>\$(5,835)</u>

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			
	<u>\$6,283</u>	Interest rate swap	<u>\$(12,098)</u>

For the six months ended June 30, 2021 and 2020, net gains (losses) on the hedging financial instruments listed above amounted to \$3,045 thousand and \$(1,123) thousand, respectively. For the six months ended June 30, 2021 and 2020, net (losses) gains from the hedged risk of the hedged items amounted to \$(1,226) thousand and \$777 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. Interest rate swap and cross currency swap are designated as hedging instruments to reduce the cash flow risk resulting from the changes in interest rate and foreign exchange rate.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

Hedged items	Financial instruments designated as hedging instruments	Fair value		
		June 30, 2021	December 31, 2020	June 30, 2020
Discounts and loans — floating interest rate	Interest rate swap	\$(6,191)	\$(3,543)	\$-
Deposits and remittances — fixed interest rate	Cross currency swap	29,700	(736,109)	(176,099)
Total		<u>\$23,509</u>	<u>\$(739,652)</u>	<u>\$(176,099)</u>

(7) Securities and bonds purchased under resell agreements

	June 30, 2021	December 31, 2020	June 30, 2020
Securities purchased under resell agreements	<u>\$3,465,981</u>	<u>\$4,774,030</u>	<u>\$4,958,679</u>
Face value of debt instruments	<u>\$3,364,323</u>	<u>\$4,637,988</u>	<u>\$4,932,213</u>
Interest rate	<u>0.01%~0.20%</u>	<u>0.01%~0.19%</u>	<u>0.01%~0.27%</u>
Last settlement date	<u>2021.8.2</u>	<u>2021.3.9</u>	<u>2020.7.17</u>
Resell price	<u>\$3,543,351</u>	<u>\$4,774,459</u>	<u>\$4,959,300</u>

As of June 30, 2021, December 31, 2020 and June 30, 2020, allowance for impairments of the above securities and bonds purchased under resell agreements were \$28 thousand, \$64 thousand and \$32 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, 2021				
	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	\$64	\$-	\$-	\$-	\$64
Changes due to financial instrument recognition:					
Financial assets derecognized during the period	(64)	-	-	-	(64)
New financial assets originated or purchased	28	-	-	-	28
Ending Balance	<u>\$28</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$28</u>

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

	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	<u>\$32</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$32</u>

(8) Receivables-net

	December 31,		
	June 30, 2021	2020	June 30, 2020
Accounts receivable factoring	\$12,181,520	\$12,488,866	\$10,588,787
Credit cards accounts receivable	3,681,989	5,346,268	4,627,454
Accounts receivable	865,706	860,447	598,514
Interest receivable	993,588	1,246,059	1,334,263
Acceptances receivable	356,654	436,955	456,479
Accounts receivable — related parties	1,383,676	847,317	1,263,907
Unsettled trades receivable	-	-	1,094,252
Other	234,658	440,998	216,819
Subtotal	<u>19,697,791</u>	<u>21,666,910</u>	<u>20,180,475</u>
Less: allowance for bad debts	<u>313,100</u>	<u>370,225</u>	<u>374,965</u>
Total	<u>\$19,384,691</u>	<u>\$21,296,685</u>	<u>\$19,805,510</u>

Please refer to note 6(38) for relating information on credit risk and market risk.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

(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, 2021								
	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	\$64,165	\$4,159	\$-	\$142,974	\$-	\$211,298	\$158,927	\$370,225
Changes due to financial instrument recognition:								
Transferred to lifetime expected credit losses	(211)	217	-	(6)	-	-	-	-
Transferred to credit impaired financial asset	(480)	(107)	-	587	-	-	-	-
Transferred to 12-months expected credit losses	45	(37)	-	(8)	-	-	-	-
Financial assets derecognized during the period	(11,148)	(3,233)	-	(9,498)	-	(23,879)	-	(23,879)
New financial assets originated or purchased	5,250	393	-	36,418	-	42,061	-	42,061
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	(27,895)	(27,895)
Bad-Debt Write offs	(312)	(203)	-	(30,229)	-	(30,744)	-	(30,744)
Foreign currency exchange and other changes	(10,532)	1,564	-	(7,700)	-	(16,668)	-	(16,668)
Ending balance	\$46,777	\$2,753	\$-	\$132,538	\$-	\$182,068	\$131,032	\$313,100

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

STANDARD CHARTERED BANK (TAIWAN) LIMITED
Notes to the Financial Statements (Continued)
(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, 2021					
	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	\$21,067,323	\$178,606	\$-	\$420,981	\$-	\$21,666,910
Changes due to financial instrument recognition:						
Transferred to lifetime expected credit losses	(153,008)	152,958	-	50	-	-
Transferred to credit impaired financial asset	(9,786)	(8,690)	-	18,476	-	-
Transferred to 12-months expected credit losses	4,179	(4,090)	-	(89)	-	-
Financial assets derecognized during the period	(16,097,963)	(96,119)	-	(53,508)	-	(16,247,590)
New financial assets originated or purchased	12,976,737	1,679	-	18,540	-	12,996,956
Bad-Debt Write offs	(312)	(203)	-	(30,229)	-	(30,774)
Foreign currency exchange and other changes	1,289,655	6,496	-	16,108	-	1,312,259
Ending balance	\$19,076,825	\$230,637	\$-	\$390,329	\$-	\$19,697,791

	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

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

(9) Discounts and loans-net

	June 30, 2021	December 31, 2020	June 30, 2020
Bills negotiations and bills and notes			
discounted	\$307,038	\$269,764	\$356,120
Short-term loans and overdrafts	38,512,712	38,137,562	36,946,206
Short-term secured loans	8,776,428	13,586,673	13,967,261
Medium-term loans	44,928,909	45,866,733	45,241,433
Medium-term secured loans	4,640,166	4,240,758	3,526,002
Long-term loans	8,852,992	8,715,218	10,856,657
Long-term secured loans	182,305,532	179,577,843	176,996,549
Overdue loans	96,262	128,217	132,403
Subtotal	288,420,039	290,522,768	288,022,631
Add: premium adjustments on discounts			
and loans	212,155	178,602	126,610
Less: allowance for bad debts	4,566,981	4,631,812	4,690,579
Total	<u>\$284,065,213</u>	<u>\$286,069,558</u>	<u>\$283,458,662</u>

Please refer to note 6(38) for relating information on credit risk and market risk.

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, 2021, December 31, 2020 and June 30, 2020, the amounts of outstanding loans with interest charges suspended amounted to \$96,262 thousand, \$128,217 thousand and \$132,403 thousand, respectively. The amounts of interest not accrued derived from the aforementioned loans were \$2,494 thousand, \$2,607 thousand and \$2,115 thousand, respectively.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

(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, 2021								
	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	\$380,681	\$335,971	\$-	\$730,304	\$-	\$1,446,956	\$3,184,856	\$4,631,812
Changes due to financial instrument recognition:								
Transferred to lifetime expected credit losses	(13,388)	13,843	-	(455)	-	-	-	-
Transferred to credit impaired financial asset	(1,853)	(8,393)	-	10,246	-	-	-	-
Transferred to 12-months expected credit losses	23,912	(23,873)	-	(39)	-	-	-	-
Financial assets derecognized during the period	(66,503)	(161,484)	-	(81,826)	-	(309,813)	-	(309,813)
New financial assets originated or purchased	92,711	13,018	-	228,029	-	333,758	-	333,758
Differences in impairment provisions according to “Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans”	-	-	-	-	-	-	104,722	104,722
Bad-Debt Write offs	-	(846)	-	(221,473)	-	(222,319)	-	(222,319)
Foreign currency exchange and other changes	(74,127)	101,656	-	1,292	-	28,821	-	28,821
Ending balance	\$341,433	\$269,892	\$-	\$666,078	\$-	\$1,277,403	\$3,289,578	\$4,566,981

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

STANDARD CHARTERED BANK (TAIWAN) LIMITED
Notes to the Financial Statements (Continued)
(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, 2021					
			Lifetime expected credit losses	Lifetime expected credit losses		
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	(non-purchased or originated credit impaired financial assets)	(purchased or originated credit impaired financial assets)	Total
Beginning balance	\$270,483,676	\$16,525,217	\$-	\$3,513,875	\$-	\$290,522,768
Changes due to financial instrument recognition:						
Transferred to lifetime expected credit losses	(873,988)	878,685	-	(4,697)	-	-
Transferred to credit impaired financial asset	(305,774)	(125,158)	-	430,932	-	-
Transferred to 12-months expected credit losses	4,103,764	(4,094,812)	-	(8,952)	-	-
Financial assets derecognized during the period	(68,193,915)	(3,060,379)	-	(463,547)	-	(71,717,841)
New financial assets originated or purchased	69,230,397	414,585	-	178,664	-	69,823,646
Bad-Debt Write offs	-	(846)	-	(221,473)	-	(222,319)
Foreign currency exchange and other changes	12,070	2	-	1,713	-	13,785
Ending balance	\$274,456,230	\$10,537,294	\$-	\$3,426,515	\$-	\$288,420,039

	For the six months ended June 30, 2020					
			Lifetime expected credit losses	Lifetime expected credit losses		
	12-months expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	(non-purchased or originated credit impaired financial assets)	(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

(10) Other financial assets-net

	June 30, 2021	December 31, 2020	June 30, 2020
Restricted assets—debt instruments	\$12,171,327	\$15,983,922	\$16,004,135
Non-accrual loans other than those reclassified from loans	40,232	41,175	42,899
Less: allowance for bad debts-non-accrual loans other than those reclassified from loans	40,232	41,175	42,899
Total	\$12,171,327	\$15,983,922	\$16,004,135

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

(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, 2021							
	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"
Beginning balance	\$-	\$-	\$-	\$32,645	\$-	\$32,645	\$8,530
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	(213)
Foreign currency exchange and other changes	-	-	-	(730)	-	(730)	-
Ending balance	\$-	\$-	\$-	\$31,915	\$-	\$31,915	\$8,317
							Total

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"
Beginning balance	\$-	\$-	\$-	\$49	\$-	\$49	\$7,472
New financial assets originated or purchased	-	-	-	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
Bad-Debt Write offs	-	-	-	(49)	-	(49)	-
Ending balance	\$-	\$-	\$-	\$33,952	\$-	\$33,952	\$8,947
							Total

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, 2021					
	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)
Beginning balance	\$-	\$-	\$-	\$41,175	\$-
Changes due to financial instrument recognition:					
Financial assets derecognized during the period	-	-	-	(176)	-
Foreign currency exchange and other changes	-	-	-	(767)	-
Ending balance	\$-	\$-	\$-	\$40,232	\$-

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

	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

(11) Property and equipment-net

	Land	Buildings	Office equipment	Leasehold improvements	Other equipment	Construction in progress	Total
Cost:							
2021.1.1	\$2,188,524	\$2,204,444	\$308,452	\$605,228	\$490,944	\$8,411	\$5,806,003
Additions	-	-	14,318	53,561	-	28,466	96,345
Disposals	(132,832)	(257,721)	(1,786)	(11,114)	(5,000)	-	(408,453)
Reclassification	-	-	-	-	701	(701)	-
Other changes	-	-	-	-	-	(40)	(40)
2021.6.30	<u>\$2,055,692</u>	<u>\$1,946,723</u>	<u>\$320,984</u>	<u>\$647,675</u>	<u>\$486,645</u>	<u>\$36,136</u>	<u>\$5,493,855</u>
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	<u>\$2,188,524</u>	<u>\$2,204,444</u>	<u>\$323,201</u>	<u>\$623,388</u>	<u>\$504,150</u>	<u>\$-</u>	<u>\$5,843,707</u>
Accumulated depreciation and impairment:							
2021.1.1	\$18,073	\$1,250,106	\$301,310	\$515,487	\$367,000	\$-	\$2,451,976
Depreciation	-	25,172	3,344	19,122	39,212	-	86,850
Disposals	-	(94,335)	(1,615)	(11,114)	(5,000)	-	(112,064)
Impairment (reversal)	-	(94,912)	-	-	-	-	(94,912)
2021.6.30	<u>\$18,073</u>	<u>\$1,086,031</u>	<u>\$303,039</u>	<u>\$523,495</u>	<u>\$401,212</u>	<u>\$-</u>	<u>\$2,331,850</u>
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	<u>\$18,073</u>	<u>\$1,221,350</u>	<u>\$317,991</u>	<u>\$525,057</u>	<u>\$351,855</u>	<u>\$-</u>	<u>\$2,434,326</u>
Net carrying amount as of:							
2021.6.30	<u>\$2,037,619</u>	<u>\$860,692</u>	<u>\$17,945</u>	<u>\$124,180</u>	<u>\$85,433</u>	<u>\$36,136</u>	<u>\$3,162,005</u>
2020.12.31	<u>\$2,170,451</u>	<u>\$954,338</u>	<u>\$7,142</u>	<u>\$89,741</u>	<u>\$123,944</u>	<u>\$8,411</u>	<u>\$3,354,027</u>
2020.6.30	<u>\$2,170,451</u>	<u>\$983,094</u>	<u>\$5,210</u>	<u>\$98,331</u>	<u>\$152,295</u>	<u>\$-</u>	<u>\$3,409,381</u>

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

(12) Intangible assets-net

	Work in Process	Goodwill	Capitalized Software	Total
Cost:				
2021.1.1	\$73,394	\$3,156,048	\$83,109	\$3,312,551
Reclassification	(73,394)	-	-	(73,394)
2021.6.30	\$-	\$3,156,048	\$83,109	\$3,239,157
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
Amortization and Impairment:				
2021.1.1	\$-	\$-	\$70,097	\$70,097
Additions	-	-	9,759	9,759
2021.6.30	\$-	\$-	\$79,856	\$79,856
2020.1.1	\$-	\$-	\$50,578	\$50,578
Additions	-	-	9,759	9,759
2020.6.30	\$-	\$-	\$60,337	\$60,337
2021.6.30	\$-	\$3,156,048	\$3,253	\$3,159,301
2020.12.31	\$73,394	\$3,156,048	\$13,012	\$3,242,454
2020.6.30	\$114,188	\$3,156,048	\$22,772	\$3,293,008

(13) Other assets-net

	June 30, 2021	December 31, 2020	June 30, 2020
Refundable deposits	\$378,452	\$361,187	\$366,067
Refundable deposits— derivative financial instruments	1,877,277	3,024,503	2,618,737
Prepaid fee	292,846	221,921	202,483
Other	8,771	152,141	2,664
Total	\$2,557,346	\$3,759,752	\$3,189,951

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

As of June 30, 2021, December 31, 2020 and June 30, 2020, allowance for impairments of the above other assets were \$79 thousand, \$17 thousand and \$36 thousand, respectively, recorded under refundable deposits.

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

For the six months ended June 30, 2021							
	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"
Beginning balance	\$17	\$-	\$-	\$-	\$-	\$17	\$-
Changes due to financial instrument recognition:							
Financial assets derecognized during the period	(17)	-	-	-	-	(17)	-
New financial assets originated or purchased	79	-	-	-	-	79	-
Ending balance	\$79	\$-	\$-	\$-	\$-	\$79	\$-

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"
Beginning balance	\$44	\$-	\$-	\$-	\$-	\$44	\$-
Changes due to financial instrument recognition:							
Financial assets derecognized during the period	(44)	-	-	-	-	(44)	-
New financial assets originated or purchased	36	-	-	-	-	36	-
Ending balance	\$36	\$-	\$-	\$-	\$-	\$36	\$-

(14) Deposits from the Central Bank and banks

	June 30, 2021	December 31, 2020	June 30, 2020
Deposits from banks	\$84,759	\$82,712	\$97,800
Deposits from banks—affiliates	66,942	63,262	1,406,794
Overdrafts on banks	33,350	7,779	40,134
Overdrafts on banks—affiliates	508,972	3,164,579	599,850
Call loans from banks—affiliates	2,497,983	3,837,195	13,339,916
Total	\$3,192,006	\$7,155,527	\$15,484,494

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

(15) Funds borrowed from the Central Bank and banks

	June 30, 2021	December 31, 2020	June 30, 2020
Funds borrowed from the Central Bank	<u>\$817,700</u>	<u>\$557,440</u>	<u>\$2,500</u>

(16) Payables

	June 30, 2021	December 31, 2020	June 30, 2020
Accounts payable	\$88,548	\$92,633	\$22,955
Accrued interest	172,599	185,230	302,786
Accrued expenses	1,377,519	1,674,469	1,241,251
Collection payable	39,695	23,588	36,361
Unsettled bonds payable	-	1,045	-
Acceptances payable	356,654	436,955	456,479
Temporary receipts in advance	77,040	39,782	41,463
Other	906,381	1,298,182	931,371
Total	<u>\$3,018,436</u>	<u>\$3,751,884</u>	<u>\$3,032,666</u>

(17) Deposits and remittances

	June 30, 2021	December 31, 2020	June 30, 2020
Checking accounts deposits	<u>\$2,769,999</u>	<u>\$2,205,038</u>	<u>\$2,274,461</u>
Demand deposits:			
Demand deposits	297,888,371	334,400,779	256,327,644
Saving account deposits	157,880,189	151,124,520	144,481,232
Subtotal of demand deposits	<u>455,768,560</u>	<u>485,525,299</u>	<u>400,808,876</u>
Time deposits:			
Time deposits	98,319,553	106,366,025	122,987,381
Time savings deposits	26,137,928	26,667,807	27,599,589
Subtotal of time deposits	<u>124,457,481</u>	<u>133,033,832</u>	<u>150,586,970</u>
Remittances	<u>110,979</u>	<u>180,413</u>	<u>148,758</u>
Total	<u>\$583,107,019</u>	<u>\$620,944,582</u>	<u>\$553,819,065</u>

As of June 30, 2021, December 31, 2020 and June 30, 2020, the Company's foreign currency time deposits with fixed rate mentioned above have 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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

(18) Financial debentures

As of June 30, 2021, December 31, 2020 and June 30, 2020, details of financial debentures issued by the Company were as follows:

Bond	Conditions for issuance	June 30, 2021	December 31, 2020	June 30, 2020
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
103-2	10 year term, USD based, interest accrued and paid semiannually, annual rate is 4.50%; maturity date: December 18, 2024	5,573,203	5,700,600	5,928,851
Total		<u>\$5,575,403</u>	<u>\$7,702,800</u>	<u>\$7,931,051</u>

(19) Other financial liabilities

	June 30, 2021	December 31, 2020	June 30, 2020
Structured deposits	<u>\$71,984</u>	<u>\$159,575</u>	<u>\$119,803</u>

(20) Provisions

	June 30, 2021	December 31, 2020	June 30, 2020
Provision for employee benefits	\$1,152,839	\$1,215,865	\$1,183,381
Provision for decommissioning, restoration and rehabilitation cost	213,468	161,986	163,583
Provision for guarantee liability	56,259	41,675	39,382
Provision for loan commitment	24,465	87,119	17,788
Other miscellaneous provisions	39	49	122
Other	7,619	7,677	7,896
Total	<u>\$1,454,689</u>	<u>\$1,514,371</u>	<u>\$1,412,152</u>

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

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, 2021							Total
	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"	
Beginning balance	\$54,687	\$32,932	\$-	\$-	\$-	\$87,619	\$41,224	\$128,843
Changes due to financial instrument recognition:								
Transferred to lifetime expected credit losses	(4)	4	-	-	-	-	-	-
Transferred to 12-months expected credit losses	15,720	(15,720)	-	-	-	-	-	-
Financial assets derecognized during the period	(55,964)	(13,348)	-	-	-	(69,312)	-	(69,312)
New financial assets originated or purchased	4,847	26	-	-	-	4,873	-	4,873
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	14,078	14,078
Foreign currency exchange and other changes	2,032	249	-	-	-	2,281	-	2,281
Ending balance	\$21,318	\$4,143	\$-	\$-	\$-	\$25,461	\$55,302	\$80,763

	For the six months ended June 30, 2020							Total
	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"	
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

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

(21) Other liabilities

	June 30, 2021	December 31, 2020	June 30, 2020
Advance received from customers	\$1,297,159	\$1,355,674	\$1,476,942
Guarantee deposits received — derivatives financial instruments	2,150,290	2,816,589	1,744,608
Tax payable	397,257	541,315	523,758
Deferred income	383,748	361,271	192,089
Guarantee deposits received	2,836	2,791	2,742
Other	660,428	526,217	658,037
Total	<u>\$4,891,718</u>	<u>\$5,603,857</u>	<u>\$4,598,176</u>

(22) 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, 2021 and 2020, the pension expense under defined contribution plan of the Company amounted to \$80,880 thousand and \$83,860 thousand, respectively, recorded under operating expenses-employee benefits expense.

(b) Provision for employee benefits

i. Defined benefit plan

	June 30, 2021	December 31, 2020	June 30, 2020
Defined benefit plan	<u>\$1,152,839</u>	<u>\$1,215,865</u>	<u>\$1,183,381</u>

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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

ii. Cost recognized as profit or loss

For the six months ended June 30, 2021 and 2020, the cost recognized as profit or loss were \$18,873 thousand and \$27,486 thousand, respectively, recorded under operating expenses-employee benefits expense.

iii. Primary actuarial assumptions

	For the six months ended June 30, 2021	For the six months ended June 30, 2020
Defined benefit plan discount rate	0.50%	0.50%
Incremental rate of future compensation levels	3.00%	3.00%

(23) Income tax

The major components of income tax expense for the six months ended June 30, 2021 and 2020 were as follows:

Income tax expense recognized in profit or loss

	For the six months ended June 30	
	2021	2020
Current income tax expense		
Current income tax charge	\$153,162	\$181,144
Adjustments in respect of current income tax of prior periods	2,613	(3,856)
Deferred income tax expense		
Deferred tax expense relating to origination and reversal of temporary differences	53,148	115,190
Income tax expense	<u>\$208,923</u>	<u>\$292,478</u>

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

Income tax related to components of other comprehensive income

	For the six months ended June 30	
	2021	2020
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss:		
Remeasurements of defined benefit plans	\$11,226	\$82
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	(11,847)	18,960
Hedging instruments	(6,120)	3,643
Total	<u>\$(6,741)</u>	<u>\$22,685</u>

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	
	2021	2020
Accounting profit before tax from continuing operations	<u>\$1,712,513</u>	<u>\$1,965,519</u>
Income tax from profit before tax at statutory rate	\$342,503	\$393,104
Permanent difference	(168,452)	(142,358)
Prior-year income tax adjustments	2,613	(3,856)
Basic income tax	29,210	162,818
Other adjustments per tax regulation	3,049	(117,230)
Income tax expense	<u>\$208,923</u>	<u>\$292,478</u>

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

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

	For the six months ended June 30	
	2021	2020
Bad debt expense and guarantee liability provision	\$33,830	\$(18,445)
Depreciation expense	(3,785)	35
Impairment loss on assets	18,982	-
Expenses from share-based payments	(3,098)	(260)
Employee benefits	1,380	9,016
Rental expense	-	18,781
Provisions	4,601	(4,616)
Deferred income	(3,950)	-
Loss carryforwards	-	113,822
Unrealized interest income on financial assets	5,188	(3,143)
Total	<u>\$53,148</u>	<u>\$115,190</u>

The Company's temporary difference of deferred tax components, based on the income tax rate for June 30, 2021, December 31, 2020 and June 30, 2020 were as follows:

	June 30, 2021	December 31, 2020	June 30, 2020
Deferred tax assets			
Bad debt expense and guarantee liability provision	\$428,472	\$462,302	\$484,291
Depreciation expense	45,863	42,078	41,457
Impairment loss on assets	429	19,411	19,411
Expenses from share-based payments	7,375	4,277	47,889
Employee benefits	230,565	243,171	236,674
Provisions	9,543	14,144	17,749
Deferred income	68,885	64,935	-
Unrealized loss on financial assets measured at fair value through other comprehensive income	4,172	1,047	264
Total	<u>\$795,304</u>	<u>\$851,365</u>	<u>\$847,735</u>

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

	June 30, 2021	December 31, 2020	June 30, 2020
Deferred tax liabilities			
Unrealized interest income on financial assets	\$129,776	\$124,588	\$116,115
Amortization of goodwill	618,585	618,585	618,585
Land value increment tax	66,941	71,571	71,571
Unrealized gain on financial assets measured at fair value through other comprehensive income	3,611	12,176	21,541
Gain on hedging instruments	138	6,258	6,246
Total	<u>\$819,051</u>	<u>\$833,178</u>	<u>\$834,058</u>

The movements of deferred tax items were as follows:

	For the six months ended June 30	
	2021	2020
Beginning balance	\$18,187	\$148,234
Land value increment tax	4,630	3,062
Recognized in current period profit and loss	(53,148)	(115,190)
Recognized in other comprehensive income	6,584	(22,429)
Ending balance	<u>\$(23,747)</u>	<u>\$13,677</u>

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

(24) Stockholders' equity

(a) Capital

As of June 30, 2021, 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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

(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, 2021 and 2020, 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 \$9,225 thousand and \$6,408 thousand, respectively.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

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 from 2016 to 2018 in response to the development of financial technology in order to protect the rights and interests of bank practitioners. Since 2017, public banks can reserve the expenditure for employee transfer or placement from the development of financial technology. Under Jin-Guan-Yin-Fa-Zhi No. 10802714560 issued by the Financial Supervisory Commission dated May 15, 2019, it is no longer necessary to use special reserve as a way in response to the development of financial technology and the protection of the rights of employee in domestic banks from the fiscal year of 2019. The public banks can reserve the expenditure for employee transfer or placement and for employee training in financial technology development or banking business development. The board of directors, representing the shareholders, approved the reversal of special reserves amounting to \$25,428 thousand at 2016-2018 appropriation on June 16, 2021.

(e) Other equity interest

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

	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Total
January 1, 2021	\$293,405	\$25,034	\$318,439
Gains on hedging instruments	-	(24,484)	(24,484)
Financial assets at fair value through other comprehensive income			
Valuation adjustment	(114,041)	-	(114,041)
June 30, 2021	\$179,364	\$550	\$179,914

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Gains (losses) 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

(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 16, 2021 and June 18, 2020, the board of directors, representing shareholders, approved the distribution of retained earnings and distributed cash dividends for 2020 and 2019 were as follows:

	2020	2019
Legal reserve appropriated	\$686,891	\$752,337
Cash dividends of ordinary share	1,634,582	1,912,739
Total	\$2,321,473	\$2,665,076

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

(25) Share-based payments

The SC PLC Group operates a number of share-based arrangements for its executive directors and employees. For the six months ended June 30, 2021 and 2020, the share-based payment schemes adopted by the Company were as follows:

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

(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.

The option movements of the AESP were as follows:

	For the six months ended June 30	
	2021 Units	2020 Units
Beginning balance	329,073	278,232
Less: exercised	-	9,908
lapsed	33,442	28,970
Ending balance	295,631	239,354

For the six months ended June 30, 2021 and 2020, the costs of the AESP charged to profits or losses were \$1,769 thousand and \$1,938 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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

(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	
	2021 Units	2020 Units
Beginning balance	146,421	108,883
Add: granted	38,709	80,553
dividend	668	1,237
Less: exercised	21,812	40,639
lapsed	3,049	3,102
Ending balance	160,937	146,932

For the six months ended June 30, 2021 and 2020, the costs of the RSA charged to profits or losses were \$3,626 thousand and \$3,410 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	
	2021 Units	2020 Units
Beginning balance	836	836
Less: exercised	642	-
lapsed	-	-
Ending balance	194	836

For the six months ended June 30, 2021 and 2020, the costs of the PSA (PSP) charged to profits or losses were \$25 thousand and \$101 thousand, respectively, recorded under operating expenses—employee benefits expense.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

(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	
	2021 Units	2020 Units
Beginning balance	34,347	34,347
Less: exercised	-	-
lapsed	34,347	-
Ending balance	-	34,347

For the six months ended June 30, 2021 and 2020, no related cost of stock warrants was recorded.

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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

For the six months ended June 30, 2021 and 2020, the cost of the UFSA charged (reversed) to profits or losses were \$4,054 thousand and \$(492) thousand, respectively, recorded under operating expenses — employee benefits expense.

(26) Earnings per share

	For the six months ended June 30	
	2021	2020
Net income attributable to common stockholders (after tax)	\$1,503,590	\$1,673,041
Common stock (in thousands)	2,910,572	2,910,572
Basic EPS (in dollars)	\$0.52	\$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.

(27) Net interest income

	For the six months ended June 30	
	2021	2020
Interest income		
Interest income, discounts and loans	\$2,702,435	\$3,305,590
Interest income, accounts receivable factoring	59,636	87,271
Interest income, due from banks	186,468	756,710
Interest income, investment securities	311,194	447,814
Interest income, credit card recurrence	69,618	84,968
Interest income, other	75,644	112,045
Subtotal	3,404,995	4,794,398
Interest expense		
Interest expense, deposits	715,101	2,174,118
Interest expense, due to banks	17,824	48,886
Interest expense, financial debentures	133,008	143,831
Lease liabilities	19,152	19,586
Interest expense, other	239	8,432
Subtotal	885,324	2,394,853
Total	\$2,519,671	\$2,399,545

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

(28) Net service fee income

	For the six months ended June 30	
	2021	2020
Service fee		
Service fee, loan	\$62,308	\$49,312
Service fee, insurance commission	1,065,143	1,066,046
Service fee, credit card	278,802	283,067
Service fee, trust	1,529,117	1,138,354
Service fee, underwriting	26,727	133,309
Service fee, other	191,556	185,106
Subtotal	3,153,653	2,855,194
Service charge		
Service charge, interbank	81,810	76,113
Service charge, agency	87,100	86,462
Service charge, custodian	85,341	61,751
Service charge, credit card	239,527	163,027
Service charge, other	104,381	81,912
Subtotal	598,159	469,265
Total	\$2,555,494	\$2,385,929

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

	For the six months ended June 30	
	2021	2020
Gains (losses) on disposal		
Interest-rate instruments	\$(2,336)	\$31,341
Derivative financial instruments	180,556	202,545
Subtotal	178,220	233,886
Gains on valuation		
Interest-rate instruments	1,432	2,978
Derivative financial instruments	597,292	1,542,247
Subtotal	598,724	1,545,225
Interest income	3,586	14,606
Total	\$780,530	\$1,793,717

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

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

	For the six months ended June 30	
	2021	2020
Dividend income — equity instruments	\$157	\$312
Profit on sale — debt instruments	32,477	21,479
Total	<u>\$32,634</u>	<u>\$21,791</u>

(31) Net other non-interest income (loss)

	For the six months ended June 30	
	2021	2020
Administrative support service income	\$1,725	\$1,637
Net gains on disposal of assets	163,274	119,553
Rental income	3,089	3,933
Net gains (losses) on fair value hedge	1,819	(346)
Other	(176)	(650)
Total	<u>\$169,731</u>	<u>\$124,127</u>

(32) (Gains on reversal) impairment losses on assets

	For the six months ended June 30	
	2021	2020
(Gains on reversal) impairment losses — debt instruments	\$(903)	\$90
Impairment losses (gains on reversal) — other	26	(14)
Total	<u>\$(877)</u>	<u>\$76</u>

(33) (Reversal of) bad debt expense, commitment and guarantee liability provision

	For the six months ended June 30	
	2021	2020
(Reversal of) bad debt expense	\$(3,634)	\$214,285
Provision (reversal) of guarantee liabilities	14,587	(2,543)
Reversal of loan commitment	(62,079)	(4,988)
Other reversal	(9)	(93)
Total	<u>\$(51,135)</u>	<u>\$206,661</u>

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

(34) 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 0.5 to 19 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, 2021	December 31, 2020	June 30, 2020
Buildings	\$2,988,169	\$1,534,897	\$1,654,011
Transportation equipment	1,027	1,969	2,911
Other equipment	115,497	147,560	172,438
Total	<u>\$3,104,693</u>	<u>\$1,684,426</u>	<u>\$1,829,360</u>

For the six months ended June 30, 2021 and 2020, the Company's additions to right-of-use assets were \$1,635,979 thousand and \$236,558 thousand, respectively.

B. Lease liabilities

	June 30, 2021	December 31, 2020	June 30, 2020
Lease liabilities	<u>\$3,135,879</u>	<u>\$1,711,663</u>	<u>\$1,814,597</u>

Please refer to note 6(27) for the interest expense on lease liabilities recognized for the six months ended June 30, 2021 and 2020 and refer to note 6(38) Disclosure of financial instruments for the maturity analysis of lease liabilities.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

(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	
	2021	2020
Buildings	\$182,519	\$173,697
Transportation equipment	942	968
Other equipment	32,251	31,526
Total	<u>\$215,712</u>	<u>\$206,191</u>

iii. Income and costs relating to leasing activities

	For the six months ended June 30	
	2021	2020
The expenses relating to short-term leases	\$677	\$698
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	524	859
Income from subleasing right-of-use assets	1,600	1,553

iv. Cash outflow relating to leasing activities

For the six months ended June 30, 2021 and 2020, the Company's total cash outflows for leases were \$307,969 thousand and \$252,036 thousand, respectively.

(35) Employee benefits expenses

	For the six months ended June 30	
	2021	2020
Salary expense	\$2,211,490	\$2,151,479
Employee insurance	164,521	163,428
Pension		
Defined contribution plan	80,880	83,860
Defined benefit plan	18,873	27,486
Other	62,656	61,272
Total	<u>\$2,538,420</u>	<u>\$2,487,525</u>

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

(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, 2021 and 2020 were \$171 thousand and \$197 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, 2020 and 2019 were \$278 thousand and \$325 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, 2021 and 2020, the average numbers of the Company's employees were 2,930 and 3,044, of which the number of directors who had not served concurrently as employees were 6 and 5, respectively.

(36) Depreciation and amortization expenses

	For the six months ended June 30	
	2021	2020
Depreciation expense		
Buildings	\$25,172	\$28,440
Office equipment	3,344	1,540
Leasehold improvements	19,122	17,111
Other equipment	39,212	39,118
Right-of-use assets	215,712	206,191
Subtotal	302,562	292,400
Amortization expense	9,759	9,759
Total	<u>\$312,321</u>	<u>\$302,159</u>

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

(37) Other general and administrative expenses

	For the six months ended June 30	
	2021	2020
Rental expense	\$1,426	\$2,158
Office supplies	29,650	34,639
Postage	70,602	80,726
Repairs and maintenance	69,109	67,622
Advertising expense	40,763	36,154
Utilities fee	24,428	26,524
Taxes	255,023	322,145
Professional service fee	33,640	44,130
Operational and advisory service fee	443,697	477,599
Consulting and technical support service fee	389,470	303,901
Wholesale banking business service fee	40,971	61,549
Building management fee	52,480	52,962
Computer management fee	129,974	118,681
Director's remuneration	3,201	3,218
Other	289,289	301,488
Total	<u>\$1,873,723</u>	<u>\$1,933,496</u>

(38) 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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

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:

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

- 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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

(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, 2021			
	Level 1	Level 2	Level 3	Total
Non-derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss				
Debt instruments	\$-	\$3,298,299	\$-	\$3,298,299
Financial assets at fair value through other comprehensive income				
Debt instruments	6,809,298	152,065,256	-	158,874,554
Equity instruments	-	-	784,695	784,695
Other financial assets-net				
Restricted assets-debt instruments	-	12,171,327	-	12,171,327
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	10,020	9,392,345	-	9,402,365
Financial assets for hedging	-	51,601	-	51,601
Liabilities:				
Financial liabilities at fair value through profit or loss	4,954	9,529,349	-	9,534,303
Financial liabilities for hedging	-	31,912	-	31,912
Financial instruments at fair value	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Non-derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss				
Debt instruments	\$-	\$2,354,721	\$-	\$2,354,721
Financial assets at fair value through other comprehensive income				
Debt instruments	18,084,057	176,943,477	-	195,027,534
Equity instruments	-	-	782,017	782,017
Other financial assets-net				
Restricted assets-debt instruments	-	15,983,922	-	15,983,922
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	37,634	13,213,717	-	13,251,351
Financial assets for hedging	-	7,760	-	7,760
Liabilities:				
Financial liabilities at fair value through profit or loss	50,458	13,660,177	-	13,710,635
Financial liabilities for hedging	-	753,247	-	753,247

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

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

- v. For the six months ended June 30, 2021 and 2020, 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, 2021					
	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	\$782,017	\$-	\$2,678	\$-	\$-	\$784,695

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

- 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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

(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:

Financial instruments at fair value	Fair value changes reflected in profit or loss of the period		Fair value changes reflected on other comprehensive income	
	Beneficial changes	Adverse changes	Beneficial changes	Adverse changes
June 30, 2021				
Financial assets at fair value through other comprehensive income-equity instruments	\$-	\$-	\$77,586	\$(58,338)
Financial instruments at fair value	Fair value changes reflected in profit or loss of the period		Fair value changes reflected on other comprehensive income	
	Beneficial changes	Adverse changes	Beneficial changes	Adverse changes
December 31, 2020				
Financial assets at fair value through other comprehensive income-equity instruments	\$-	\$-	\$115,468	\$(72,656)
Financial instruments at fair value	Fair value changes reflected in profit or loss of the period		Fair value changes reflected on other comprehensive income	
	Beneficial changes	Adverse changes	Beneficial changes	Adverse changes
June 30, 2020				
Financial assets at fair value through other comprehensive income-equity instruments	\$-	\$-	\$71,523	\$(41,278)

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

Item	June 30, 2021				
	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	\$53,177	Net asset value approach	Net asset value	-0.10%~0.10%	The higher the net asset value, the higher the fair value.
	437,000	Market approach	Unlisted marketability discount	3.44%~13.44%	The higher the unlisted marketability discount rate, the lower the fair value.
	250,668	Income approach	Discount rate/ Sustainable growth rate	Discount rate is 7.81%~13.67%	The higher the discount rate, the lower the fair value.
	43,850	Asset approach	Unlisted marketability discount	Sustainable growth rate is -0.20%~1.56% 16.23%~26.23%	The higher the sustainable growth rate, the higher the fair value. The higher the unlisted marketability discount rate, the lower the fair value.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

December 31, 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	\$49,267	Net asset value approach	Net asset value	-0.10%~0.10%	The higher the net asset value, the higher the fair value.
	415,500	Market approach	Unlisted marketability discount	6.61%~16.61%	The higher the unlisted marketability discount rate, the lower the fair value.
	274,050	Income approach	Discount rate/ Sustainable growth rate	Discount rate is 6.26%~13.47%	The higher the discount rate, the lower the fair value.
	43,200			Sustainable growth rate is -0.20%~1.78%	The higher the sustainable growth rate, the higher the fair value.
		Asset approach	Unlisted marketability discount	15.93%~25.93%	The higher the unlisted marketability discount rate, the lower the fair value.
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%	The higher the discount rate, the lower the fair value.
				Sustainable growth rate is -0.20%~1.78%	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.

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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

- 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.
- 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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

ii. Fair value of financial instruments measured at amortized cost

Financial assets	June 30, 2021	
	Book value	Fair value
Cash and cash equivalents	\$12,323,137	\$12,323,227
Due from the Central Bank and call loans to banks	148,714,935	148,736,202
Debt instrument investment measured at amortized cost	1,917,570	1,941,450
Securities and bonds purchased under resell agreements	3,465,981	3,550,588
Receivables-net	19,384,691	19,384,691
Discounts and loans-net	284,065,213	284,250,808

Financial assets	December 31, 2020	
	Book value	Fair value
Cash and cash equivalents	\$18,228,229	\$18,230,834
Due from the Central Bank and call loans to banks	142,929,747	142,939,268
Debt instrument investment measured at amortized cost	1,921,444	1,950,812
Securities and bonds purchased under resell agreements	4,774,030	5,134,223
Receivables-net	21,296,685	21,296,685
Discounts and loans-net	286,069,558	286,159,911

Financial assets	June 30, 2020	
	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

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

Financial liabilities	June 30, 2021	
	Book value	Fair value
Deposits from the Central Bank and banks	\$3,192,006	\$3,192,091
Funds borrowed from the Central Bank and banks	817,700	817,700
Payables	3,018,436	3,018,436
Related parties payable	5,312,830	5,312,830
Deposits and remittances	583,107,019	585,712,864
Financial debentures	5,575,403	5,575,403
Other financial liabilities	71,984	71,984

Financial liabilities	December 31, 2020	
	Book value	Fair value
Deposits from the Central Bank and banks	\$7,155,527	\$7,155,311
Funds borrowed from the Central Bank and banks	557,440	557,440
Payables	3,751,884	3,751,884
Related parties payable	4,625,692	4,625,692
Deposits and remittances	620,944,582	621,667,667
Financial debentures	7,702,800	7,702,800
Other financial liabilities	159,575	159,575

Financial liabilities	June 30, 2020	
	Book value	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

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

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

Financial instruments measured at amortized cost	June 30, 2021				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Assets:					
Cash and cash equivalents	\$12,323,137	\$-	\$12,323,227	\$-	\$12,323,227
Due from the Central Bank and call loans to banks	148,714,935	-	148,736,202	-	148,736,202
Debt instrument investment measured at amortized cost	1,917,570	-	1,941,450	-	1,941,450
Securities and bonds purchased under resell agreements	3,465,981	-	3,550,588	-	3,550,588
Receivables-net	19,384,691	-	19,384,691	-	19,384,691
Discounts and loans-net	284,065,213	-	8,100,000	276,150,808	284,250,808
Liabilities:					
Deposits from the Central Bank and banks	3,192,006	-	3,192,091	-	3,192,091
Funds borrowed from the Central Bank and banks	817,700	-	817,700	-	817,700
Payables	3,018,436	-	3,018,436	-	3,018,436
Related parties payables	5,312,830	-	5,312,830	-	5,312,830
Deposits and remittances	583,107,019	-	585,712,864	-	585,712,864
Financial debentures	5,575,403	-	5,575,403	-	5,575,403
Other financial liabilities	71,984	-	71,984	-	71,984

Financial instruments measured at amortized cost	December 31, 2020				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
Assets:					
Cash and cash equivalents	\$18,228,229	\$-	\$18,230,834	\$-	\$18,230,834
Due from the Central Bank and call loans to banks	142,929,747	-	142,939,268	-	142,939,268
Debt instrument investment measured at amortized cost	1,921,444	-	1,950,812	-	1,950,812
Securities and bonds purchased under resell agreements	4,774,030	-	5,134,223	-	5,134,223
Receivables-net	21,296,685	-	21,296,685	-	21,296,685
Discounts and loans-net	286,069,558	-	4,500,000	281,659,911	286,159,911
Liabilities:					
Deposits from the Central Bank and banks	7,155,527	-	7,155,311	-	7,155,311
Funds borrowed from the Central Bank and banks	557,440	-	557,440	-	557,440
Payables	3,751,884	-	3,751,884	-	3,751,884
Related parties payables	4,625,692	-	4,625,692	-	4,625,692
Deposits and remittances	620,944,582	-	621,667,667	-	621,667,667
Financial debentures	7,702,800	-	7,702,800	-	7,702,800
Other financial liabilities	159,575	-	159,575	-	159,575

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

Financial instruments measured at amortized cost	June 30, 2020				
	Book value	Fair value			Total
		Level 1	Level 2	Level 3	
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

(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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

B. Market risk management organization and structure

Market and Treasury Risk Taiwan followed the regulatory requirement of the Taiwan Financial Supervisory Commission to develop the market risk management policies and procedures, which include the banking books and trading books. The market risk policies, procedures and limits are 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.

C. The scope and characteristics of market risk report and evaluation system

The scope of market risk report produced by Market and Treasury Risk Taiwan 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 risk exposures relating to commodities price risk or 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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

	For the six months ended June 30					
	2021			2020		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Trading book VaR	\$11,663	\$24,489	\$8,180	\$10,378	\$27,710	\$5,139
Banking book VaR	51,101	104,177	25,786	58,236	101,101	36,667
Total VaR	49,890	105,954	26,603	62,597	95,604	39,098

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.

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 with approval by the delegated authority. 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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

F. Exchange rate risk exposure information

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

June 30, 2021			
	Foreign currency	Exchange rate	NTD
Long position			
USD	\$18,999,382	27.866	\$529,437,033
CNY	8,019,594	4.312	34,582,809
EUR	739,242	33.139	24,497,377
JPY	88,623,258	0.252	22,355,059
AUD	643,985	20.915	13,468,797
Short position			
USD	19,000,391	27.866	529,465,155
CNY	8,007,974	4.312	34,532,701
EUR	744,078	33.139	24,657,637
JPY	88,550,330	0.252	22,336,663
AUD	649,247	20.915	13,578,856
December 31, 2020			
	Foreign currency	Exchange rate	NTD
Long position			
USD	\$15,220,354	28.503	\$433,825,750
CNY	12,761,376	4.358	55,619,479
JPY	107,087,802	0.276	29,581,612
EUR	796,953	35.022	27,911,175
AUD	575,109	21.963	12,631,001
Short position			
USD	15,210,644	28.503	433,548,991
CNY	12,745,457	4.358	55,550,101
JPY	106,858,631	0.276	29,518,307
EUR	795,773	35.022	27,869,845
AUD	574,385	21.963	12,615,092

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

	June 30, 2020		
	Foreign currency	Exchange rate	NTD
Long position			
USD	\$16,957,569	29.644	\$502,694,521
CNY	11,397,504	4.191	47,762,302
EUR	789,097	33.270	26,252,957
JPY	69,484,645	0.275	19,126,901
AUD	661,864	20.318	13,447,790
Short position			
USD	16,945,925	29.644	502,349,361
CNY	11,382,109	4.191	47,697,789
EUR	789,700	33.270	26,273,015
JPY	69,397,771	0.275	19,102,987
AUD	661,809	20.318	13,446,664

G. Interest rate sensitivity information

a. Interest rate sensitivity analysis (NTD)

June 30, 2021					
Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	\$366,184,593	\$26,427,496	\$25,531,210	\$66,789,025	\$484,932,324
Interest rate sensitive liabilities	285,345,680	12,914,478	28,349,525	3,025,676	329,635,359
Interest rate sensitive gap	80,838,913	13,513,018	(2,818,315)	63,763,349	155,296,965
Net worth					45,337,128
Ratio of interest rate sensitive assets to liabilities (%)					147.11
Ratio of interest rate sensitive gap to net worth (%)					342.54

December 31, 2020					
Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	\$282,135,073	\$6,522,969	\$5,420,685	\$197,785,049	\$491,863,776
Interest rate sensitive liabilities	280,459,090	30,515,093	15,800,640	3,488,159	330,262,982
Interest rate sensitive gap	1,675,983	(23,992,124)	(10,379,955)	194,296,890	161,600,794
Net worth					45,656,241
Ratio of interest rate sensitive assets to liabilities (%)					148.93
Ratio of interest rate sensitive gap to net worth (%)					353.95

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

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	2,984,615	302,099,436
Interest rate sensitive gap	78,913,491	5,759,765	26,129,796	52,301,635	163,104,687
Net worth					45,084,930
Ratio of interest rate sensitive assets to liabilities (%)					153.99
Ratio of interest rate sensitive gap to net worth (%)					361.77

b. Interest rate sensitivity analysis (USD)

June 30, 2021

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	\$2,959,383	\$1,134,263	\$1,008,062	\$257	\$5,101,965
Interest rate sensitive liabilities	7,547,660	245,678	598,251	200,000	8,591,589
Interest rate sensitive gap	(4,588,277)	888,585	409,811	(199,743)	(3,489,624)
Net worth					34,222
Ratio of interest rate sensitive assets to liabilities (%)					59.38
Ratio of interest rate sensitive gap to net worth (%)					(10,197.02)

December 31, 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	\$3,973,738	\$701,538	\$1,021,230	\$348	\$5,696,854
Interest rate sensitive liabilities	8,552,650	914,701	158,375	200,843	9,826,569
Interest rate sensitive gap	(4,578,912)	(213,163)	862,855	(200,495)	(4,129,715)
Net worth					31,537
Ratio of interest rate sensitive assets to liabilities (%)					57.97
Ratio of interest rate sensitive gap to net worth (%)					(13,094.83)

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)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

ii. Operational risk

A. Strategy and procedure of operational risk management

The Company has set up and follows the Operational and Technology Risk Type Framework (“O&TRTF”) for operational risk management. The O&TRTF builds on Enterprise Risk Management Framework (“ERMF”) and covers the operational risk related to inadequate or failed internal processes, and systems, human error, or from the impact of external events (including legal risks). According to the O&TRTF, operational risks should be managed through the Risk and Control Self-Assessment (“RCSA”) cycle, which includes the following stages: Process Universe, Inherent Risk Assessment, Control Design Assessment, Risk and Control Monitoring, Residual Risk Assessment and Response and Reporting. Responsibility for the management of operational risk rests with businesses and functions. The O&TRTF sets out the respective responsibilities of the Three 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 and ensures that an appropriate and robust risk management framework is in place to monitor and manage operational risk. Its scope includes all client segments, products and functions.

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 O&TRTF, 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 Operational Risk sub-types, and to confirm the effectiveness of their policies to the Country Head of OR.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

The operational risk subtypes include transaction processing, product management, client service resilience, technology risk, vendor service, change management, people management, safety and security, corporate governance, enterprise risk governance, financial books and records, financial regulatory reporting, tax obligations, and legal enforceability.

The 1LoD 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 (“3LoD”) 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 1LoD and the 2LoD. As a result, GIA provides assurance that the overall system of control effectiveness is working as required within the Risk Type 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 O&TRTF. The identified risk shall be escalated to the authority defined in O&TRTF 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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

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 loss due to illegality, incompleteness or unfairness, which results in a regulations breach or disputes. The Conduct, Financial Crime and 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;

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

- 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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

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

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

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

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

E. Method used for regulatory capital calculation

Standardized Approach.

F. Maximum exposure to credit risk

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

	Maximum exposure to credit risk		
	June 30, 2021	December 31, 2020	June 30, 2020
Off-balance-sheet items			
Other guarantees	\$5,121,386	\$3,672,427	\$3,450,390
Unused amount of irrevocable loan commitments	7,152,816	7,641,834	8,558,469
Unused amount of irrevocable letters of credit	973,657	950,027	908,674
Total	<u>\$13,247,859</u>	<u>\$12,264,288</u>	<u>\$12,917,533</u>

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

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:

a. By industry

	June 30, 2021	December 31, 2020	June 30, 2020
Individual	\$203,093,814	\$199,633,019	\$198,001,475
Manufacturing	36,121,781	46,545,279	41,974,715
Transportation and warehousing	9,445,118	11,221,135	13,345,500
Financial industry	11,641,991	9,159,481	10,265,465
Commercial	5,909,243	5,206,104	6,923,308
Government	8,100,000	4,500,000	5,000,000
Other	14,108,092	14,257,750	12,512,168
Total	<u>\$288,420,039</u>	<u>\$290,522,768</u>	<u>\$288,022,631</u>

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

b. By area

		December 31,	
	June 30, 2021	2020	June 30, 2020
Domestic	\$253,649,599	\$249,019,744	\$247,574,308
Overseas	34,770,440	41,503,024	40,448,323
Total	<u>\$288,420,039</u>	<u>\$290,522,768</u>	<u>\$288,022,631</u>

c. By collateral

		December 31,	
	June 30, 2021	2020	June 30, 2020
Unsecured	\$82,503,061	\$82,167,426	\$79,844,530
Secured			
-Real estate	179,778,769	176,786,640	174,099,056
-Movable asset	11,845,081	12,899,900	14,705,607
-Debt instrument	9,308,928	9,844,062	11,500,500
-Other	4,984,000	8,824,740	7,872,938
Total	<u>\$288,420,039</u>	<u>\$290,522,768</u>	<u>\$288,022,631</u>

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:

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

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

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.

Consideration factors of forward-looking information:

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.

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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

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, 2021											
	Stage 1				Stage 2				Stage 3			
	Investment	Sub-	High risk		Investment	Sub-	High risk		Individually	Collectively	Allowance	
	grade	investment	grade	Subtotal	grade	investment	grade	Subtotal	impaired	impaired	of bad debt	Total
Balance sheet items												
Accounts receivable												
-Accounts receivable												
factoring	\$8,160,138	\$3,820,886	\$-	\$11,981,024	\$-	\$200,496	\$-	\$200,496	\$-	\$-	\$125,815	\$12,055,705
-Credit cards receivable	1,891,853	1,404,536	171	3,296,560	-	7,315	2,460	9,775	103,768	271,886	179,800	3,502,189
Discounts and loans												
-Consumer banking	168,897,456	28,116,588	1,661,319	198,675,363	161,935	743,789	667,449	1,573,173	473,642	2,666,403	3,335,772	200,052,809
-Wholesale banking	56,675,396	19,103,107	2,364	75,780,867	-	8,962,009	2,112	8,964,121	107,102	83,106	1,206,860	83,728,336
-Non-accrual loans	-	-	-	-	-	-	-	-	24,349	71,913	24,349	71,913
Other financial assets												
-Non-accrual loans other than those reclassified												
form loans	-	-	-	-	-	-	-	-	40,232	-	40,232	-
Off-balance sheet items												
Loan commitment and												
guarantees	6,765,142	3,792,217	-	10,557,359	231,896	2,458,604	-	2,690,500	-	-	80,763	13,167,096

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

	June 30, 2020											
	Stage 1				Stage 2				Stage 3			
	Investment	Sub- investment	High risk		Investment	Sub- investment	High risk		Individually	Collectively	Allowance	
	grade	grade	grade	Subtotal	grade	grade	grade	Subtotal	impaired	impaired	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

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

a. Asset quality of the Company

Product		Period	June 30, 2021				
			Non-performing loan	Loan balances	NPL ratio	Allowance for bad debts	Coverage ratio
Wholesale Banking	Secured		\$72,518	\$19,121,974	0.38%	\$269,747	371.97%
	Unsecured		26,169	65,878,175	0.04%	961,208	3,673.08%
Consumer Banking	Mortgage		48,074	147,148,162	0.03%	2,242,735	4,665.17%
	Personal loan		60,463	25,385,656	0.24%	1,040,117	1,720.25%
	Others						
	Secured		17,623	29,598,359	0.06%	49,790	282.53%
	Unsecured		-	1,287,713	-%	3,384	-%
Total			224,847	288,420,039	0.08%	4,566,981	2,031.15%
			Overdue receivables	Accounts receivable	Overdue ratio	Allowance for bad debts	Coverage ratio
Credit card			6,905	3,681,989	0.19%	179,800	2,603.91%
Factoring loan receivable without recourse			-	12,181,520	-%	125,815	-%

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

Period			December 31, 2020				
			Non-performing loan	Loan balances	NPL ratio	Allowance for bad debts	Coverage ratio
Product	Secured		\$56,326	\$24,391,809	0.23%	\$334,259	593.44%
	Unsecured		32,440	66,177,236	0.05%	841,459	2,593.89%
Consumer Banking	Mortgage		104,640	143,821,433	0.07%	2,194,889	2,097.56%
	Personal loan		89,277	25,165,016	0.35%	1,202,181	1,346.57%
	Others	Secured	24,458	29,376,142	0.08%	54,930	224.59%
		Unsecured	-	1,591,132	-%	4,094	-%
Total			307,141	290,522,768	0.11%	4,631,812	1,508.04%
			Overdue receivables	Accounts receivable	Overdue ratio	Allowance for bad debts	Coverage ratio
Credit card			6,277	5,346,268	0.12%	232,681	3,706.88%
Factoring loan receivable without recourse			-	12,488,866	-%	128,889	-%

Period Product			June 30, 2020				
			Non-performing loan	Loan balances	NPL ratio	Allowance for bad debts	Coverage ratio
Wholesale Banking	Secured		\$56,409	\$24,160,263	0.23%	\$316,703	561.44%
	Unsecured		34,435	65,516,979	0.05%	809,508	2,350.83%
Consumer Banking	Mortgage		115,467	141,685,441	0.08%	2,166,430	1,876.23%
	Personal loan		89,565	26,196,008	0.34%	1,344,091	1,500.69%
	Others	Secured	19,897	28,880,813	0.07%	49,751	250.05%
		Unsecured	-	1,583,127	-%	4,096	-%
Total			315,773	288,022,631	0.11%	4,690,579	1,485.43%
			Overdue Receivables	Accounts receivable	Overdue ratio	Allowance for bad debts	Coverage ratio
Credit card			8,314	4,627,454	0.18%	255,909	3,078.05%
Factoring loan receivable without recourse			-	10,588,787	-%	109,888	-%

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

	June 30, 2021		December 31, 2020	
	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	\$1,810	\$5,200	\$2,079	\$6,186
The amount under debt discharge program and rehabilitation program without default by debtors	174,325	22,612	185,785	25,331
	<u>\$176,135</u>	<u>\$27,812</u>	<u>\$187,864</u>	<u>\$31,517</u>

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

	June 30, 2020	
	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
The amount under debt discharge program and rehabilitation program without default by debtors	204,992	29,012
	<u>\$207,314</u>	<u>\$36,314</u>

b. Concentration of corporate credit risk for the Company

June 30, 2021				
Rank	Industry classification of group enterprise		Outstanding credit	% of net assets
1	A Group	Packaging and testing of semi-conductors	\$5,147,935	11.13%
2	B Company	Other financial services activities not elsewhere classified	5,015,883	10.85%
3	C Group	Other service activities incidental to water transportation	3,669,026	7.94%
4	D Group	Manufacture of automobile parts	3,572,762	7.73%
5	E Group	Air transport	3,137,994	6.79%
6	F Group	Manufacture of cement	3,121,910	6.75%
7	G Group	Air transport	2,142,240	4.63%
8	H Group	Other food manufacturing not elsewhere classified	2,084,774	4.51%
9	I Group	Architectural engineering	1,963,160	4.25%
10	J Group	Electronic parts and components manufacturing not elsewhere classified	1,890,000	4.09%

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

December 31, 2020				
Rank	Industry classification of group enterprise		Outstanding credit	% of net assets
1	B Company	Other financial services activities not elsewhere classified	\$5,130,540	11.04%
2	A Group	Packaging and testing of semi-conductors	4,508,484	9.70%
3	K Company	Other non-metallic mineral products manufacturing	4,275,450	9.20%
4	J Group	Electronic parts and components manufacturing not elsewhere classified	4,261,881	9.17%
5	C Group	Other service activities incidental to water transportation	3,975,388	8.56%
6	E Group	Air transport	3,434,839	7.39%
7	F Group	Manufacture of cement	3,228,913	6.95%
8	L Group	Manufacture of automobile parts	2,753,535	5.93%
9	G Group	Air transport	2,505,130	5.39%
10	I Group	Architectural engineering	2,092,411	4.50%

June 30, 2020				
Rank	Industry classification of group enterprise		Outstanding credit	% of net assets
1	C 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	K Company	Other non-metallic mineral products manufacturing	4,446,639	9.69%
4	A 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	M Group	Manufacture of footwear	2,827,576	6.16%
9	L Group	Manufacture of bicycle parts	2,537,417	5.53%
10	N Company	Electronic parts and components manufacturing	1,778,655	3.88%

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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

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 190.5 billion as of June 30, 2021, which is equivalent to 28.55% of the Company's total assets. The level of the Company's aggregate liquid reserves is in accordance with local regulatory minimum liquidity requirements.

The asset side of the balance sheet is of equal importance to the 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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

June 30, 2021					
	Within 3 months	3 months~ 1 year	1~5 years	Over 5 years	Total
Deposits from the Central Bank and banks	\$3,109,436	\$82,570	\$-	\$-	\$3,192,006
Funds borrowed from the Central Bank and banks	-	817,700	-	-	817,700
Payables	3,018,436	-	-	-	3,018,436
Related parties payable	5,312,830	-	-	-	5,312,830
Deposits and remittances	521,046,504	59,026,938	3,033,577	-	583,107,019
Financial debentures	2,200	-	5,573,203	-	5,575,403
Other financial liabilities	71,984	-	-	-	71,984
Lease liabilities	142,526	369,367	1,072,201	1,551,785	3,135,879
Total	<u>\$532,703,916</u>	<u>\$60,296,575</u>	<u>\$9,678,981</u>	<u>\$1,551,785</u>	<u>\$604,231,257</u>

December 31, 2020					
	Within 3 months	3 months~ 1 year	1~5 years	Over 5 years	Total
Deposits from the Central Bank and banks	\$7,072,957	\$82,570	\$-	\$-	\$7,155,527
Funds borrowed from the Central Bank and banks	132,250	425,190	-	-	557,440
Payables	3,751,884	-	-	-	3,751,884
Related parties payable	4,625,692	-	-	-	4,625,692
Deposits and remittances	546,881,332	70,533,705	3,529,545	-	620,944,582
Financial debentures	2,200	2,000,000	5,700,600	-	7,702,800
Other financial liabilities	159,575	-	-	-	159,575
Lease liabilities	84,308	304,162	1,156,402	166,791	1,711,663
Total	<u>\$562,710,198</u>	<u>\$73,345,627</u>	<u>\$10,386,547</u>	<u>\$166,791</u>	<u>\$646,609,163</u>

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	<u>\$504,349,824</u>	<u>\$75,407,513</u>	<u>\$10,093,635</u>	<u>\$265,167</u>	<u>\$590,116,139</u>

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

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:

a. Maturity analysis of net settled derivatives

June 30, 2021						
	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	\$263,286	\$8,476	\$26,229	\$2,907	\$-	\$300,898
Interest rate derivative instruments	5,035	31,650	36,819	186,771	3,977,607	4,237,882
Derivative financial instruments for hedging						
Interest rate derivative instruments	-	-	-	-	10,011	10,011
	<u>\$268,321</u>	<u>\$40,126</u>	<u>\$63,048</u>	<u>\$189,678</u>	<u>\$3,987,618</u>	<u>\$4,548,791</u>
December 31, 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	\$277,572	\$517,659	\$421,506	\$6,989	\$-	\$1,223,726
Interest rate derivative instruments	4,770	15,757	56,825	138,523	4,576,463	4,792,338
Derivative financial instruments for hedging						
Interest rate derivative instruments	-	-	-	-	9,378	9,378
	<u>\$282,342</u>	<u>\$533,416</u>	<u>\$478,331</u>	<u>\$145,512</u>	<u>\$4,585,841</u>	<u>\$6,025,442</u>
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
	<u>\$174,392</u>	<u>\$163,436</u>	<u>\$85,728</u>	<u>\$224,742</u>	<u>\$6,079,573</u>	<u>\$6,727,871</u>

STANDARD CHARTERED BANK (TAIWAN) LIMITED
Notes to the Financial Statements (Continued)
(Expressed in thousands of New Taiwan Dollars, Unless Otherwise Specified)

b. Maturity analysis of gross settled derivatives

June 30, 2021						
	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	\$107,017,795	\$125,459,688	\$76,998,698	\$96,898,921	\$25,800,777	\$432,175,879
Cash inflow	105,779,683	124,160,316	75,985,670	96,391,274	25,148,796	427,465,739
Derivative financial instruments for hedging						
Foreign exchange derivative instruments						
Cash outflow	-	-	562,700	4,974,075	-	5,536,775
Net cash flow	<u>\$(1,238,112)</u>	<u>\$(1,299,372)</u>	<u>\$(1,575,728)</u>	<u>\$(5,481,722)</u>	<u>\$(651,981)</u>	<u>\$(10,246,915)</u>
December 31, 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	\$133,562,733	\$120,285,100	\$55,345,798	\$65,859,491	\$7,319,312	\$382,372,434
Cash inflow	130,969,816	117,909,571	54,110,427	64,929,252	7,239,117	375,158,183
Derivative financial instruments for hedging						
Foreign exchange derivative instruments						
Cash outflow	-	-	17,663,800	-	-	17,663,800
Net cash flow	<u>\$(2,592,917)</u>	<u>\$(2,375,529)</u>	<u>\$(18,899,171)</u>	<u>\$(930,239)</u>	<u>\$(80,195)</u>	<u>\$(24,878,051)</u>
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	<u>\$(1,191,715)</u>	<u>\$(3,210,604)</u>	<u>\$(564,393)</u>	<u>\$(15,234,154)</u>	<u>\$211,835</u>	<u>\$(19,989,031)</u>

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

(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, 2021				
	0~30 days	31~90 Days	91 days~1 year	Over 1 year	Total
Other guarantees	\$347,804	\$445,476	\$2,521,805	\$1,806,301	\$5,121,386
Unused amount of irrevocable loan commitments	-	-	233,244	6,919,572	7,152,816
Unused amount of irrevocable letters of credit	326,128	582,382	41,940	23,207	973,657
	<u>\$673,932</u>	<u>\$1,027,858</u>	<u>\$2,796,989</u>	<u>\$8,749,080</u>	<u>\$13,247,859</u>
	December 31, 2020				
	0~30 days	31~90 Days	91 days~1 year	Over 1 year	Total
Other guarantees	\$247,429	\$615,357	\$1,912,871	\$896,770	\$3,672,427
Unused amount of irrevocable loan commitments	-	-	262,668	7,379,166	7,641,834
Unused amount of irrevocable letters of credit	268,522	560,350	121,155	-	950,027
	<u>\$515,951</u>	<u>\$1,175,707</u>	<u>\$2,296,694</u>	<u>\$8,275,936</u>	<u>\$12,264,288</u>
	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
	<u>\$695,246</u>	<u>\$773,530</u>	<u>\$259,510</u>	<u>\$11,189,247</u>	<u>\$12,917,533</u>

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

G. Structure analysis of maturity, New Taiwan Dollars

June 30, 2021

	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	\$766,825,007	\$86,079,999	\$73,424,111	\$124,964,672	\$94,666,698	\$117,466,271	\$270,223,256
Main capital outflow on maturity	817,621,973	52,929,918	93,823,519	192,924,410	112,473,534	116,644,443	248,826,149
Gap	(50,796,966)	33,150,081	(20,399,408)	(67,959,738)	(17,806,836)	821,828	21,397,107

December 31, 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	\$731,425,309	\$73,120,161	\$69,504,315	\$121,375,976	\$90,511,615	\$132,659,949	\$244,253,293
Main capital outflow on maturity	783,609,886	36,425,723	107,087,139	195,974,644	114,541,560	85,273,171	244,307,649
Gap	(52,184,577)	36,694,438	(37,582,824)	(74,598,668)	(24,029,945)	47,386,778	(54,356)

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)

H. Structure analysis of maturity, US Dollars

June 30, 2021

Units: in thousands of US Dollars

	Total	Remaining period to maturity				
		0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Main capital inflow on maturity	\$22,677,992	\$7,487,956	\$4,705,554	\$4,360,902	\$4,676,162	\$1,447,418
Main capital outflow on maturity	24,856,720	8,454,721	7,370,283	3,102,353	3,579,866	2,349,497
Gap	(2,178,728)	(966,765)	(2,664,729)	1,258,549	1,096,296	(902,079)

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

December 31, 2020

Units: in thousands of US Dollars

	Total	Remaining period to maturity				
		0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Main capital inflow on maturity	\$20,831,589	\$7,285,574	\$5,828,840	\$3,250,664	\$3,590,908	\$875,603
Main capital outflow on maturity	22,883,771	7,777,516	8,055,007	3,060,244	2,302,438	1,688,566
Gap	(2,052,182)	(491,942)	(2,226,167)	190,420	1,288,470	(812,963)

June 30, 2020

Units: in thousands of US Dollars

	Total	Remaining period to maturity				
		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)

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.

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

STANDARD CHARTERED BANK (TAIWAN) LIMITED
Notes to the Financial Statements (Continued)
(Expressed in thousands of New Taiwan Dollars, Unless Otherwise Specified)

June 30, 2021					
Financial assets under net executable settlement contracts or similar agreements					
	Offset total financial liabilities	Net financial assets reported in the balance sheet	Relevant amounts not offset on balance sheet (d)		
Total financial assets recognized (a)	recognized in the balance sheet (b)	(c)=(a)-(b)	Financial instruments (Note)	Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial assets	\$9,453,966	\$-	\$9,453,966	\$5,908,072	\$2,150,290
Securities and bonds purchased under resell agreements	3,465,981	-	3,465,981	-	3,465,981
Total	\$12,919,947	\$-	\$12,919,947	\$5,908,072	\$5,616,271
					\$1,395,604

December 31, 2020					
Financial assets under net executable settlement contracts or similar agreements					
	Offset total financial liabilities	Net financial assets reported in the balance sheet	Relevant amounts not offset on balance sheet (d)		
Total financial assets recognized (a)	recognized in the balance sheet (b)	(c)=(a)-(b)	Financial instruments (Note)	Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial assets	\$13,259,111	\$-	\$13,259,111	\$7,415,762	\$2,816,589
Securities and bonds purchased under resell agreements	4,774,030	-	4,774,030	-	4,774,030
Total	\$18,033,141	\$-	\$18,033,141	\$7,415,762	\$7,590,619
					\$3,026,760

June 30, 2020					
Financial assets under net executable settlement contracts or similar agreements					
	Offset total financial liabilities	Net financial assets reported in the balance sheet	Relevant amounts not offset on balance sheet (d)		
Total financial assets recognized (a)	recognized in the balance sheet (b)	(c)=(a)-(b)	Financial instruments (Note)	Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial assets	\$10,482,655	\$-	\$10,482,655	\$7,586,538	\$1,744,608
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

June 30, 2021					
Financial liabilities under net executable settlement contracts or similar agreements					
	Offset total financial assets recognized	Net financial liabilities reported in the balance sheet	Relevant amounts not offset on balance sheet (d)		
Total financial liabilities recognized (a)	in the balance sheet (b)	in the balance sheet (c)=(a)-(b)	Financial instruments (Note)	Cash collateral pledged	Net amount (e)=(c)-(d)
Derivative financial liabilities	\$9,566,215	\$-	\$9,566,215	\$5,908,072	\$1,877,277
					\$1,780,866

STANDARD CHARTERED BANK (TAIWAN) LIMITED
Notes to the Financial Statements (Continued)
(Expressed in thousands of New Taiwan Dollars, Unless Otherwise Specified)

December 31, 2020					
Financial liabilities under net executable settlement contracts or similar agreements					
	Offset total financial assets recognized in the balance sheet (b)	Net financial liabilities reported in the balance sheet (c)=(a)-(b)	Relevant amounts not offset on balance sheet (d)		
			Financial instruments (Note)	Cash collateral pledged	Net amount (e)=(c)-(d)
Derivative financial liabilities	\$14,463,882	\$-	\$14,463,882	\$7,415,762	\$3,024,503
					\$4,023,617

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

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":

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

C. Capital adequacy

Period-end			June 30, 2021	December 31, 2020	June 30, 2020
Item					
Regulatory capital	Common equity Tier 1 capital		\$43,130,546	\$43,131,539	\$42,551,422
	Additional Tier 1 capital		-	-	
	Tier 2 capital		7,418,445	7,463,140	8,568,912
	Total regulatory capital		50,548,991	50,594,679	51,120,334
Risk-weighted assets	Credit risk	Standardized approach (SA)	307,979,220	300,858,422	285,475,930
		Internal ratings-based approach (IRB)	-	-	-
		Securitization	-	-	-
	Operational risk	Basic indicator approach (BIA)	24,695,579	24,695,579	25,183,422
		Standardized approach (SA) /Alternative standardized approach	-	-	-
		Advanced measurement approaches (AMA)	-	-	-
	Market risk	Standardized approach (SA)	32,479,535	28,753,031	26,389,943
		Internal models approach (IMA)	-	-	-
	Total risk-weighted assets		365,154,334	354,307,032	337,049,295
	Capital Adequacy ratio			13.84%	14.28%
Ratio of common equity Tier 1 capital to total risk-weighted assets			11.81%	12.17%	12.62%
Ratio of Tier 1 capital to total risk-weighted assets			11.81%	12.17%	12.62%
Leverage ratio			5.73%	5.70%	6.17%

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

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

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 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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

Significant transactions with related parties

(1) Deposits

June 30, 2021			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties not over 1% of total deposits	<u>\$3,750,647</u>	<u>0.64</u>	<u>0.00~4.55</u>
December 31, 2020			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties not over 1% of total deposits	<u>\$13,768,597</u>	<u>2.22</u>	<u>0.00~6.10</u>
June 30, 2020			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties not over 1% of total deposits	<u>\$5,814,373</u>	<u>1.05</u>	<u>0.00~6.70</u>

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, 2021 and 2020, interest expenses on the above deposits were \$7,281 thousand and \$4,715 thousand, respectively. As of June 30, 2021, December 31, 2020 and June 30, 2020, the interest payables on the above transaction were \$233 thousand, \$925 thousand and \$224 thousand, respectively, recorded under related parties payable.

As of June 30, 2021, December 31, 2020 and June 30, 2020, the time deposit of SCB Hong Kong were \$8,359,804 thousand, \$14,251,500 thousand and \$14,822,129 thousand, and the interest payable resulting from the above time deposits were \$2,579 thousand, \$90,785 thousand and \$15,579 thousand. For the six months ended June 30, 2021 and 2020, interest expenses on the time deposit of SCB Hong Kong were \$61,510 thousand and \$15,614 thousand, respectively.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

(2) Loans

June 30, 2021							
Type of loan	Maximum Balance during the period	Number of accounts or name of related party	Ending balance	Repayment		Collateral	Difference between terms and conditions offered to the accounts and to the general public
				On-schedule	Overdue		
Employee consumer loans	\$3,105	7	\$2,050	\$2,050	\$-	Unsecured lending	None
Mortgage	81,351	15	58,292	58,292	-	House	None
Other	2,675	Other individuals	2,570	2,570	-	Overdraft on the comprehensive deposits	None

December 31, 2020							
Type of loan	Maximum Balance during the period	Number of accounts or name of related party	Ending balance	Repayment		Collateral	Difference between terms and conditions offered to the accounts and to the general public
				On-schedule	Overdue		
Employee consumer loans	\$6,530	12	\$3,105	\$3,105	\$-	Unsecured lending	None
Mortgage	81,583	15	72,241	72,241	-	House	None
Other	2,883	Other individuals	2,675	2,675	-	Overdraft on the comprehensive deposits	None

June 30, 2020							
Type of loan	Maximum Balance during the period	Number of accounts or name of related party	Ending balance	Repayment		Collateral	Difference between terms and conditions offered to the accounts and to the general public
				On-schedule	Overdue		
Employee consumer loans	\$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

For the six months ended June 30, 2021 and 2020, interest income on the above loans were \$524 thousand and \$625 thousand, respectively. As of June 30, 2021, December 31, 2020 and June 30, 2020 the interest receivables from the above transaction were \$0 thousand, \$0 thousand and \$56 thousand, respectively, recorded under receivables-net.

STANDARD CHARTERED BANK (TAIWAN) LIMITED
Notes to the Financial Statements (Continued)
(Expressed in thousands of New Taiwan Dollars, Unless Otherwise Specified)

(3) Foreign exchange and derivative transactions

June 30, 2021						
Name	Contracts	Contracts duration	Notional	Gain (loss) on valuation	Balance sheet	
		period			Account	Balance
SCB	Interest rate swap	2021.7.1~ 2031.9.15	\$1,058,913,093	\$11,003	Financial assets at fair value through profit or loss	\$2,044,920
					Financial liabilities at fair value through profit or loss	(2,042,886)
	Interest rate option	2024.9.30	1,393,301	3,955	Financial assets at fair value through profit or loss	4,981
	Spot/forward/swap	2021.7.1~ 2024.4.19	124,910,233	(617,814)	Financial assets at fair value through profit or loss	905,890
					Financial liabilities at fair value through profit or loss	(976,803)
	Cross currency swap	2021.8.3~ 2023.9.20	3,676,453	102,634	Financial assets at fair value through profit or loss	40,661
					Financial liabilities at fair value through profit or loss	(87,428)
	Foreign exchange option	2021.7.1~ 2023.6.21	39,606,341	244,648	Financial assets at fair value through profit or loss	60,598
					Financial liabilities at fair value through profit or loss	(53,069)
	Commodity swap	2021.7.2~ 2022.5.4	229,635	(15,100)	Financial assets at fair value through profit or loss	15,573
Financial liabilities at fair value through profit or loss					(2,665)	
Commodity option	2021.7.15~ 2022.6.8	263,055	14,837	Financial liabilities at fair value through profit or loss	(990)	
SCB Singapore	Spot/forward/swap	2021.7.22~ 2021.12.21	1,146,611	1,230	Financial assets at fair value through profit or loss	3,632
					Financial liabilities at fair value through profit or loss	(2,402)
SCB Hong Kong	Spot/forward/swap	2021.7.2~ 2022.12.20	29,347,207	(250,852)	Financial assets at fair value through profit or loss	143,691
					Financial liabilities at fair value through profit or loss	(102,774)
SCB Germany	Spot/forward/swap	2021.7.6~ 2022.6.29	3,681,884	39,231	Financial assets at fair value through profit or loss	39,841
					Financial liabilities at fair value through profit or loss	(610)

STANDARD CHARTERED BANK (TAIWAN) LIMITED
Notes to the Financial Statements (Continued)
(Expressed in thousands of New Taiwan Dollars, Unless Otherwise Specified)

December 31, 2020						
Name	Contracts	Contracts duration	Notional	Gain (loss) on valuation	Balance sheet	
		period			Account	Balance
SCB	Interest rate swap	2021.1.4~ 2030.12.16	\$828,814,814	\$66,105	Financial assets at fair value through profit or loss	\$2,210,230
					Financial liabilities at fair value through profit or loss	(2,219,199)
	Interest rate option	2024.9.30	1,425,150	(19,738)	Financial assets at fair value through profit or loss	1,026
	Spot/forward/swap	2021.1.4~ 2022.8.31	92,122,201	343,458	Financial assets at fair value through profit or loss	1,768,948
					Financial liabilities at fair value through profit or loss	(1,222,047)
	Cross currency swap	2021.6.8~ 2023.9.20	2,470,883	(186,601)	Financial liabilities at fair value through profit or loss	(149,401)
	Foreign exchange option	2021.1.4~ 2022.11.28	53,686,105	(182,477)	Financial assets at fair value through profit or loss	54,949
					Financial liabilities at fair value through profit or loss	(292,068)
	Commodity swap	2021.1.5~ 2022.1.4	134,156	28,008	Financial assets at fair value through profit or loss	28,008
	Commodity option	2021.1.20~ 2021.3.17	625,926	(14,779)	Financial liabilities at fair value through profit or loss	(15,827)
SCB	Spot/forward/swap	2021.1.21~ 2021.12.21	212,386	(2,585)	Financial liabilities at fair value through profit or loss	-
SCB Hong Kong	Spot/forward/swap	2021.1.4~ 2022.9.20	21,187,582	94,748	Financial assets at fair value through profit or loss	376,349
Financial liabilities at fair value through profit or loss					(84,580)	
June 30, 2020						
Name	Contracts	Contracts duration	Notional	Gain (loss) on valuation	Balance sheet	
		period			Account	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
	Foreign exchange option	2020.7.1~ 2022.5.10	59,381,160	(28,200)	Financial liabilities at fair value through profit or loss	(24,213)
					Financial assets at fair value through profit or loss	38,054
	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	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)	

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

As of June 30, 2021, December 31, 2020 and June 30, 2020, the premium receivables resulting from the above option contracts were \$169 thousand, \$395 thousand and \$4,241 thousand, respectively, recorded under receivables-net. As of June 30, 2021, December 31, 2020 and June 30, 2020, the premium payables resulting from the above option contracts were \$0 thousand, \$0 thousand, and \$5,789 thousand, recorded under related parties payable.

(4) Deposits with banks—affiliates

	For the six months ended June 30, 2021		
	Balance	Interest rate %	Net interest income
SCB Taipei	\$4,500,000	0.06~0.15	\$4,416
SCB Japan	651,329	-	-
SCB Hong Kong	317,950	-	3
SCB	171,009	0.10	8
Other	335,547	0.00~3.28	469
	<u>\$5,975,835</u>		<u>\$4,896</u>

	2020		
	Balance	Interest rate %	Net interest income
SCB Taipei	\$7,800,000	0.00~0.25	\$11,581
SCB	1,370,734	0.10	12
SCB Hong Kong	1,114,849	-	-
SCB Japan	612,362	-	-
Other	690,700	0.00~2.65	3,818
	<u>\$11,588,645</u>		<u>\$15,411</u>

	For the six months ended June 30, 2020		
	Balance	Interest rate %	Net interest income
SCB Taipei	\$7,350,000	0.00~0.25	\$6,574
SCB Japan	467,024	-	-
SCB Hong Kong	402,737	-	-
SCB	259,300	-	-
Other	524,840	-0.63~2.65	3,473
	<u>\$9,003,901</u>		<u>\$10,047</u>

As of June 30, 2021, December 31, 2020 and June 30, 2020, interest receivable resulting from the above deposits with other banks from affiliates were \$783 thousand, \$1,148 thousand and \$565 thousand, respectively, recorded under receivables-net. For the six months ended June 30, 2021 and 2020, the service charge from the above deposits were \$17,207 thousand and \$11,708 thousand, respectively, recorded under net service fee income.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

(5) Call loans to banks-affiliates

For the six months ended June 30, 2021			
	Balance	Interest rate %	Net interest income
SCB Hong Kong	\$44,864,283	-0.80~2.75	\$50,736
SCB Taipei	4,747,707	-0.55~0.24	2,097
Other	-	-0.18~0.00	(387)
	<u>\$49,611,990</u>		<u>\$52,446</u>
2020			
	Balance	Interest rate %	Net interest income
SCB Hong Kong	\$71,970,075	-0.80~4.00	\$43,016
SCB Taipei	2,291,824	-0.15~3.15	458,991
Other	-	-0.35~5.40	2,744
	<u>\$74,261,899</u>		<u>\$504,751</u>
For the six months ended June 30, 2020			
	Balance	Interest rate %	Net 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
Other	-	-0.15~0.20	21
	<u>\$40,154,111</u>		<u>\$348,391</u>

As of June 30, 2021, December 31, 2020 and June 30, 2020, the interest receivables resulting from the above call loans to banks from affiliates were \$52,738 thousand, \$4,330 thousand and \$155,526 thousand, respectively, recorded under receivables-net.

(6) Deposits from banks— affiliates

For the six months ended June 30, 2021			
	Balance	Interest rate %	Net interest expense
SCB Taipei	<u>\$66,942</u>	0.01	<u>\$5</u>
2020			
	Balance	Interest rate %	Net interest expense
SCB Taipei	<u>\$63,262</u>	0.01	<u>\$33</u>
For the six months ended June 30, 2020			
	Balance	Interest rate %	Net interest expense
SCB Taipei	<u>\$1,406,794</u>	0.01	<u>\$10</u>

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

As of June 30, 2021, December 31, 2020 and June 30, 2020, the interest payables resulting from the above deposits from banks to affiliates were \$0 thousand, \$0 thousand, and \$1 thousand, respectively, recorded under related parties payable.

(7) Overdrafts on banks — affiliates

For the six months ended June 30, 2021			
	Balance	Interest rate %	Net interest expense
SCB New York	\$508,972	0.10~0.15	\$168
Other	-	0.75~7.30	1,345
	<u>\$508,972</u>		<u>\$1,513</u>
2020			
	Balance	Interest rate %	Net interest expense
SCB New York	\$3,164,579	0.10	\$527
Other	-	0.75~6.00	982
	<u>\$3,164,579</u>		<u>\$1,509</u>
For the six months ended June 30, 2020			
	Balance	Interest rate %	Net interest expense
SCB New York	\$599,850	0.08	\$343
Other	-	0.10~6.25	721
	<u>\$599,850</u>		<u>\$1,064</u>

As of June 30, 2021, December 31, 2020 and June 30, 2020, 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, 2021			
	Balance	Interest rate %	Net interest expense
SCB Korea	\$1,393,301	0.04~0.13	\$240
SCB Taipei	752,382	0.04~0.14	303
SCB Hong Kong	352,300	-0.58~7.50	4,684
SCB Vietnam	-	0.25~0.35	1,626
SCB Macau	-	0.21~0.23	37
SCB Thailand	-	-	-
Other	-	0.00~0.12	18
	<u>\$2,497,983</u>		<u>\$6,908</u>

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

	2020		
	Balance	Interest rate %	Net interest expense
SCB Hong Kong	\$1,945,051	-0.57~7.40	\$35,691
SCB Taipei	1,000,000	0.00~1.55	1,511
SCB Vietnam	570,060	0.35~1.45	6,377
SCB Macau	322,084	0.21~0.26	384
SCB Thailand	-	0.58~1.60	10,466
SCB Korea	-	0.01~3.10	4,938
Other	-	0.00~1.53	1,266
	<u>\$3,837,195</u>		<u>\$60,633</u>

	For the six months ended June 30, 2020		
	Balance	Interest rate %	Net 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 Taipei	-	0.00~1.55	978
SCB Macau	-	-	-
Other	-	0.00~1.53	1,266
	<u>\$13,339,916</u>		<u>\$41,899</u>

As of June 30, 2021, December 31, 2020 and June 30, 2020, the interest payables resulting from the above call loans from banks to affiliates were \$0 thousand, \$263 thousand, and \$3,495 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	December 31,		
	June 30, 2021	2020	June 30, 2020
SCB	<u>\$1,236,009</u>	<u>\$1,069,095</u>	<u>\$862,711</u>

For the six months ended June 30, 2021 and 2020, the interest income resulting from the above transaction were \$80 thousand and \$3,617 thousand, respectively. As of June 30, 2021, December 31, 2020 and June 30, 2020, the interest receivable resulting from the above transaction were \$9 thousand, \$12 thousand and \$10 thousand, respectively, recorded under receivables-net.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

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

Name	Bond (Note)	December 31,		
		June 30, 2021	2020	June 30, 2020
SCB	103-2	<u>\$5,573,203</u>	<u>\$5,700,600</u>	<u>\$5,928,851</u>

Note: The issuance conditions and details of financial debentures are stated in note 6(18).

For the six months ended June 30, 2021 and 2020, the interest expenses on the above transactions were \$126,830 thousand and \$136,652 thousand, respectively. As of June 30, 2021, December 31, 2020 and June 30, 2020, the interest payables on the above transactions were \$9,056 thousand, \$9,976 thousand and \$9,634 thousand, respectively, recorded under related parties payable.

(11) Guarantee

None.

(12) For the six months ended June 30, 2021, operational and advisory service fees, consulting and technical support service fees and wholesale banking business service fees were \$443,697 thousand, \$389,470 thousand and \$40,971 thousand, respectively. 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. As of June 30, 2021, December 31, 2020 and June 30, 2020, fees payables to SCB were \$4,823,625 thousand, \$4,059,374 thousand and \$7,439,847 thousand, respectively, recorded under related parties payable. For the six months ended June 30, 2021 and 2020, the group insurance expenses for entering the group insurance amounted to \$25,834 thousand and \$12,915 thousand, respectively. Furthermore, as of June 30, 2021, December 31, 2020 and June 30, 2020, group insurance expense payable were \$0 thousand, \$0 thousand and \$12,915 thousand, respectively, recorded under related parties payable.

(13) For the six months ended June 30, 2021 and 2020, the related cost of the Executive Share Option Scheme amounted to \$9,474 thousand and \$4,957 thousand, respectively. As of June 30, 2021, December 31, 2020 and June 30, 2020, the estimated accounts payable to SCB and SCB Hong Kong for the share-based payment scheme costs amounted to \$24,649 thousand, \$36,875 thousand and \$25,657 thousand, respectively, recorded under related parties payable. The prepaid fee to SCB for the share-based payment scheme costs amounted to \$0 thousand, \$0 thousand and \$826 thousand, respectively, recorded under other assets-net.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

(14) For the six months ended June 30, 2021 and 2020, expenses resulting from operating and other business related activities with affiliates were as follows:

Name	For the six months ended June 30	
	2021	2020
Technical support service fees:		
SCB Singapore	\$9,168	\$11,066
SCB Hong Kong	4,022	4,470
SCB	3,098	5,358
Other	843	1,284
Total	<u>\$17,131</u>	<u>\$22,178</u>
Information technology service fees:		
Standard Chartered Global Business Services Sdn Bhd	\$62,956	\$61,716
Standard Chartered Global Business Services Private Limited	39,606	45,667
Total	<u>\$102,562</u>	<u>\$107,383</u>
Consultant service income, origination income, and trading income:		
SCB	\$124,482	\$71,961
SCB Hong Kong	46,200	38,082
SCB New York	13,364	14,236
SCB Singapore	10,772	560
Other	9,311	9,806
Total	<u>\$204,129</u>	<u>\$134,645</u>
Consultant service fees, origination fees, and trading fees:		
SCB New York	\$39,263	\$26,529
SCB	23,791	21,423
SCB Japan	4,336	3,767
SCB Germany	3,224	6,355
Other	11,541	12,891
Total	<u>\$82,155</u>	<u>\$70,965</u>

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

As of June 30, 2021, December 31, 2020 and June 30, 2020, technical support service fees payables and information technology service fees payables were \$151,453 thousand, \$111,429 thousand and \$137,898 thousand, respectively, recorded under related parties payable. As of June 30, 2021, December 31, 2020 and June 30, 2020, consultant service income, origination income, trading income and technical support service receivables were \$402,735 thousand, \$301,410 thousand and \$296,493 thousand, respectively, recorded under receivables-net. As of June 30, 2021, December 31, 2020 and June 30, 2020, consultant service fees, origination fees and trading fees payables were \$301,235 thousand, \$315,871 thousand and \$260,924 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, 2021 and 2020, the rentals were \$1,615 thousand and \$1,568 thousand, respectively. As of June 30, 2021, December 31, 2020 and June 30, 2020, the utility and information system usage income receivables from SCB Taipei were \$73 thousand, \$142 thousand and \$312 thousand, respectively, recorded under receivables-net. For the six months ended June 30, 2021 and 2020, the related recharge from expense allocation were \$416 thousand and \$568 thousand, respectively.
- (16) For the six months ended June 30, 2021 and 2020, the administrative support service income from SCB Taipei to the Company were \$1,725 thousand and \$1,637 thousand, respectively. As of June 30, 2021, December 31, 2020 and June 30, 2020, the support service income receivables were \$0 thousand, \$286 thousand and \$286 thousand, recorded under receivables-net. As of June 30, 2021, December 31, 2020 and June 30, 2020, payments received on behalf of SCB Taipei were \$0 thousand, \$194 thousand and \$0 thousand.
- (17) The Company entered into the Exclusivity Fee Sharing Agreement with SCB Singapore. For the six months ended June 30, 2021 and 2020, the service fee income were \$476,907 thousand and \$388,138 thousand, respectively, recorded under net service fee income. As of June 30, 2021, December 31, 2020 and June 30, 2020, the service income receivables were \$927,169 thousand, \$539,594 thousand and \$806,418 thousand, respectively, recorded under receivables-net. As of June 30, 2021, December 31, 2020 and June 30, 2020 advance service fee income totaled \$1,204,775 thousand, \$1,309,180 thousand and \$1,441,542 thousand, respectively, recorded under other liabilities. (Please refer to note 9(2)).

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

The salary and remuneration for directors and supervisors

	For the six months ended June 30	
	2021	2020
Salary and other short-term benefits	\$105,348	\$136,744
Post-employment benefits	727	858
Total	<u>\$106,075</u>	<u>\$137,602</u>

8. Pledged assets

Pledged assets	Pledged for	June 30, 2021	December 31, 2020	June 30, 2020
Negotiable certificates of deposit, bonds (recorded under other financial assets)	USD overdraft clearing deposits	\$11,695,480	\$15,503,245	\$15,520,580
Due from the Central Bank and call loans to banks	Funds borrowed from the Central Bank and banks	1,000,000	1,000,000	500,000
Total		<u>\$12,695,480</u>	<u>\$16,503,245</u>	<u>\$16,020,580</u>

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, 2021	December 31, 2020	June 30, 2020
Negotiable certificates of deposit, bonds (recorded under other financial assets)	Trust indemnity reserve	\$161,028	\$163,059	\$164,363
	Operating deposits for securities broker	53,676	54,353	54,788
	Operating deposits for securities underwriter	42,941	43,482	43,830
	Operating deposits for securities dealer	10,735	10,871	10,958
	Operating deposits for bills business	100,115	100,206	100,041
	Bond payment settlement reserve	107,352	108,706	109,575
		<u>475,847</u>	<u>480,677</u>	<u>483,555</u>
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	40,300
Total		<u>\$516,147</u>	<u>\$520,977</u>	<u>\$523,855</u>

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

- (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.
- (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

	December 31,		
	June 30, 2021	2020	June 30, 2020
Consignment collection for others	\$3,957,659	\$3,802,521	\$3,490,867
Securities, consignments and goods in custody	6,091,851,448	5,240,771,662	2,039,963,266
Trust assets	116,605,336	106,201,211	96,718,383
	<u>\$6,212,414,443</u>	<u>\$5,350,775,394</u>	<u>\$2,140,172,516</u>
Other guarantees	<u>\$5,121,386</u>	<u>\$3,672,427</u>	<u>\$3,450,390</u>
Unused amount of irrevocable loan commitments	<u>\$7,152,816</u>	<u>\$7,641,834</u>	<u>\$8,558,469</u>
Unused amount of irrevocable letters of credit	<u>\$973,657</u>	<u>\$950,027</u>	<u>\$908,674</u>

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

(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, 2021			
Trust assets		Trust liabilities	
Bank deposits	\$4,561	Accounts payable	\$1
Short-term investments		Payables for securities under custody	6,213,286
Bonds	26,077,409	Trust capital and accumulated earnings	
Stocks	10,217,059	Trust capitals	119,179,212
Funds	71,755,263	Accumulated earnings	(8,787,163)
Structured notes	2,337,758		
Securities under custody	6,213,286		
Total trust assets	<u>\$116,605,336</u>	Total trust liabilities	<u>\$116,605,336</u>

Trust balance sheet			
December 31, 2020			
Trust assets		Trust liabilities	
Bank deposits	\$4,959	Accounts payable	\$2
Short-term investments		Payables for securities under custody	3,538,252
Bonds	27,779,072	Trust capital and accumulated earnings	
Stocks	7,658,762	Trust capitals	109,272,733
Funds	65,596,480	Accumulated earnings	(6,609,776)
Structured notes	1,623,686		
Securities under custody	3,538,252		
Total trust assets	<u>\$106,201,211</u>	Total trust liabilities	<u>\$106,201,211</u>

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

Trust balance sheet			
June 30, 2020			
Trust assets		Trust liabilities	
Bank deposits	\$5,431	Accounts payable	\$3
Short-term investments		Payables for securities under custody	3,466,597
Bonds	25,988,723	Trust capital and accumulated earnings	
Stocks	5,925,335	Trust capitals	110,054,780
Funds	58,642,258	Accumulated earnings	(16,802,997)
Structured notes	2,687,568		
Securities under custody	3,466,597		
Other assets	2,471		
Total trust assets	<u>\$96,718,383</u>	Total trust liabilities	<u>\$96,718,383</u>

Trust statement of comprehensive income

	For the six months ended June 30	
	2021	2020
Trust revenue:		
Interest revenue	\$2,248,084	\$2,444,823
Common stock cash dividends	4	37
Realized gain on investments—bond	409,282	608,852
Realized gain on investments—stock	1,699,054	705,389
Realized gain on investments—fund	1,497,752	672,396
Realized gain on investments—structured notes	5,211	2,870
Unrealized gain on investments—bond	1,223,483	974,146
Unrealized gain on investments—stock	1,087,075	239,123
Unrealized gain on investments—fund	2,859,358	791,911
Unrealized gain on investments—structured note	900	266
	<u>11,030,203</u>	<u>6,439,813</u>
Trust expenses:		
Management expense	13	17
Realized loss on investments—bond	64,228	66,999
Realized loss on investments—stock	203,985	193,359
Realized loss on investments—fund	696,577	1,633,258
Realized loss on investments—structured notes	14,509	37,158
Unrealized loss on investments—bond	326,624	705,215
Unrealized loss on investments—stock	1,746,709	2,487,493
Unrealized loss on investments—fund	5,680,589	10,839,158
Unrealized loss on investments—structured note	147,760	1,472,655
Net loss on trading of assets	2	5
	<u>8,880,996</u>	<u>17,435,317</u>
Net gain (loss) before income tax	2,149,207	(10,995,504)
Income tax expense	-	-
Net gain (loss) after income tax	<u>\$2,149,207</u>	<u>\$(10,995,504)</u>

STANDARD CHARTERED BANK (TAIWAN) LIMITED
Notes to the Financial Statements (Continued)
(Expressed in thousands of New Taiwan Dollars, Unless Otherwise Specified)

Schedules of investment for trust business

Investment items	June 30, 2021	December 31, 2020	June 30, 2020
Bank deposits	\$4,651	\$4,959	\$5,431
Short-term investments:			
Bonds	26,077,409	27,779,072	25,988,723
Common stock	10,217,059	7,658,762	5,925,335
Funds	71,755,263	65,596,480	58,642,258
Structured notes	2,337,758	1,623,686	2,687,568
Securities under custody	6,213,286	3,538,252	3,466,597
Other assets	-	-	2,471
Total	<u>\$116,605,336</u>	<u>\$106,201,211</u>	<u>\$96,718,383</u>

Foreign currency trust business engaged by the Offshore Banking Unit (OBU) as of June 30, 2021, December 31, 2020 and June 30, 2020, were included in the trust balance sheets, trust statements of comprehensive income and schedules of investment for trust business.

10. Significant loss due to disasters

None.

11. Significant subsequent events

None.

12. Others

(1) Profitability

Unit: %

Items		June 30, 2021	December 31, 2020	June 30, 2020
Return on assets (Annualized)	Before income tax	0.50	0.42	0.62
	After income tax	0.43	0.35	0.52
Return on equity (Annualized)	Before income tax	7.39	6.02	8.57
	After income tax	6.49	5.14	7.30
Net profit ratio		23.55	18.69	24.26

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

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

13. Other disclosure items

For the six months ended June 30, 2021, 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:

Company	Property name	Effective date	Historical obtaining date	Book value	Amount	Status of Receivables	Estimated disposal gains / losses	Trading party	Relationship	Disposal goal	Price decision reference	Other
Standard Chartered Bank (Taiwan) Limited	Taoyuan Branch properties	2020.11.17; 2021.3.18 (settlement date)	2001.3.16	\$201,305,085	\$372,000,000	First bill : 10% of selling price. Within 5 working days from contract date. Second bill : 10% of selling price. Within 7 working days after tax bills issuance. Third bill : 80% of selling price. After ownership transfer.	\$163,274,057	Tianbao Co., Ltd.	None	Non-major assets disposal	Appraisal reports approved by Board.	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.
- (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.

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

(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				Remarks
						Number of shares(thousand)	Pro forma number of shares(thousand)	Total		
								Shares (thousand)	Percentage	
Taiwan Small and Medium Enterprises Development Corp.	8F., No.181, Fushing N. Rd., Songshan District, Taipei City 10596, Taiwan (R.O.C.)	Small and medium enterprises improvement services	4.84%	\$37,420	\$157	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%	5,068	-	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%	249,088	-	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%	43,850	-	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%	10,689	-	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%	1,580	-	85	-	85	1.42%	Note 2
LINE Bank	15F., No.206, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	Commercial bank	5.00%	437,000	-	50,000	-	50,000	5.00%	Note 2
Windance Co., Ltd.	No.243-1, Jhongyang Rd., North District, Hsinchu City 30041, Taiwan (R.O.C.)	Residential and commercial lease/sale services	2.73%	-	-	18,850	-	18,850	2.73%	Note 2

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, 2020.

(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:

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

- (1) Consumer, Private, and Business Banking (“CPBB”): In charge of developing a long-term sustainable customer-focused strategy and building a high performance culture through robust execution. Responsible for retail clients segment development in customer value propositions, product development and developing customer-focused planning and promotion of wealth management and trust to conduct investment, financing and trust services.
- (2) Corporate, Commercial and Institutional Banking (“CCIB”): In charge of developing a sustainable client-focused strategy by engaging in the development, promotion, credit analysis, risk management, client on-boarding, integrated client documentation handing, client due diligence, and sale products and services to Corporate clients and Financial institutions clients. Responsible for business development and maintenance, sales channel management, operation process and risk management, enhancement of customer experience and service quality, analysis of business operations, evaluation of product performance, and project execution, etc.
- (3) Other Banking (“OB”): 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.

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:

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Notes to the Financial Statements (Continued)

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

For the six months ended June 30, 2021				
	CPBB	CCIB	OB	Total
Net interest income	\$2,306,917	\$383,761	\$(171,007)	\$2,519,671
Net service fee income	2,166,664	406,315	(17,485)	2,555,494
Other miscellaneous income	296,252	417,260	597,165	1,310,677
Net income	4,769,833	1,207,336	408,673	6,385,842
Reversal of bad debt expense, commitment and guarantee liability provision	46,375	2,253	2,507	51,135
Operating expense	(3,681,394)	(977,153)	(65,917)	(4,724,464)
Segment profit (loss)	\$1,134,814	\$232,436	\$345,263	\$1,712,513
Segment assets	\$218,212,512	\$121,333,932	\$327,796,228	\$667,342,672
Segment liabilities	\$331,891,565	\$280,355,731	\$8,862,671	\$621,109,967

For the six months ended June 30, 2020				
	CPBB	CCIB	OB	Total
Net interest income	\$2,624,910	\$701,984	\$(927,349)	\$2,399,545
Net service fee income	1,973,547	420,223	(7,841)	2,385,929
Other miscellaneous income	312,506	531,485	1,265,895	2,109,886
Net income	4,910,963	1,653,692	330,705	6,895,360
Bad debt expense, commitment and guarantee liability (provision) reversal	(140,056)	(65,773)	(832)	(206,661)
Operating expense	(3,629,963)	(1,018,552)	(74,665)	(4,723,180)
Segment profit (loss)	\$1,140,944	\$569,367	\$255,208	\$1,965,519
Segment assets	\$212,931,684	\$112,547,507	\$329,081,247	\$654,560,438
Segment liabilities	\$320,933,982	\$256,503,590	\$31,249,978	\$608,687,550

**STANDARD CHARTERED BANK (TAIWAN)
LIMITED SECURITIES DEPARTMENT**

Financial Statements

For the Six Months Ended June 30, 2021 and 2020

Securities Department Financial Statements

Table of Contents

Item	Page
Cover	138
Table of contents	139
Securities Department Balance Sheets	140
Securities Department Statements of Comprehensive Income	141
Securities Department Notes to Financial Statements	
1. Organization and operations	142
2. Date and procedures of authorization for issuance of the financial statements	142
3. Newly issued or revised standards and interpretations	142
4. Summary of significant accounting policies	142-149
5. Significant accounting judgments, estimates and assumptions	149-150
6. Contents of significant accounts	150-155
7. Related party transactions	156-157
8. Pledged assets	157-158
9. Significant commitments and contingent liabilities	158
10. Significant loss due to disasters	158
11. Significant subsequent events	158
12. Others	158
13. Other disclosure items	
(1) Related information on significant transactions	159
(2) Information on long-term equity investments	159
(3) Related information on overseas branches and representative offices	159
(4) Information on investments in Mainland China	159
Details of significant accounts	160-166

English Translation of Financial Statements Originally Issued in Chinese

STANDARD CHARTERED BANK (TAIWAN) LIMITED SECURITIES DEPARTMENT

Balance Sheets

June 30, 2021, December 31, 2020 and June 30, 2020

(Expressed in thousands of New Taiwan Dollars)

			June 30, 2021		December 31, 2020		June 30, 2020		
			Note	Amount	%	Amount	%	Amount	%
Assets									
110000 Current Assets									
112000	Financial assets at fair value through profit or loss	6(1)		\$3,298,299	7	\$2,354,721	5	\$4,802,417	9
113200	Financial assets at fair value through other comprehensive income	6(2)		36,888,742	82	36,497,156	80	43,281,321	77
113300	Financial assets measured at amortized cost	6(3) & 6(8)		1,917,570	4	1,921,444	4	1,925,370	3
114010	Securities and bonds purchased under resell agreements	6(4) & 6(8)		2,229,972	5	3,704,935	8	4,095,967	7
114130	Accounts receivable	6(5) & 7		375,948	1	429,774	1	1,604,985	3
119000	Other current assets			48,345	-	183,310	1	114,874	-
Current Assets				44,758,876	99	45,091,340	99	55,824,934	99
120000 Non-current assets									
129000	Other non-current assets	8		40,300	-	40,300	-	40,300	-
129080	Other financial assets	6(6), 6(8) & 8		375,732	1	380,471	1	383,514	1
Non-current Assets				416,032	1	420,771	1	423,814	1
Total assets				\$45,174,908	100	\$45,512,111	100	\$56,248,748	100
Liabilities and Equity									
210000 Current Liabilities									
214130	Accounts payable	6(7) & 7		\$1,743	-	\$44,614	-	\$10	-
Current Liabilities				1,743	-	44,614	-	10	-
229110 Intercompany				42,792,987	95	42,644,331	94	53,694,695	95
Total Liabilities				42,794,730	95	42,688,945	94	53,694,705	95
300000 Equity									
301110	Capital surplus			2,000,000	4	2,000,000	4	2,000,000	4
304040	Retained Earnings			152,387	-	519,613	1	321,842	1
305000	Other equity			227,791	1	303,553	1	232,201	-
Total equity				2,380,178	5	2,823,166	6	2,554,043	5
Total Liabilities and Equity				\$45,174,908	100	\$45,512,111	100	\$56,248,748	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, 2021 and 2020

(Expressed in thousands of New Taiwan Dollars)

			For the six months ended June 30, 2021		For the six months ended June 30, 2020	
		Note	Amount	%	Amount	%
400000	Operating Revenue					
401000	Brokerage handling fee revenue	7	\$2,503	1	\$-	-
404000	Revenue from underwriting business	7	26,727	16	133,309	39
411000	Gains on sale of trading securities	6(1)	37,446	22	52,821	16
421200	Interest income	6(1)	100,323	60	150,164	44
421500	Valuation gains on trading securities at fair value through profit or loss	6(1)	1,432	1	2,978	1
425300	Expected credit reversal gains (impairment losses)		98	-	(465)	-
428000	Other operating income	7	71	-	1	-
	Total operating revenue		168,600	100	338,808	100
500000	Operating expenses					
501000	Brokerage handling fee expenses		-	-	3	-
531000	Employee benefit expenses		9,823	6	6,544	2
533000	Other operating expenses		6,390	4	10,419	3
	Total operating expenses		16,213	10	16,966	5
902005	Profit		152,387	90	321,842	95
805000	Other comprehensive income					
805600	Components of other comprehensive income that will be reclassified to profit or loss					
805615	Revaluation (losses) gains from investments in debt instruments measured at fair value through other comprehensive income		(75,701)	(45)	182,192	54
805618	(Reversal gains) Provision of impairment losses from investments in debt instruments measured at fair value through other comprehensive income		(62)	-	470	-
805699	Income tax related to components of other comprehensive income that will be reclassified to profit or loss		-	-	-	-
805000	Other comprehensive income		(75,763)	(45)	182,662	54
902006	Total comprehensive Income		\$76,624	45	\$504,504	149

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, 2021 and 2020
(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 (IAS) 34, *Interim Financial Reporting*, as endorsed and became effective by FSC. Significant accounting policies adopted in the financial statements are summarized as below:

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

(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

Financial assets

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

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

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.

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

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:

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

- 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.

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

(d) Impairment of financial assets

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.

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.

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

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.

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

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.

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

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, 2021, 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, 2021	December 31, 2020	June 30, 2020
Securities held for operations-dealing:			
Government bonds	\$3,197,699	\$2,354,721	\$4,802,417
Corporate bonds	100,600	-	-
Total	<u>\$3,298,299</u>	<u>\$2,354,721</u>	<u>\$4,802,417</u>

For the six months ended June 30, 2021 and 2020, relevant operating details of the securities department of the Company were as follows:

	For the six months ended June 30	
	2021	2020
(Losses) Gains on sale of trading securities	<u>\$(564)</u>	<u>\$31,342</u>
Interest income	<u>\$3,586</u>	<u>\$14,606</u>
Valuation gains on trading securities measured at fair value through profit or loss	<u>\$1,432</u>	<u>\$2,978</u>

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

(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, 2021	December 31, 2020	June 30, 2020
Government bonds	\$36,888,742	\$36,497,156	\$43,281,321
Revaluation adjustment of hedge items	\$2,849	\$3,779	\$6,283

As of June 30, 2021, December 31, 2020 and June 30, 2020, the allowance for impairments of the above debt investment were \$2,130 thousand, \$2,192 thousand and \$2,561 thousand, respectively.

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

	For the six months ended June 30, 2021				
	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	\$2,192	\$-	\$-	\$-	\$2,192
Changes due to financial instrument recognition: Financial assets derecognized during the period	(361)	-	-	-	(361)
New financial assets originated or purchased	49	-	-	-	49
Foreign currency exchange and other changes	250	-	-	-	250
Ending Balance	\$2,130	\$-	\$-	\$-	\$2,130

	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

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

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, 2021					
	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	\$36,497,156	\$-	\$-	\$-	\$36,497,156
Changes due to financial instrument recognition					
Financial assets derecognized during the period	(23,838,719)	-	-	-	(23,838,719)
New financial assets originated or purchased	24,317,058	-	-	-	24,317,058
Foreign currency exchange and other changes	(86,753)	-	-	-	(86,753)
Ending Balance	<u>\$36,888,742</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$36,888,742</u>

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	<u>\$43,281,321</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$43,281,321</u>

(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, 2021	December 31, 2020	June 30, 2020
Government bonds	<u>\$1,917,570</u>	<u>\$1,921,444</u>	<u>\$1,925,370</u>

As of June 30, 2021, December 31, 2020 and June 30, 2020, the allowance of impairments of the above financial assets measured at amortized cost were all \$117 thousand.

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

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

For the six months ended June 30, 2021					
	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, 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

(4) Securities and bonds purchased under resell agreements

	June 30, 2021	December 31, 2020	June 30, 2020
Bonds purchased under resell agreement	\$2,229,972	\$3,704,935	\$4,095,967
Face value of bonds	\$2,350,000	\$3,800,000	\$4,200,000
Interest rate	0.15%~0.20%	0.17%~0.19%	0.26% ~ 0.27%
Last settlement date	2021.07.13	2021.1.19	2020.7.17
Resell price	\$2,230,279	\$3,705,346	\$4,096,576

As of June 30, 2021, December 31, 2020 and June 30, 2020, allowance for impairments of the above securities and bonds purchased under resell agreements were \$28 thousand, \$64 thousand and \$32 thousand, respectively.

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

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

For the six months ended June 30, 2021					
	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	\$64	\$-	\$-	\$-	\$64
Changes due to financial instrument recognition:					
Financial assets derecognized during the period	(64)	-	-	-	(64)
New financial assets originated or purchased	28	-	-	-	28
Ending Balance	<u>\$28</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$28</u>

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
Ending Balance	<u>\$32</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$32</u>

(5) Accounts receivable

	June 30, 2021	December 31, 2020	June 30, 2020
Unsettled trades receivable	\$-	\$-	\$1,094,252
Interest receivables	373,430	426,331	510,733
Accounts receivable-related parties	2,518	3,443	-
Total	<u>\$375,948</u>	<u>\$429,774</u>	<u>\$1,604,985</u>

(6) Other financial assets

	June 30, 2021	December 31, 2020	June 30, 2020
Restricted assets-debt instruments	<u>\$375,732</u>	<u>\$380,471</u>	<u>\$383,514</u>

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

(7) Payables

	June 30, 2021	December 31, 2020	June 30, 2020
Collection payable	\$939	\$159	\$-
Accounts payable-related parties	804	44,455	10
Total	<u>\$1,743</u>	<u>\$44,614</u>	<u>\$10</u>

(8) Fair value of financial instruments

(a) Fair value of financial instruments

	June 30, 2021	
	Book Value	Fair Value
Amortized cost	\$1,917,570	\$1,941,450
Securities and bonds purchased under resell agreements	2,229,972	2,314,580
Other financial assets	375,732	375,732
	December 31, 2020	
	Book Value	Fair Value
Amortized cost	\$1,921,444	\$1,950,812
Securities and bonds purchased under resell agreements	3,704,935	4,065,128
Other financial assets	380,471	380,471
	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

(b) Information of financial risk

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

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

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
Standard Chartered Bank Singapore (“SCB Singapore”)	Affiliate
Standard Chartered Bank North America (“SCB North America”)	Affiliate
Standard Chartered Bank Dubai (“SCB Dubai”)	Affiliate
Standard Chartered Bank Korea Limited (“SCB Korea”)	Affiliate
Standard Chartered Bank Malaysia (“SCB Malaysia”)	Affiliate

Significant transactions with related parties

Name	For the six months ended June 30	
	2021	2020
Brokerage handling fee revenue:		
SCB	\$2,503	\$-
Revenue from underwriting business:		
SCB Dubai	\$110	\$-
SCB North America	(108)	-
Total	\$2	\$-
Other operating income:		
SCB Malaysia	\$45	\$-
SCB	24	1
Other	2	-
Total	\$71	\$1

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

Name	June 30, 2021	December 31, 2020	June 30, 2020
Accounts receivable-related parties:			
SCB	\$2,473	\$3,393	\$-
Other	45	50	-
Total	<u>\$2,518</u>	<u>\$3,443</u>	<u>\$-</u>
Accounts payable-related parties:			
SCB Malaysia	\$380	\$389	\$-
SCB Singapore	380	389	-
SCB Dubai	-	23,735	-
SCB North America	-	19,930	-
Other	44	12	10
Total	<u>\$804</u>	<u>\$44,455</u>	<u>\$10</u>

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, 2021	December 31, 2020	June 30, 2020
Negotiable certificates of deposit, bonds (recorded under other non-current financial assets)	Trust indemnity reserve	\$161,028	\$163,059	\$164,363
	Operating deposits for securities broker	53,676	54,353	54,788
	Operating deposits for securities underwriter	42,941	43,482	43,830
	Operating deposits for securities dealer	10,735	10,871	10,958
	Bond payment settlement reserve	<u>107,352</u>	<u>108,706</u>	<u>109,575</u>
		<u>375,732</u>	<u>380,471</u>	<u>383,514</u>
Guarantee deposits paid (recorded under other non-current assets)	Operating deposits for securities dealer, bond payment settlement reserve, and self-regulatory fund deposit	<u>40,300</u>	<u>40,300</u>	<u>40,300</u>
Total		<u>\$416,032</u>	<u>\$420,771</u>	<u>\$423,814</u>

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

- (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, 2021:

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

- (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, 2021
(Expressed in thousands of New Taiwan Dollars)

Name of financial instrument	Description	Shares or units	Par value	Total amount	Interest rate	Acquisition cost	Fair value		Fair value changes attributable to the changes in credit risk	Note
							Unit price	Total amount		
Government bonds										
A00109		-	-	\$1,000,000	1.25%	\$1,006,080	100.28	\$1,002,798	-	
A91107		-	-	500,000	3.75%	520,751	104.07	520,340	-	
A08101		-	-	500,000	0.63%	506,072	101.13	505,632	-	
A02106		-	-	450,000	1.13%	457,772	101.66	457,457	-	
A01109		-	-	300,000	1.13%	304,757	101.23	303,685	-	
A07107		-	-	200,000	0.63%	202,011	100.98	201,951	-	
Other (Note)		-	-	200,000	0.63%~1.75%	209,288	101.11~103.52	205,836	-	
Subtotal				3,150,000		3,206,731		3,197,699		
Corporate bonds		-	-	100,000	0.65%	101,047	100.60	100,600	-	
Total				\$3,250,000		\$3,307,778		\$3,298,299		

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, 2021
(Expressed in thousands of New Taiwan Dollars)

Name of financial instrument	Description	Shares or units	Par value	Total amount	Interest rate	Acquisition cost	Accumulated impairment	Fair value		Note
								Unit price	Total amount	
A94103		-	-	\$4,250,000	2.38%	\$4,625,727	\$234	107.78	\$4,580,807	
A07111		-	-	4,000,000	0.75%	4,035,113	238	101.40	4,055,940	
A07107		-	-	3,400,000	0.63%	3,406,104	199	100.98	3,433,167	
A91107		-	-	2,450,000	3.75%	2,682,924	178	104.07	2,549,668	
A04105		-	-	2,350,000	1.63%	2,481,960	153	105.11	2,470,054	
A08101		-	-	2,150,000	0.63%	2,159,735	126	101.13	2,174,220	
A93103		-	-	2,000,000	3.00%	2,208,365	169	107.35	2,147,040	
A03106		-	-	1,850,000	1.50%	1,934,229	118	103.51	1,915,007	
Other (Note 1)		-	-	13,198,900	0.13%~4.25%	13,760,568	715	99.35~109.36	13,562,839	
Total				<u>\$35,648,900</u>		<u>\$37,294,725</u>	<u>\$2,130</u>		<u>\$36,888,742</u>	

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

Note2: The fair value hedged financial assets amounted to \$1,259,439 thousand, and the revaluation adjustment of hedged items was \$2,849 thousand.

Standard Chartered Bank (Taiwan) Limited Securities Department

Statement of financial assets measured at amortized cost

June 30, 2021

(Expressed in thousands of New Taiwan Dollars)

Name of financial instrument	Description	Shares or units	Par value	Total Amount	Interest rate	Carrying amount	Accumulated impairment	Note
A07107		-	-	\$1,000,000	0.63%	\$997,708	\$59	
A02110		-	-	900,000	1.75%	919,862	58	
Total				<u>\$1,900,000</u>		<u>\$1,917,570</u>	<u>\$117</u>	

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

June 30, 2021

(Expressed in thousands of New Taiwan Dollars)

Name	Terms			Bonds		Trading Amount	Note
	Start Date	Maturity Date	Interest rate	Type	Par value		
O-Bank Co., Ltd.	2021.06.24	2021.07.12	0.150%	A10201	\$550,000	\$500,000	
Capital Securities Corporation	2021.06.02	2021.07.02	0.160%	A09101	400,000	380,000	
KGI Securities	2021.06.10	2021.07.13	0.160%	A00107	300,000	300,000	
Jih Sun Securities	2021.06.10	2021.07.12	0.200%	A07109	300,000	290,000	
Capital Securities Corporation	2021.06.03	2021.07.02	0.160%	A05111	300,000	280,000	
KGI Securities	2021.06.09	2021.07.12	0.160%	A00107	200,000	200,000	
Capital Securities Corporation	2021.06.02	2021.07.02	0.160%	A08111	200,000	185,000	
Other (Note)					100,000	94,972	
Total					<u>\$2,350,000</u>	<u>\$2,229,972</u>	

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

Standard Chartered Bank (Taiwan) Limited Securities Department

Statement of revenue from underwriting business

For the six months ended June 30, 2021

(Expressed in thousands of New Taiwan Dollars)

Month	Securities underwriting compensation	Consignment securities handling fee revenue	Underwriting operation revenue	Underwriting asset revenue	Other revenue	Total	Note
January	\$-	\$-	\$-	\$6,086	\$-	\$6,086	
February	-	-	-	3,057	-	3,057	
March	-	-	-	-	-	-	
April	-	-	-	4,242	-	4,242	
May	-	-	-	-	-	-	
June	-	-	-	13,342	-	13,342	
Total	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>	<u>\$26,727</u>	<u>\$-</u>	<u>\$26,727</u>	

Standard Chartered Bank (Taiwan) Limited Securities Department

Statement of gain on sale of trading securities

For the six months ended June 30, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Revenue	Cost	Profit	Note
Dealing				
Securities trading at business establishment	<u>\$31,126,219</u>	<u>\$31,088,773</u>	<u>\$37,446</u>	

Standard Chartered Bank (Taiwan) Limited Securities Department

Statement of interest income

For the six months ended June 30, 2021

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Bonds interest income		\$98,221	
Interest income from bond purchased under resell agreements		2,102	
Total		<u>\$100,323</u>	