Stock Code: 2807

STANDARD CHARTERED BANK
(TAIWAN) LIMITED

Financial Statements

With Independent Auditors' Report

For the Six Months Ended June 30, 2023 and 2022

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

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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") as of June 30, 2023, December 31, 2022 and June 30, 2022, and the related statements of comprehensive income, changes in equity and cash flows for the six months ended June 30, 2023 and 2022, 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, 2023, December 31 and June 30, 2022, and their financial performance and cash flows for the six months ended June 30, 2023 and 2022, 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 the Standards on Auditing of the Republic of China. 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.

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Recognition of loss provision for loans

As of June 30, 2023, total outstanding loan balance of the Company was $280,057,645 thousand, accounting for 39% of total assets, 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.

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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 the Standards on Auditing of 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 the Standards on Auditing of the Republic of China, we exercise professional judgment and 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

Huang, Chien-che

Ernst & Young, Taiwan

August 29, 2023

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, 2023, December 31, 2022, and June 30, 2022

(Expressed in thousands of New Taiwan Dollars)

			June 30, 2023		December 31, 2022		June 30, 2022	
		Note	Amount	%	Amount	%	Amount	%
	Assets							
11000	Cash and cash equivalents	6(1) & 7	$16,884,880	2	$16,772,114	2	$10,315,436	2
11500	Due from the Central Bank and call loans to banks	6(1), 6(2) & 7	134,104,677	19	115,567,226	16	129,563,265	18
12000	Financial assets at fair value through profit or loss	6(3) & 7	53,495,127	7	51,065,133	7	53,660,740	8
12100	Financial assets at fair value through other comprehensive income	6(4) & 6(6)	141,922,882	20	145,410,565	21	162,360,824	23
12200	Debt instrument investments measured at amortized cost	6(5)	28,787,021	4	30,410,209	4	9,129,950	1
12300	Financial assets for hedging	6(6)	82,175	-	224,517	-	1,218,180	-
12500	Securities and bonds purchased under resell agreements	6(1), 6(7) & 7	11,140,085	2	13,860,254	2	6,354,080	1
13000	Receivables-net	6(8) & 7	24,911,318	4	19,924,576	3	21,904,443	3
13200	Current tax assets	6(22)	72,119	-	101,236	-	44,129	-
13500	Discounts and loans-net	6(6), 6(9) & 7	280,057,645	39	287,864,358	41	286,853,639	40
15500	Other financial assets-net	6(10) & 8	10,825,113	2	12,154,175	2	12,132,074	2
18500	Property and equipment-net	6(11)	3,209,815	-	3,351,673	1	3,463,644	1
18600	Right-of-use assets-net	6(33)	2,371,405	-	2,530,040	-	2,664,073	-
19000	Intangible assets-net	6(12)	3,248,874	-	3,268,295	-	3,210,475	-
19300	Deferred tax assets	6(22)	764,928	-	769,435	-	886,416	-
19500	Other assets-net	6(13), 7 & 8	8,706,635	1	5,493,462	1	5,773,680	1
	Total assets		$720,584,699	100	$708,767,268	100	$709,535,048	100

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

<u>English Translation of Financial Statements Originally Issued in Chinese</u>

STANDARD CHARTERED BANK (TAIWAN) LIMITED

Balance Sheets (Continued)

June 30, 2023, December 31, 2022, and June 30, 2022

(Expressed in thousands of New Taiwan Dollars)

		Note	June 30, 2023 Amount	%	December 31, 2022 Amount	%	June 30, 2022 Amount	%
	Liabilities							
21000	Deposits from the Central Bank and banks	6(14) & 7	$1,532,081	-	$1,638,248	-	$4,806,392	1
22000	Financial liabilities at fair value through profit or loss	6(3) & 7	42,078,288	6	44,729,858	6	46,123,714	6
22300	Financial liabilities for hedging	6(6)	96,311	-	104,688	-	129,637	-
23000	Payables	6(15)	2,960,479	-	5,077,449	1	4,957,221	1
23100	Related parties payable	7	5,602,281	1	4,291,102	1	6,866,659	1
23200	Current tax liabilities	6(22)	441,702	-	403,258	-	142,099	-
23500	Deposits and remittances	6(6), 6(16) & 7	602,287,958	84	587,506,645	83	579,081,921	82
24000	Financial debentures	6(17) & 7	6,233,593	1	6,148,843	1	5,946,743	1
25500	Other financial liabilities	6(18)	296,805	-	231,995	-	106,345	-
25600	Provisions	6(19) & 6(21)	897,508	-	916,041	-	1,197,542	-
26000	Lease liabilities	6(33)	2,493,055	-	2,628,067	-	2,728,679	-
29300	Deferred tax liabilities	6(22)	821,469	-	820,971	-	817,414	-
29500	Other liabilities	6(20) & 7	6,911,001	1	7,062,725	1	11,302,788	2
	Total liabilities		672,652,531	93	661,559,890	93	664,207,154	94
	Equity							
31101	Common stock	6(23)	29,105,720	4	29,105,720	4	29,105,720	4
31500	Capital surplus	6(23)	5,794,771	1	5,794,771	1	5,794,771	1
32000	Retained earnings	6(23)						
32001	Legal reserve		10,850,008	2	10,035,629	2	10,035,629	1
32003	Special reserve		235,473	-	247,892	-	247,892	-
32005	Unappropriated earnings		2,379,885	-	2,714,597	-	937,892	-
			13,465,366	2	12,998,118	2	11,221,413	1
32500	Other equity interest	6(23)	(433,689)	-	(691,231)	-	(794,010)	-
	Total equity		47,932,168	7	47,207,378	7	45,327,894	6
	Total liabilities and equity		$720,584,699	100	$708,767,268	100	$709,535,048	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, 2023 and 2022

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

			For the six months ended June 30			
			2023		2022	
		Note	Amount	%	Amount	%
41000	Interest income	6(26) & 7	$8,484,007	104	$3,703,874	63
51000	Less: Interest expenses	6(26) & 7	5,761,709	71	942,134	16
49010	Net interest income		2,722,298	33	2,761,740	47
49020	Net non-interest income					
49100	Net service fee income	6(27) & 7	2,310,177	29	1,862,226	31
49200	Gains on financial assets or liabilities at fair value through profit or loss	6(28) & 7	1,892,552	23	855,743	14
49310	Realized gains (losses) on financial assets at fair value through other comprehensive income	6(4) & 6(29)	1,793	-	(55,928)	(1)
49600	Foreign exchange gains		733,151	9	393,436	7
49700	Impairment gains on reversal (losses) on assets	6(31)	1,269	-	(9,659)	-
49800	Net other non-interest income	6(6), 6(30) & 7	509,653	6	114,979	2
	Total net non-interest income		5,448,595	67	3,160,797	53
	Net revenue		8,170,893	100	5,922,537	100
58200	Bad debt expense, commitment and guarantee liability provisions	6(32)	524,176	6	302,961	5
58400	Operating expenses					
58500	Employee benefits expenses	6(21), 6(24), 6(34) & 7	2,533,680	31	2,524,293	43
59000	Depreciation and amortization expenses	6(11), 6(12), 6(33) & 6(35)	314,108	4	295,957	5
59500	Other general and administrative expenses	6(36) & 7	2,013,111	25	1,945,726	33
	Total operating expenses		4,860,899	60	4,765,976	81
61001	Profit from continuing operations before tax		2,785,818	34	853,600	14
61003	Less: Income tax expenses	6(22)	417,430	5	115,621	2
61000	Profit		2,368,388	29	737,979	12
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(21)	(1,153)	-	249,891	4
65204	Revaluation (losses) gains from investments in equity instruments measured at fair value through other comprehensive income		(34,631)	-	10,675	-
65220	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(22)	231	-	(49,978)	-
			(35,553)	-	210,588	4
65300	Components of other comprehensive income that will be reclassified to profit or loss					
65305	Gains (losses) on hedging instruments	6(23)	107,010	1	(295,184)	(5)
65309	Revaluation gains (losses) from investments in debt instruments measured at fair value through other comprehensive income		230,129	3	(421,195)	(7)
65310	Impairment losses from investments in debt instruments measured at fair value through other comprehensive income		(878)	-	(771)	-
65320	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	6(22)	(44,088)	(1)	101,926	2
	Components of other comprehensive income that will be reclassified to profit or loss		292,173	3	(615,224)	(10)
65000	Other comprehensive income		256,620	3	(404,636)	(6)
66000	Total comprehensive income		$2,625,008	32	$333,343	6
67500	Basic earnings per share (NTD)	6(25)	$0.81		$0.25	

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, 2023 and 2022

(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, 2022	$29,105,720	$5,794,771	$9,346,691	$247,892	$2,305,685	$(187,016)	$(2,445)	$46,611,298
Appropriation and distribution of retained earnings								
Legal reserve	-	-	688,938	-	(688,938)	-	-	-
Cash dividends	-	-	-	-	(1,616,747)	-	-	(1,616,747)
Net income	-	-	-	-	737,979	-	-	737,979
Other comprehensive income	-	-	-	-	199,913	(368,402)	(236,147)	(404,636)
Total comprehensive income	-	-	-	-	937,892	(368,402)	(236,147)	333,343
Balance at June 30, 2022	$29,105,720	$5,794,771	$10,035,629	$247,892	$937,892	$(555,418)	$(238,592)	$45,327,894
Balance at January 1, 2023	$29,105,720	$5,794,771	$10,035,629	$247,892	$2,714,597	$(482,169)	$(209,062)	$47,207,378
Appropriation and distribution of retained earnings								
Legal reserve	-	-	814,379	-	(814,379)	-	-	-
Cash dividends	-	-	-	-	(1,900,218)	-	-	(1,900,218)
Reversal of special reserve	-	-	-	(12,419)	12,419	-	-	-
Net income	-	-	-	-	2,368,388	-	-	2,368,388
Other comprehensive income	-	-	-	-	(922)	171,934	85,608	256,620
Total comprehensive income	-	-	-	-	2,367,466	171,934	85,608	2,625,008
Balance at June 30, 2023	$29,105,720	$5,794,771	$10,850,008	$235,473	$2,379,885	$(310,235)	$(123,454)	$47,932,168

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, 2023 and 2022

(expressed in thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2023	2022
Cash flows from operating activities		
Profit before tax	$2,785,818	$853,600
Adjustments		
Adjustments to reconcile profit (loss)		
Depreciation expense	314,108	295,957
Bad debt expense, commitment and guarantee liability provisions	524,176	302,961
Interest expenses	5,761,709	942,134
Interest income	(8,484,007)	(3,703,874)
Net change in other provisions	(14,999)	(55,531)
Gain on disposal of property and equipment	(181,225)	(81,613)
Impairment (gains on reversal) losses on assets	(1,269)	9,659
Total adjustments to reconcile profit (loss)	(2,081,507)	(2,290,307)
Changes in operating assets and liabilities		
Changes in operating assets		
Due from the Central Bank and call loans to banks	(1,782,431)	13,122,291
Financial assets at fair value through profit or loss	(2,429,994)	(35,997,639)
Financial assets at fair value through other comprehensive income	3,751,602	4,125,305
Debt instrument investments measured at amortized cost	1,623,691	(4,341,789)
Receivables	(4,411,181)	(2,512,263)
Discounts and loans	7,334,768	11,074,943
Other financial assets	1,329,021	25,807
Total changes in operating assets	5,415,476	(14,503,345)
Changes in operating liabilities		
Deposits from the Central Bank and banks	(106,167)	(3,924,421)
Financial liabilities at fair value through profit or loss	(2,651,570)	36,317,951
Payables	(1,055,437)	2,702,180
Deposits and remittances	14,781,313	(761,636)
Other financial liabilities	64,810	9,101
Other liabilities	(151,724)	6,298,056
Total changes in operating liabilities	10,881,225	40,641,231
Total changes in operating assets and liabilities	16,296,701	26,137,886
Total adjustments	14,215,194	23,847,579
Cash inflow generated from operating activities	17,001,012	24,701,179
Interest received	7,851,569	3,575,922
Interest paid	(5,489,965)	(955,715)
Income taxes paid	(388,747)	(135,432)
Net cash flows generated from operating activities	18,973,869	27,185,954
Cash flows from investing activities		
Purchase of property and equipment	(51,328)	(108,613)
Proceeds from disposal of property and equipment	266,925	203,627
Increase in derivatives collateral	(3,269,807)	(3,256,854)
Purchase of intangible assets	-	(5,545)
Disposal of intangible assets	19,421	-
Decrease in other assets	28,940	28,110
Net cash flows used in investing activities	(3,005,849)	(3,139,275)
Cash flows from financing activities		
Decrease in funds borrowed from the Central Bank and banks	-	(970,260)
Decrease (increase) in financial instruments for hedging	172,430	(1,563,960)
Payments for lease liabilities	(177,365)	(226,198)
Cash dividends paid	(1,900,218)	(1,616,747)
Net cash flows used in financing activities	(1,905,153)	(4,377,165)
Effect of foreign exchange rate changes	84,750	407,136
Net increase in cash and cash equivalents	14,147,617	20,076,650
Cash and cash equivalents at beginning of period	99,271,572	77,962,452
Cash and cash equivalents at end of period	$113,419,189	$98,039,102
Composition of cash and cash equivalents		
Cash and cash equivalents reported in the statements of financial position	$16,884,880	$10,315,436
Due from the central bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	85,394,224	81,369,586
Securities purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	11,140,085	6,354,080
Cash and cash equivalents at end of period	$113,419,189	$98,039,102

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

1. Organization and operations

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

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

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

During 2006, Standard Chartered Bank provided a tender offer to acquire the outstanding shares of Hsinchu International Bank Co., Ltd. Accordingly, Standard Chartered Bank acquired over 95% of the outstanding 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, 2023, the Company comprises 53 branches, a business department, a trust department, and an offshore banking unit.

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

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

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

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

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

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

The financial statements were authorized for issuance by the Board of Directors on August 29, 2023.

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, 2023. 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, and not yet adopted by the Company as at the end of the reporting period are listed below.

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

Item	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Classification of Liabilities as Current or Non-current - Amendments to IAS 1	January 1, 2024
b	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	January 1, 2024
c	Non-current Liabilities with Covenants – Amendments to IAS 1	January 1, 2024
d	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7	January 1, 2024

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, 2024. 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 IASB which are not endorsed by FSC, and not yet adopted by the Company as at the end of the reporting period are listed below.

Item	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	Lack of Exchangeability - Amendments to IAS 21	January 1, 2025

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.

(3) Foreign currency transactions

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

(4) Cash and cash equivalents

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

(5) Financial instruments

(a) Financial assets

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

Financial assets are recognized when the Company becomes the party of a financial instrument contract. Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL).

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

i. Financial assets measured at amortized cost

A. Debt instrument 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.

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

C. Loans and receivables

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

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

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

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

Principal or interest overdue over 3 months is categorized as overdue accounts. If principal or interest of any outstanding loan is overdue for over 6 months, both the principal and accrued interest are reclassified as non-performing loan. Accrued interest on a non-performing loan will only be calculated and booked into memo accounts.

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

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

ii. Fair value through other comprehensive income (FVOCI)

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

A. it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
B. its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

iii. Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

iv. Impairment of financial assets

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

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

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

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

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

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

At each reporting date, the Company assesses whether financial assets at amortized cost and debt instrument investments 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 investments 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(37) for information on financial risks for the Company's judgment on whether the credit risk has significantly increased after initial recognition and prospective adjustments.

v. Derecognition of financial assets

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

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

vi. Reclassification of financial assets

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

(b) Financial liabilities

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

i. Financial liabilities at fair value through profit or loss

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

ii. Financial liabilities measured at amortized cost

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

iii. Financial debentures

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

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

iv. Derecognition of a financial liability

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

v. Mutual offset of financial assets and liabilities

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

(c) Derivatives and hedging accounting

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.

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

(7) Property and equipment

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

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

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

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

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

(8) Intangible assets

(a) Computer software

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

(b) Goodwill

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

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

(c) Research and development

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

i. The technical feasibility of completing the intangible asset so that it will be available for use or sale
ii. Its intention to complete and its ability to use or sell the asset
iii. How the asset will generate future economic benefits
iv. The availability of resources to complete the asset
v. The ability to measure reliably the expenditure during development. The amount of the expenditure exceeds US$500 thousand.

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

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

(9) Leases

The Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

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

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

Company as a lessee

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

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if the rate can be readily determined.

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;
(c) any initial direct costs incurred by the lessee.

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.

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 a straight-line basis over the lease term.

<u>Company as a lessor</u>

At inception of a contract, the Company classifies each of its leases as an operating 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 a straight-line basis.

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

(12) Employee benefits

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

(b) Post-employment benefits: The Company pension plans comprise defined contribution plans and defined benefit plans.

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

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

(13) Share-based compensation

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

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

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

(14) Income tax

Income tax expense include both current taxes and deferred taxes. Except for expenses recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profits or losses. Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years. Deferred taxes arise due to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled, based on statutory tax rate on the reporting date or the actual legislative tax rate.
A deferred tax asset should be recognized for the carryforward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be reassessed on each reporting date and adjusted based on the probability that future taxable profit will be available for use.

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

The 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.

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. The estimated average annual effective income tax rate only includes current income tax. The recognition and measurement of deferred tax follows annual financial reporting requirements in accordance with IAS 12. The Group recognizes the effect of change in tax rate for deferred taxes in full if the new tax rate is enacted by the end of the interim reporting period, by charging to profit or loss, other comprehensive income, or directly to equity.

(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.

(16) Change in accounting policy

From January 1, 2023, in response to the changing of trading system for debt securities of the Standard Chartered Group, to more properly reflect the economic substance while calculating the cost, gain and loss of investment, in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, the company had been approved the below change of accounting policy by Financial Supervisory Commission of the Republic of China through Jin-Guan-Yin-(Wai)-Zi No. 1110233582 on March 13, 2023. The inventory costing method to the investment on debt securities was changed from Weighted Average Cost to First In First Out method beginning on January 1, 2023. However, due to the limitation and constraint of current transaction system design for debt securities, it is impractical to determine the effects of above mentioned change for the period ended December 31, 2022 and the cumulative effect of the change. Retrospective application is also impractical.

5. Significant accounting judgments, estimates and assumptions

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

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

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

(1) Impairment evaluation of loans and receivables

The Company's financial asset impairment losses are measured using the 12-month and lifetime expected credit loss value based on whether the credit risks after initial recognition has significant increase or not. To measure the 12-month and lifetime expected credit losses, the Company evaluates the default rate of the financial assets, issuer, or the counterparty, multiplies it with the loss rate given default and the default exposure, and discounts the impact of time value of money. 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(37) for detailed information of primary assumption and inputs.

(2) Valuation of financial instruments

Fair value of financial instruments in determined using valuation techniques when there is no active market or quoted price. Under this circumstance, fair value is assessed through relevant observable information or model. If there are no observable market parameters, the fair value of financial instruments can be evaluated based on appropriate assumptions. When valuation technique is used to determine fair value, all models shall be calibrated to ensure that all outputs reflect the actual data and the market price. The valuation techniques are adopted, as much as possible, from observable data. However, for credit risk (risk between itself and counterparty), the management shall estimate volatility and correlation. The changes of the valuation techniques will influence fair value of financial instruments. Please refer to note 6(37) for further disclosure of valuation of financial instruments.

(3) Goodwill impairment

Please refer to note 4 for the assessment of goodwill impairment which 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.

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

6. Contents of significant accounts

(1) Cash and cash equivalents

	June 30, 2023	December 31, 2022	June 30, 2022
Cash on hand	$2,617,960	$3,699,592	$2,724,578
Checks for clearing	1,297	1,154,696	16,102
Deposits with other banks	9,838,985	5,152,414	669,036
Deposits with other banks-affiliates	4,430,857	6,765,908	6,905,831
Subtotal	16,889,099	16,772,610	10,315,547
Less: allowance for bad debts	4,219	496	111
Total	$16,884,880	$16,772,114	$10,315,436

Statements of cash flows were prepared under the definition of IAS 7, cash and cash equivalents were consolidated by part of components of the items listed as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Cash and cash equivalents reported in the balance sheets	$16,884,880	$16,772,114	$10,315,436
Due from the Central Bank and call loans to banks qualifying for cash and cash equivalents under the definition of IAS 7	85,394,224	68,639,204	81,369,586
Securities and bonds purchased under resell agreements qualifying for cash and cash equivalents under the definition of IAS 7	11,140,085	13,860,254	6,354,080
Cash and cash equivalents reported in the statements of cash flows	$113,419,189	$99,271,572	$98,039,102

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

	For the six months ended June 30, 2023							
	12-month 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	$496	$-	$-	$-	$-	$496	$-	$496
Changes due to financial instrument recognition:								
Financial assets derecognized during the period	(496)	-	-	-	-	(496)	-	(496)
New financial assets originated or purchased	76	4,143	-	-	-	4,219	-	4,219
Ending balance	$76	$4,143	$-	$-	$-	$4,219	$-	$4,219

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

	For the six months ended June 30, 2022							
	12-month 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	$156	$-	$-	$-	$-	$156	$-	$156
Changes due to financial instrument recognition:								
Financial assets derecognized during the period	(156)	-	-	-	-	(156)	-	(156)
New financial assets originated or purchased	111	-	-	-	-	111	-	111
Ending balance	$111	$-	$-	$-	$-	$111	$-	$111

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

	June 30, 2023	December 31, 2022	June 30, 2022
Required reserve-checking account	$10,784,484	$3,721,011	$8,600,396
Required reserve-demand account	13,700,194	20,827,552	17,243,534
Required reserve-foreign currency	264,834	261,232	297,227
Required reserve-settlement account	3,017,365	4,000,037	3,000,746
Call loans to banks	40,248,910	34,174,301	28,367,994
Call loans to banks-affiliates	66,088,890	52,583,093	72,053,368
Subtotal	134,104,677	115,567,226	129,563,265
Less: allowance for bad debts	-	-	-
Total	$134,104,677	$115,567,226	$129,563,265

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 Central Bank for interbank settlement.

There were 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, 2023.

(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 for the six months ended June 30, 2022 were as follows:

	For the six months ended June 30, 2022							
	12-month 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	$328	$-	$-	$-	$-	$328	$-	$328
Changes due to financial instrument recognition:								
Financial assets derecognized during the period	(328)	-	-	-	-	(328)	-	(328)
Ending balance	$-	$-	$-	$-	$-	$-	$-	$-

(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, 2023	December 31, 2022	June 30, 2022
Financial assets mandatorily measured at fair value through profit or loss:			
Government bonds	$5,030,790	$6,161,743	$3,112,613
Corporate bonds	1,804,966	-	350,055
Financial bonds	201,636	-	-
Subtotal	7,037,392	6,161,743	3,462,668
Derivative financial assets:			
Interest rate swap	18,234,358	17,505,090	19,024,348
Interest rate option	1,246,984	1,028,680	1,256,630
Spot/forward/swap	20,818,391	21,563,896	26,952,462
Cross currency swap	5,867,871	4,581,141	2,740,690
Foreign exchange option	265,718	189,795	181,402
Commodity swap	12,413	12,749	36,092
Commodity option	9,461	22,039	6,448
Commodity forward	2,539	-	-
Subtotal	46,457,735	44,903,390	50,198,072
Total	$53,495,127	$51,065,133	$53,660,740

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

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

	June 30, 2023	December 31, 2022	June 30, 2022
Derivative financial liabilities:			
Interest rate swap	$18,405,875	$17,256,610	$19,052,681
Interest rate option	136,302	167,890	118,222
Spot/forward/swap	19,640,296	22,690,322	22,893,352
Cross currency swap	3,606,589	4,391,014	3,836,240
Foreign exchange option	264,838	189,325	180,711
Commodity swap	12,400	12,791	36,172
Commodity option	9,449	21,906	6,336
Commodity forward	2,539	-	-
Total	$42,078,288	$44,729,858	$46,123,714

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

	June 30, 2023	December 31, 2022	June 30, 2022
Debt instruments:			
Negotiable certificates of deposit	$54,902,621	$75,642,738	$83,601,697
Treasury Bills	24,777,209	8,459,702	28,885,990
Government bonds	61,130,041	60,160,483	48,676,993
Subtotal	140,809,871	144,262,923	161,164,680
Equity instruments:			
Non-listed stock	1,113,011	1,147,642	1,196,144
Total	$141,922,882	$145,410,565	$162,360,824
The revaluation adjustment of hedged items included in the total calculation above	$(68,545)	$(43,235)	$(17,404)

Please refer to note 6(37) for credit risk and market risk information.

As of June 30, 2023, December 31, 2022 and June 30, 2022, 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, 2023 and 2022, dividend income of the above equity instrument investments were $1,824 thousand and $1,839 thousand, respectively, recorded under realized gains on financial assets at fair value through other comprehensive income.

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

As of June 30, 2023, December 31, 2022 and June 30, 2022, the Company's allowance for impairments of the above financial assets at fair value through other comprehensive income were $3,684 thousand, $4,537 thousand and $5,429 thousand, respectively.

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

	For the six months ended June 30, 2023				
	12-month 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	$4,537	$-	$-	$-	$4,537
Changes due to financial instrument recognition:					
Financial assets derecognized during the period	(3,003)	-	-	-	(3,003)
New financial assets originated or purchased	2,101	-	-	-	2,101
Foreign currency exchange and other changes	49	-	-	-	49
Ending Balance	$3,684	$-	$-	$-	$3,684

	For the six months ended June 30, 2022				
	12-month 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	$6,041	$-	$-	$-	$6,041
Changes due to financial instrument recognition:					
Financial assets derecognized during the period	(2,423)	-	-	-	(2,423)
New financial assets originated or purchased	1,270	-	-	-	1,270
Foreign currency exchange and other changes	541	-	-	-	541
Ending Balance	$5,429	$-	$-	$-	$5,429

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

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

	For the six months ended June 30, 2023				
	12-month 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	$144,262,923	$-	$-	$-	$144,262,923
Changes due to financial instrument recognition:					
Financial assets derecognized during the period	(106,166,546)	-	-	-	(106,166,546)
New financial assets originated or purchased	102,668,818	-	-	-	102,668,818
Foreign currency exchange and other changes	44,676	-	-	-	44,676
Ending Balance	$140,809,871	$-	$-	$-	$140,809,871

	For the six months ended June 30, 2022				
	12-month 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	$166,131,134	$-	$-	$-	$166,131,134
Changes due to financial instrument recognition:					
Financial assets derecognized during the period	(68,650,103)	-	-	-	(68,650,103)
New financial assets originated or purchased	63,971,289	-	-	-	63,971,289
Foreign currency exchange and other changes	(287,640)	-	-	-	(287,640)
Ending Balance	$161,164,680	$-	$-	$-	$161,164,680

(5) Debt instrument investments measured at amortized cost

	June 30, 2023	December 31, 2022	June 30, 2022
Government bonds	$5,127,923	$4,751,499	$4,770,034
Negotiable certificates of deposit	23,659,098	25,658,710	4,359,916
Total	$28,787,021	$30,410,209	$9,129,950

As of June 30, 2023, December 31, 2022 and June 30, 2022, allowance for impairments of the above debt instrument investments were $1,087 thousand, $1,590 thousand and $398 thousand, respectively.

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

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

	For the six months ended June 30, 2023				
	12-month 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	$1,590	$-	$-	$-	$1,590
Changes due to financial instrument recognition:					
Financial assets derecognized during the period	(39)	-	-	-	(39)
New financial assets originated or purchased	228	-	-	-	228
Foreign currency exchange and other changes	(692)	-	-	-	(692)
Ending Balance	$1,087	$-	$-	$-	$1,087

	For the six months ended June 30, 2022				
	12-month 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	$293	$-	$-	$-	$293
New financial assets originated or purchased	83	-	-	-	83
Foreign currency exchange and other changes	22	-	-	-	22
Ending Balance	$398	$-	$-	$-	$398

(6) Financial assets for hedging

Financial assets for hedging were as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Fair value hedge:			
Interest rate swap	$82,175	$44,549	$-
Cash flow hedge:			
Interest rate swap	-	-	$14,758
Cross currency swap	-	179,968	1,203,422
Total	$82,175	$224,517	$1,218,180

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

Financial liabilities for hedging were as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Fair value hedge:			
Interest rate swap	$-	$1,571	$939
Cash flow hedge:			
Interest rate swap	96,311	103,117	128,698
Total	$96,311	$104,688	$129,637

(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, 2023, December 31, 2022 and June 30, 2022, 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, 2023	Contract type	June 30, 2023
Financial assets at fair value through other comprehensive income:			
Government bonds-revaluation adjustment	$(68,545)	Interest rate swap	$82,175

Hedged items		Hedging instruments	
Underlying instruments	December 31, 2022	Contract type	December 31, 2022
Financial assets at fair value through other comprehensive income:			
Government bonds-revaluation adjustment	$(43,235)	Interest rate swap	$42,978

Hedged items		Hedging instruments	
Underlying instruments	June 30, 2022	Contract type	June 30, 2022
Financial assets at fair value through other comprehensive income:			
Government bonds-revaluation adjustment	$(17,404)	Interest rate swap	$(939)

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

For the six months ended June 30, 2023 and 2022, net gains on the hedging financial instruments listed above amounted to $405,412 thousand and $66,770 thousand, respectively. For the six months ended June 30, 2023 and 2022, net losses from the hedged risk of the hedged items amounted to $26,869 thousand and $19,146 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.

		Fair value		
Hedged items	Financial instruments designated as hedging instruments	June 30, 2023	December 31, 2022	June 30, 2022
Discounts and loans-floating interest rate	Interest rate swap	$(96,311)	$(103,117)	$(113,940)
Deposits and remittances-fixed interest rate	Cross currency swap	-	179,968	1,203,422
Total		$(96,311)	$76,851	$1,089,482

(7) Securities and bonds purchased under resell agreements

	June 30, 2023	December 31, 2022	June 30, 2022
Securities purchased under resell agreements	$11,140,085	$13,860,254	$6,354,080
Face value of debt instruments	$11,731,296	$14,452,469	$6,268,003
Interest rate	1.10%~5.12%	0.88%~4.30%	0.47%~1.47%
Last settlement date	2023.7.31	2023.2.2	2022.7.27
Resell price	$11,155,789	$13,883,394	$6,357,299

As of June 30, 2023, December 31, 2022 and June 30, 2022, allowance for impairments of the above securities and bonds purchased under resell agreements were $11 thousand, $47 thousand and $136 thousand, respectively.

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

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, 2023				
	12-month 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	$47	$-	$-	$-	$47
Changes due to financial instrument recognition:					
Financial assets derecognized during the period	(47)	-	-	-	(47)
New financial assets originated or purchased	11	-	-	-	11
Ending Balance	$11	$-	$-	$-	$11

	For the six months ended June 30, 2022				
	12-month 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	$79	$-	$-	$-	$79
Changes due to financial instrument recognition:					
Financial assets derecognized during the period	(79)	-	-	-	(79)
New financial assets originated or purchased	136	-	-	-	136
Ending Balance	$136	$-	$-	$-	$136

(8) Receivables-net

	June 30, 2023	December 31, 2022	June 30, 2022
Accounts receivable factoring	$17,015,182	$13,157,138	$14,715,464
Credit cards accounts receivable	3,227,809	3,397,756	3,223,959
Accounts receivable	739,669	582,177	563,331
Interest receivable	1,467,153	1,665,697	1,132,860
Acceptances receivable	99,155	94,890	113,495
Accounts receivable-related parties	2,516,130	1,144,024	1,372,019
Unsettled trades receivable	-	-	772,831
Other	146,836	156,443	305,240
Subtotal	25,211,934	20,198,125	22,199,199
Less: allowance for bad debts	300,616	273,549	294,756
Total	$24,911,318	$19,924,576	$21,904,443

Please refer to note 6(37) for relating information on credit risk and market risk.

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

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

	For the six months ended June 30, 2023							
	12-month 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	$41,091	$9,273	$-	$90,808	$-	$141,172	$132,377	$273,549
Changes due to financial instrument recognition:								
Transferred to lifetime expected credit losses	(139)	139	-	-	-	-	-	-
Transferred to credit impaired financial asset	(275)	(198)	-	473	-	-	-	-
Transferred to 12-month expected credit losses	46	(46)	-	-	-	-	-	-
Financial assets derecognized during the period	(12,056)	(6,931)	-	(6,685)	-	(25,672)	-	(25,672)
New financial assets originated or purchased	6,413	853	-	42,302	-	49,568	-	49,568
Differences in impairment provisions according to “Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans”	-	-	-	-	-	-	47,752	47,752
Bad-Debt Write offs	-	(712)	-	(42,412)	-	(43,124)	-	(43,124)
Foreign currency exchange and other changes	405	1,284	-	(3,146)	-	(1,457)	-	(1,457)
Ending balance	$35,485	$3,662	$-	$81,340	$-	$120,487	$180,129	$300,616

	For the six months ended June 30, 2022							
	12-month 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	$53,664	$3,335	$-	$111,987	$-	$168,986	$121,744	$290,730
Changes due to financial instrument recognition:								
Transferred to lifetime expected credit losses	(204)	222	-	(18)	-	-	-	-
Transferred to credit impaired financial asset	(477)	(191)	-	668	-	-	-	-
Transferred to 12-month expected credit losses	28	(28)	-	-	-	-	-	-
Financial assets derecognized during the period	(12,139)	(2,367)	-	(7,727)	-	(22,233)	-	(22,233)
New financial assets originated or purchased	4,892	433	-	29,800	-	35,125	-	35,125
Differences in impairment provisions according to “Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans”	-	-	-	-	-	-	31,891	31,891
Bad-Debt Write offs	(85)	(197)	-	(29,196)	-	(29,478)	-	(29,478)
Foreign currency exchange and other changes	(8,233)	1,239	-	(4,285)	-	(11,279)	-	(11,279)
Ending balance	$37,446	$2,446	$-	$101,229	$-	$141,121	$153,635	$294,756

(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, 2023					
	12-month 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	$17,081,891	$2,818,698	$-	$297,536	$-	$20,198,125
Changes due to financial instrument recognition:						
Transferred to lifetime expected credit losses	(22,080)	22,104	-	(24)	-	-
Transferred to credit impaired financial asset	(9,401)	(12,943)	-	22,344	-	-
Transferred to 12-month expected credit losses	1,525,599	(1,525,588)	-	(11)	-	-
Financial assets derecognized during the period	(12,170,281)	(73,409)	-	(35,830)	-	(12,279,520)
New financial assets originated or purchased	14,661,025	2,128	-	9,920	-	14,673,073
Bad-Debt Write offs	-	(712)	-	(42,412)	-	(43,124)
Foreign currency exchange and other changes	2,567,818	78,359	-	17,203	-	2,663,380
Ending balance	$23,634,571	$1,308,637	$-	$268,726	$-	$25,211,934

	For the six months ended June 30, 2022					
	12-month expected credit losses	Lifetime expected credit losses (group evaluation)	Lifetime expected credit losses (individual evaluation)	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Total
Beginning balance	$18,936,046	$279,153	$-	$355,979	$-	$19,571,178
Changes due to financial instrument recognition:						
Transferred to lifetime expected credit losses	(10,572)	10,680	-	(108)	-	-
Transferred to credit impaired financial asset	(11,222)	(7,836)	-	19,058	-	-
Transferred to 12-month expected credit losses	111,232	(111,212)	-	(20)	-	-
Financial assets derecognized during the period	(15,580,066)	(8,819)	-	(40,905)	-	(15,629,790)
New financial assets originated or purchased	15,854,163	2,322	-	11,155	-	15,867,640
Bad-Debt Write offs	(85)	(197)	-	(29,196)	-	(29,478)
Foreign currency exchange and other changes	2,376,729	33,614	-	9,306	-	2,419,649
Ending balance	$21,676,225	$197,705	$-	$325,269	$-	$22,199,199

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

(9) Discounts and loans-net

	June 30, 2023	December 31, 2022	June 30, 2022
Bill negotiations and bills and notes discounted	$259,283	$157,584	$291,949
Short-term loans and overdrafts	29,011,083	37,009,287	38,849,767
Short-term secured loans	265,053	611,857	1,323,274
Medium-term loans	49,814,802	52,700,900	49,584,154
Medium-term secured loans	1,756,284	2,839,690	4,262,265
Long-term loans	13,590,852	10,412,218	10,993,766
Long-term secured loans	190,032,500	188,682,150	185,989,840
Overdue loans	67,480	76,778	85,320
Subtotal	284,797,337	292,490,464	291,380,335
Add: premium adjustments on discounts and loans	266,731	202,155	212,682
Less: allowance for bad debts	5,006,423	4,828,261	4,739,378
Total	$280,057,645	$287,864,358	$286,853,639

Please refer to note 6(37) 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, 2023, December 31, 2022 and June 30, 2022, the amounts of outstanding loans with interest charges suspended amounted to $67,480 thousand, $76,778 thousand and $85,320 thousand, respectively. The amounts of interest not accrued derived from the aforementioned loans were $2,737 thousand, $2,700 thousand and $3,127 thousand, respectively.

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

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

	For the six months ended June 30, 2023							
	12-month 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	$461,639	$369,168	$-	$617,245	$-	$1,448,052	$3,380,209	$4,828,261
Changes due to financial instrument recognition:								
Transferred to lifetime expected credit losses	(33,624)	34,479	-	(855)	-	-	-	-
Transferred to credit impaired financial asset	(4,364)	(20,109)	-	24,473	-	-	-	-
Transferred to 12-month expected credit losses	12,358	(12,257)	-	(101)	-	-	-	-
Financial assets derecognized during the period	(75,632)	(155,008)	-	(104,589)	-	(335,229)	-	(335,229)
New financial assets originated or purchased	219,493	68,402	-	448,565	-	736,460	-	736,460
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	8,508	8,508
Bad-Debt Write offs	-	(918)	-	(441,871)	-	(442,789)	-	(442,789)
Foreign currency exchange and other changes	(46,643)	203,587	-	54,268	-	211,212	-	211,212
Ending balance	$533,227	$487,344	$-	$597,135	$-	$1,617,706	$3,388,717	$5,006,423

	For the six months ended June 30, 2022							
	12-month 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	$331,674	$225,609	$-	$673,079	$-	$1,230,362	$3,315,252	$4,545,614
Changes due to financial instrument recognition:								
Transferred to lifetime expected credit losses	(11,435)	11,770	-	(335)	-	-	-	-
Transferred to credit impaired financial asset	(1,054)	(18,748)	-	19,802	-	-	-	-
Transferred to 12-month expected credit losses	5,699	(5,693)	-	(6)	-	-	-	-
Financial assets derecognized during the period	(48,746)	(54,404)	-	(86,054)	-	(189,204)	-	(189,204)
New financial assets originated or purchased	157,185	145,555	-	212,455	-	515,195	-	515,195
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	(701)	(701)
Bad-Debt Write offs	(281)	(703)	-	(213,733)	-	(214,717)	-	(214,717)
Foreign currency exchange and other changes	(38,124)	96,530	-	24,785	-	83,191	-	83,191
Ending balance	$394,918	$399,916	$-	$629,993	$-	$1,424,827	$3,314,551	$4,739,378

(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, 2023					
	12-month 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	$282,944,004	$6,782,828	$-	$2,763,632	$-	$292,490,464
Changes due to financial instrument recognition:						
Transferred to lifetime expected credit losses	(3,637,084)	3,644,992	-	(7,908)	-	-
Transferred to credit impaired financial asset	(167,574)	(264,894)	-	432,468	-	-
Transferred to 12-month expected credit losses	3,269,275	(3,267,647)	-	(1,628)	-	-
Financial assets derecognized during the period	(67,295,712)	(824,258)	-	(307,089)	-	(68,427,059)
New financial assets originated or purchased	60,041,901	292,030	-	205,934	-	60,539,865
Bad-Debt Write offs	-	(918)	-	(441,871)	-	(442,789)
Foreign currency exchange and other changes	507,331	127,472	-	2,053	-	636,856
Ending balance	$275,662,141	$6,489,605	$-	$2,645,591	$-	$284,797,337

	For the six months ended June 30, 2022					
	12-month 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	$290,329,774	$9,051,184	$-	$3,142,682	$-	$302,523,640
Changes due to financial instrument recognition:						
Transferred to lifetime expected credit losses	(1,569,368)	1,570,637	-	(1,269)	-	-
Transferred to credit impaired financial asset	(139,069)	(114,908)	-	253,977	-	-
Transferred to 12-month expected credit losses	2,021,248	(2,004,871)	-	(16,377)	-	-
Financial assets derecognized during the period	(76,215,439)	(2,465,097)	-	(407,085)	-	(79,087,621)
New financial assets originated or purchased	65,710,825	419,514	-	156,883	-	66,287,222
Bad-Debt Write offs	(281)	(703)	-	(213,733)	-	(214,717)
Foreign currency exchange and other changes	534,050	1,331,635	-	6,126	-	1,871,811
Ending balance	$280,671,740	$7,787,391	$-	$2,921,204	$-	$291,380,335

(10) Other financial assets-net

	June 30, 2023	December 31, 2022	June 30, 2022
Restricted assets-debt instruments	$10,825,113	$12,154,175	$12,132,074
Non-accrual loans other than those reclassified from loans	7,294	7,253	7,133
Less: allowance for bad debts-non-accrual loans other than those reclassified from loans	7,294	7,253	7,133
Total	$10,825,113	$12,154,175	$12,132,074

(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, 2023							
	12-month 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	$-	$-	$-	$-	$-	$-	$7,253	$7,253
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	41	41
Ending balance	$-	$-	$-	$-	$-	$-	$7,294	$7,294

	For the six months ended June 30, 2022							
	12-month 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	$-	$-	$-	$-	$-	$-	$6,645	$6,645
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	488	488
Ending balance	$-	$-	$-	$-	$-	$-	$7,133	$7,133

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, 2023					
	12-month 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	$-	$-	$-	$7,253	$-	$7,253
Foreign currency exchange and other changes	-	-	-	41	-	41
Ending balance	$-	$-	$-	$7,294	$-	$7,294

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

	For the six months ended June 30, 2022					
	12-month 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	$-	$-	$-	$6,645	$-	$6,645
Foreign currency exchange and other changes	-	-	-	488	-	488
Ending balance	$-	$-	$-	$7,133	$-	$7,133

(11) Property and equipment-net

	Land	Buildings	Office equipment	Leasehold improvements	Other equipment	Construction in progress	Total
Cost:							
2023.1.1	$1,871,873	$1,809,190	$374,615	$925,997	$541,582	$7,042	$5,530,299
Additions	-	-	1,300	24,028	26,000	-	51,328
Disposals	(73,439)	(56,813)	(2,134)	(2,100)	(16,351)	-	(150,837)
2023.6.30	$1,798,434	$1,752,377	$373,781	$947,925	$551,231	$7,042	$5,430,790
2022.1.1	$2,018,583	$1,922,357	$284,543	$568,096	$450,326	$524,442	$5,768,347
Additions	-	3,035	7,444	34,454	34,464	29,216	108,613
Disposals	(105,178)	(104,734)	(34,416)	(19,355)	(1,180)	-	(264,863)
Reclassification	-	-	40,768	299,438	71,048	(411,254)	-
Other changes	-	-	-	-	-	(133)	(133)
2022.6.30	$1,913,405	$1,820,658	$298,339	$882,633	$554,658	$142,271	$5,611,964
Accumulated depreciation and impairment:							
2023.1.1	$7,095	$1,057,474	$236,964	$490,782	$386,311	$-	$2,178,626
Depreciation	-	23,445	19,107	33,911	31,023	-	107,486
Disposals	-	(44,552)	(2,134)	(2,100)	(16,351)	-	(65,137)
2023.6.30	$7,095	$1,036,367	$253,937	$522,593	$400,983	$-	$2,220,975
2022.1.1	$7,095	$1,099,634	$267,361	$451,269	$368,625	$-	$2,193,984
Depreciation	-	23,577	7,366	25,467	30,536	-	86,946
Impairment	9,049	1,190	-	-	-	-	10,239
Disposals	(9,049)	(78,849)	(34,416)	(19,355)	(1,180)	-	(142,849)
2022.6.30	$7,095	$1,045,552	$240,311	$457,381	$397,981	$-	$2,148,320
Net carrying amount as of:							
2023.6.30	$1,791,339	$716,010	$119,844	$425,332	$150,248	$7,042	$3,209,815
2022.12.31	$1,864,778	$751,716	$137,651	$435,215	$155,271	$7,042	$3,351,673
2022.6.30	$1,906,310	$775,106	$58,028	$425,252	$156,677	$142,271	$3,463,644

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

(12) Intangible assets-net

	Work in Process	Goodwill	Capitalized Software	Total
Cost:				
2023.1.1	$112,247	$3,156,048	$58,556	$3,326,851
Disposals	(19,421)	-	-	(19,421)
2023.6.30	$92,826	$3,156,048	$58,556	$3,307,430
2022.1.1	$48,882	$3,156,048	$58,556	$3,263,486
Additions	5,545	-	-	5,545
2022.6.30	$54,427	$3,156,048	$58,556	$3,269,031
Amortization and Impairment:				
2023.1.1	$-	$-	$58,556	$58,556
Additions	-	-	-	-
2023.6.30	$-	$-	$58,556	$58,556
2022.1.1	$-	$-	$58,556	$58,556
Additions	-	-	-	-
2022.6.30	$-	$-	$58,556	$58,556
2023.6.30	$92,826	$3,156,048	$-	$3,248,874
2022.12.31	$112,247	$3,156,048	$-	$3,268,295
2022.6.30	$54,427	$3,156,048	$-	$3,210,475

(13) Other assets-net

	June 30, 2023	December 31, 2022	June 30, 2022
Refundable deposits	$290,831	$321,054	$325,027
Refundable deposits-derivative financial instruments	8,271,105	5,001,298	5,293,010
Prepaid fee	132,193	130,450	120,041
Other	12,506	40,660	35,602
Total	$8,706,635	$5,493,462	$5,773,680

As of June 30, 2023, December 31, 2022 and June 30, 2022, allowance for impairments of the above other assets were $0 thousand, $2 thousand and $15 thousand, respectively, recorded under refundable deposits.

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

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

	For the six months ended June 30, 2023							
	12-month 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	$-	$-	$-	$-	$2	$-	$2
Changes due to financial instrument recognition:								
Financial assets derecognized during the period	(2)	-	-	-	-	(2)	-	(2)
Ending balance	$-	$-	$-	$-	$-	$-	$-	$-

	For the six months ended June 30, 2022							
	12-month 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	$3	$-	$-	$-	$-	$3	$-	$3
Changes due to financial instrument recognition:								
Financial assets derecognized during the period	(3)	-	-	-	-	(3)	-	(3)
New financial assets originated or purchased	15	-	-	-	-	15	-	15
Ending balance	$15	$-	$-	$-	$-	$15	$-	$15

(14) Deposits from the Central Bank and banks

	June 30, 2023	December 31, 2022	June 30, 2022
Deposits from banks	$69,103	$67,796	$82,716
Deposits from banks-affiliates	472,159	53,401	77,008
Overdrafts on banks	62,808	110,666	38,490
Overdrafts on banks-affiliates	23,095	1,406,385	2,635,658
Call loans from banks-affiliates	904,916	-	1,972,520
Total	$1,532,081	$1,638,248	$4,806,392

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

(15) Payables

	June 30, 2023	December 31, 2022	June 30, 2022
Accounts payable	$7,817	$50,550	$80,575
Accrued interest	713,516	532,858	171,226
Accrued expenses	1,143,539	1,640,685	1,369,298
Collection payable	22,318	27,096	39,414
Unsettled bonds payable	-	1,967,260	2,073,475
Acceptances payable	99,155	94,890	113,494
Temporary receipts in advance	90,319	8,770	16,406
Other	883,815	755,340	1,093,333
Total	$2,960,479	$5,077,449	$4,957,221

(16) Deposits and remittances

	June 30, 2023	December 31, 2022	June 30, 2022
Checking account deposits	$2,238,025	$1,927,193	$1,923,507
Demand deposits:			
Demand deposits	262,597,880	243,003,631	284,508,843
Saving account deposits	164,647,610	163,462,679	161,357,097
Subtotal of demand deposits	427,245,490	406,466,310	445,865,940
Time deposits:			
Time deposits	147,208,993	153,972,185	105,552,218
Time savings deposits	25,528,226	25,020,601	25,672,179
Subtotal of time deposits	172,737,219	178,992,786	131,224,397
Remittances	67,224	120,356	68,077
Total	$602,287,958	$587,506,645	$579,081,921

As of June 30, 2023, December 31, 2022 and June 30, 2022, 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 flows that were affected by interest rate and foreign exchange rate fluctuation. Please refer to note 6(6) for further information.

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

(17) Financial debentures

As of June 30, 2023, December 31, 2022 and June 30, 2022, details of financial debentures issued by the Company were as follows:

Bond	Conditions for issuance	June 30, 2023	December 31, 2022	June 30, 2022
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
103-2	10-year term, USD based, interest accrued and paid semiannually, annual rate is 4.50%; maturity date: December 18, 2024	6,231,393	6,146,643	5,944,543
Total		$6,233,593	$6,148,843	$5,946,743

(18) Other financial liabilities

	June 30, 2023	December 31, 2022	June 30, 2022
Structured deposits	$296,805	$231,995	$106,345

(19) Provisions

	June 30, 2023	December 31, 2022	June 30, 2022
Provision for employee benefits	$617,216	$645,198	$911,063
Provision for decommissioning, restoration and rehabilitation costs	163,162	158,580	155,504
Provision for guarantee liabilities	76,763	76,227	74,046
Provision for loan commitments	22,252	27,404	50,511
Other miscellaneous provisions	36	36	22
Other	18,079	8,596	6,396
Total	$897,508	$916,041	$1,197,542

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

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

	For the six months ended June 30, 2023							
	12-month 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	$27,836	$2,064	$-	$-	$-	$29,900	$73,767	$103,667
Changes due to financial instrument recognition:								
Transferred to lifetime expected credit losses	(10)	10	-	-	-	-	-	-
Transferred to 12-month expected credit losses	1,848	(1,848)	-	-	-	-	-	-
Financial assets derecognized during the period	(15,196)	(209)	-	-	-	(15,405)	-	(15,405)
New financial assets originated or purchased	9,311	1	-	-	-	9,312	-	9,312
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	1,681	1,681
Foreign currency exchange and other changes	(211)	7	-	-	-	(204)	-	(204)
Ending balance	$23,578	$25	$-	$-	$-	$23,603	$75,448	$99,051

	For the six months ended June 30, 2022							
	12-month 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	$26,991	$845	$-	$-	$-	$27,836	$72,753	$100,589
Changes due to financial instrument recognition:								
Transferred to lifetime expected credit losses	(3,830)	3,830	-	-	-	-	-	-
Transferred to 12-month expected credit losses	48	(48)	-	-	-	-	-	-
Financial assets derecognized during the period	(10,619)	(546)	-	-	-	(11,165)	-	(11,165)
New financial assets originated or purchased	6,140	-	-	-	-	6,140	-	6,140
Differences in impairment provisions according to "Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past-Due/Non-Performing Loans"	-	-	-	-	-	-	(1,113)	(1,113)
Foreign currency exchange and other changes	(1,261)	31,389	-	-	-	30,128	-	30,128
Ending balance	$17,469	$35,470	$-	$-	$-	$52,939	$71,640	$124,579

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

(20) Other liabilities

	June 30, 2023	December 31, 2022	June 30, 2022
Advance received from customers	$1,119,835	$1,139,102	$1,178,260
Guarantee deposits received-derivatives financial instruments	4,661,023	4,476,656	8,096,764
Taxes payable	376,751	499,157	442,724
Deferred income	331,183	325,618	400,558
Guarantee deposits received	2,732	2,455	2,493
Other	419,477	619,737	1,181,989
Total	$6,911,001	$7,062,725	$11,302,788

(21) Employee benefits

(a) Defined contribution plans

The Company's defined contribution plans follow the Labor Pension Act of the R.O.C. and make 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 these plans, the Company has no legal or constructive obligation to make other payments after the making the fixed amounts of contributions to the Bureau of Labor Insurance.

For the six months ended June 30, 2023 and 2022, the pension expenses under defined contribution plans of the Company amounted to $78,075 thousand and $78,151 thousand, respectively, recorded under operating expenses-employee benefits expenses.

(b) Provision for employee benefits

i. Defined benefit plans

	June 30, 2023	December 31, 2022	June 30, 2022
Defined benefit plans	$617,216	$645,198	$911,063

The Company adopted the defined benefit plans, which contribute 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.

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

ii. Costs recognized as profit or loss

For the six months ended June 30, 2023 and 2022, the costs recognized as profit or loss were $15,176 thousand and $18,892 thousand, respectively, recorded under operating expenses-employee benefits expenses.

iii. Primary actuarial assumptions

	For the six months ended June 30	
	2023	2022
Defined benefit plan discount rate	1.10%	1.20%
Incremental rate of future compensation levels	3.50%	3.50%

(22) Income tax

The major components of income tax expense for the six months ended June 30, 2023 and 2022 were as follows:

Income tax expenses recognized in profit or loss

	For the six months ended June 30	
	2023	2022
Current income tax expenses		
Current income tax charges	$450,920	$149,452
Adjustments in respect of current income tax of prior periods	(2,662)	(437)
Deferred income tax expenses		
Deferred tax expenses relating to origination and reversal of temporary differences	(30,828)	(33,394)
Income tax expenses	$417,430	$115,621

(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	
	2023	2022
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss:		
Remeasurements of defined benefit plans	$(231)	$49,978
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	22,686	(42,889)
Hedging instruments	21,402	(59,037)
Total	$43,857	$(51,948)

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

	For the six months ended June 30	
	2023	2022
Accounting profit before tax from continuing operations	$2,785,818	$853,600
Income tax from profit before tax at statutory rate	$557,164	$170,720
Permanent differences	(182,062)	(63,800)
Prior-year income tax adjustments	(2,662)	(437)
Other adjustments per tax regulation	44,990	9,138
Income tax expenses	$417,430	$115,621

The components of deferred income tax expenses (benefits) were as follows:

	For the six months ended June 30	
	2023	2022
Bad debt expenses and provisions for guarantee liabilities	$(40,726)	$(52,091)
Depreciation expenses	(732)	1,356
Impairment losses on assets	-	(238)
Expenses from share-based payments	(3,181)	3,179
Employee benefits	5,826	9,212
Provisions	319	3,332
Deferred income	(210)	2,080
Unrealized interest income on financial assets	7,876	(224)
Total	$(30,828)	$(33,394)

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

The Company's temporary differences of deferred tax components, based on the income tax rate for June 30, 2023, December 31, 2022 and June 30, 2022 were as follows:

	June 30, 2023	December 31, 2022	June 30, 2022
Deferred tax assets			
Bad debt expenses and provisions for guarantee liabilities	$500,707	$459,981	$466,999
Depreciation expenses	36,669	35,937	34,456
Impairment losses on assets	395	395	395
Expenses from share-based payments	7,377	4,196	4,196
Employee benefits	123,443	129,040	182,213
Provisions	6,865	7,184	6,894
Deferred income	55,620	55,410	70,657
Unrealized losses on financial assets measured at fair value through other comprehensive income	2,988	25,027	60,958
Losses on hedging instruments	30,864	52,265	59,648
Total	$764,928	$769,435	$886,416
Deferred tax liabilities			
Unrealized interest income on financial assets	$141,491	$133,615	$131,265
Amortization of goodwill	618,585	618,585	618,585
Land value increment tax	58,890	66,941	66,941
Unrealized gains on financial assets measured at fair value through other comprehensive income	2,503	1,830	623
Total	$821,469	$820,971	$817,414

The movements of deferred tax items were as follows:

	For the six months ended June 30	
	2023	2022
Beginning balance	$(51,536)	$(16,182)
Land value increment tax	8,051	-
Recognized in current period profit and loss	30,828	33,394
Recognized in other comprehensive income	(43,884)	51,790
Ending balance	$(56,541)	$69,002

The income tax returns of the prior years have been assessed up to the year 2019.

(23) Stockholders' equity

(a) Capital

As of June 30, 2023, the Company's authorized capital was $30,000,000 thousand, representing 3,000,000 thousand shares with par value of NT $10 per share; paid-in capital was $29,105,720 thousand and 2,910,572 thousand of shares were issued.

(b) Capital surplus

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

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

For the six months ended June 30, 2023 and 2022, 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 $12,419 thousand and $0 thousand, respectively.

In accordance with Jin-Guan-Yin-(Fa)-Zi 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)-Zi 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, 2023	$(482,169)	$(209,062)	$(691,231)
Gains on hedging instruments	-	85,608	85,608
Financial assets at fair value through other comprehensive income			
Valuation adjustments	171,934	-	171,934
June 30, 2023	$(310,235)	$(123,454)	$(433,689)

	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Total
January 1, 2022	$(187,016)	$(2,445)	$(189,461)
Gains on hedging instruments	-	(236,147)	(236,147)
Financial assets at fair value through other comprehensive income			
Valuation adjustments	(368,402)	-	(368,402)
June 30, 2022	$(555,418)	$(238,592)	$(794,010)

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

(f) Dividend policy and appropriation of earnings

The Articles of Incorporation approved by the Board of Directors on June 25, 2019, from the profit earned by the Company as shown in the final annual account after tax, 30% of the profit shall be first set aside for the legal reserve, then an amount shall be set aside for the special reserve. The remaining profit, if any, shall be distributed to shareholders as dividend and bonus in accordance with the shareholders' resolution.

On June 6, 2023 and June 15, 2022, the Board of Directors, representing shareholders, approved the distribution of retained earnings and distributed cash dividends for 2022 and 2021 were as follows:

	2022	2021
Legal reserve appropriated	$814,379	$688,938
Cash dividends of ordinary shares	1,900,218	1,616,747
Total	$2,714,597	$2,305,685

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

(24) 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, 2023 and 2022, the share-based payment schemes adopted by the Company were as follows:

(a) All Employee Sharesave Plans (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 % 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	
	2023 Units	2022 Units
Beginning balance	262,858	337,922
Less: exercised	23,329	32,710
lapsed	16,873	46,286
Ending balance	222,656	258,926

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

For the six months ended June 30, 2023 and 2022, the costs of the AESP charged to profit or loss were $1,553 thousand and $1,514 thousand, respectively, recorded under operating expenses-employee benefits expenses.

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 Awards (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.

The option movements of the RSA were as follows:

	For the six months ended June 30	
	2023 Units	2022 Units
Beginning balance	179,106	158,169
Add: granted	59,412	91,301
dividend	835	496
Less: exercised	70,432	65,831
lapsed	12,187	4,504
Ending balance	156,734	179,631

For the six months ended June 30, 2023 and 2022, the costs of the RSA charged to profit or loss were $5,035 thousand and $4,651 thousand, respectively, recorded under operating expenses-employee benefits expenses.

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

(c) Performance Share Awards (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 exist. Under the PSA, half the awards were dependent upon total shareholder return ("TSR") performance and the others were subject to a target of defined Earnings Per Share ("EPS") growth. Both measures used the same 3-year period and were assessed independently.

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

	For the six months ended June 30	
	2023 Units	2022 Units
Beginning balance	-	194
Less: exercised	-	194
Ending balance	-	-

For the six months ended June 30, 2023 and 2022, no related cost of stock warrants was recorded.

(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 3-year period. Awards granted from 2016 have an individual conduct gateway requirement that results in the award lapsing if not met.

For the six months ended June 30, 2023 and 2022, there was no change in the option movements of the LTIP and 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.

For the six months ended June 30, 2023 and 2022, the costs of the UFSA charged to profit or loss were $3,230 thousand and $603 thousand, respectively, recorded under operating expenses-employee benefits expenses.

(25) Earnings per share

	For the six months ended June 30	
	2023	2022
Net income attributable to common stockholders (after tax)	$2,368,388	$737,979
Common stock (in thousands)	2,910,572	2,910,572
Basic EPS (in dollars)	$0.81	$0.25

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

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

(26) Net interest income

	For the six months ended June 30	
	2023	2022
Interest income		
Interest income, discounts and loans	$4,419,114	$2,940,525
Interest income, accounts receivable factoring	237,332	80,317
Interest income, due from banks	2,167,889	225,237
Interest income, investment securities	951,772	310,248
Interest income, credit card recurrence	57,122	58,924
Interest income, other	650,778	88,623
Subtotal	8,484,007	3,703,874
Interest expenses		
Interest expenses, deposits	5,200,849	740,886
Interest expenses, due to banks	293,152	27,855
Interest expenses, financial debentures	132,252	125,925
Lease liabilities	22,098	24,892
Interest expenses, other	113,358	22,576
Subtotal	5,761,709	942,134
Total	$2,722,298	$2,761,740

(27) Net service fee income

	For the six months ended June 30	
	2023	2022
Service fees		
Service fees, loans	$53,880	$65,572
Service fees, insurance commissions	1,183,039	891,096
Service fees, credit cards	183,749	207,015
Service fees, trusts	964,468	940,615
Service fees, underwriting	5,124	23,842
Service fees, other	468,596	182,645
Subtotal	2,858,856	2,310,785
Service charges		
Service charges, interbank	86,646	82,764
Service charges, agency	92,171	92,824
Service charges, custodians	67,145	71,791
Service charges, credit cards	97,434	118,044
Service charges, other	205,283	83,136
Subtotal	548,679	448,559
Total	$2,310,177	$1,862,226

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

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

	For the six months ended June 30	
	2023	2022
Gains (losses) on disposal		
Interest-rate instruments	$20,510	$(5,211)
Derivative financial instruments	3,499,940	3,965,702
Subtotal	3,520,000	3,960,491
(Losses)/gains on valuation		
Interest-rate instruments	(9,335)	2,263
Derivative financial instruments	(1,640,880)	(3,112,991)
Subtotal	(1,650,215)	(3,110,728)
Interest income	22,767	5,980
Total	$1,892,552	$855,743

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

	For the six months ended June 30	
	2023	2022
Dividend income-equity instruments	$1,824	$1,839
Losses on sale-debt instruments	(31)	(57,767)
Total	$1,793	$(55,928)

(30) Net other non-interest income (losses)

	For the six months ended June 30	
	2023	2022
Administrative support service income	$2,410	$2,410
Net gains on disposal of assets	181,225	81,613
Rental income	2,294	2,309
Net gains on fair value hedge	378,543	47,624
Other	(54,819)	(18,977)
Total	$509,653	$114,979

(31) Impairment (gains on reversal) losses on assets

	For the six months ended June 30	
	2023	2022
Gains on reversal-debt instruments	$(1,231)	$(649)
Impairment losses-property and equipment	-	10,239
Impairment (gains on reversal) losses-other	(38)	69
Total	$(1,269)	$9,659

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

(32) Bad debt expenses, commitment and guarantee liability provisions (gains on reversal)

	For the six months ended June 30	
	2023	2022
Bad debt expenses	$528,863	$279,062
Provisions (reversal) of guarantee liabilities	527	(625)
(Reversal) provisions of loan commitments	(5,214)	24,518
Other provisions	-	6
Total	$524,176	$302,961

(33) 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 1 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, 2023	December 31, 2022	June 30, 2022
Buildings	$2,365,605	$2,507,057	$2,608,305
Transportation equipment	2,778	3,612	4,423
Other equipment	3,022	19,371	51,345
Total	$2,371,405	$2,530,040	$2,664,073

For the six months ended June 30, 2023 and 2022, the Company's additions to right-of-use assets were $49,196 thousand and $10,077 thousand, respectively.

B. Lease liabilities

	June 30, 2023	December 31, 2022	June 30, 2022
Lease liabilities	$2,493,055	$2,628,067	$2,728,679

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

Please refer to note 6(26) for the interest expenses on lease liabilities recognized for the six months ended June 30, 2023 and 2022 and refer to note 6(37) Disclosure of financial instruments for the maturity analysis of lease liabilities.

ii. Amounts recognized in the statement of comprehensive income

Depreciation charges for right-of-use assets

	For the six months ended June 30	
	2023	2022
Buildings	$189,439	$176,147
Transportation equipment	833	890
Other equipment	16,350	31,974
Total	$206,622	$209,011

iii. Income and costs relating to leasing activities

	For the six months ended June 30	
	2023	2022
The expenses relating to short-term leases	$134	$340
The expenses relating to leases of low-value assets (Excluding the expenses relating to short-term leases of low-value assets)	71	291
Income from subleasing right-of-use assets	1,253	1,253

iv. Cash outflows relating to leasing activities

For the six months ended June 30, 2023 and 2022, the Company's total cash outflows for leases were $199,668 thousand and $251,721 thousand, respectively.

(34) Employee benefits expenses

	For the six months ended June 30	
	2023	2022
Salary expenses	$2,177,964	$2,205,004
Employee insurance	165,387	164,103
Pension		
Defined contribution plans	78,075	78,151
Defined benefit plans	15,176	18,892
Other	97,078	58,143
Total	$2,533,680	$2,524,293

(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 an accumulated deficit, it shall be set aside first to compensate the losses.

The accrued employee's remuneration of the Company for the six months ended June 30, 2023 and 2022 were $279 thousand and $85 thousand, respectively, recorded under operating expenses-employee benefits expenses.

The accrued employee's remuneration of the Company for the years ended December 31, 2022 and 2021 were $286 thousand and $277 thousand respectively, recorded under operating expenses-employee benefits expenses. There was no difference between actual and estimated distributed bonuses for the years ended December 31, 2022 and 2021. Relevant information can be accessed through Market Observation Post System.

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 estimates and recognized in the following year.

For the six months ended June 30, 2023 and 2022, the average number of the Company's employees were 2,603 and 2,781, of which the number of directors who had not served concurrently as employees were 5 and 6, respectively.

(35) Depreciation and amortization expenses

	For the six months ended June 30	
	2023	2022
Depreciation expenses		
Buildings	$23,445	$23,577
Office equipment	19,107	7,366
Leasehold improvements	33,911	25,467
Other equipment	31,023	30,536
Right-of-use assets	206,622	209,011
Subtotal	314,108	295,957
Amortization expenses	-	-
Total	$314,108	$295,957

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

(36) Other general and administrative expenses

	For the six months ended June 30	
	2023	2022
Rental expenses	$981	$1,709
Office supplies	28,390	33,857
Postage	78,603	81,072
Repairs and maintenance	58,842	45,634
Advertising expenses	42,855	39,609
Utilities fees	21,078	21,434
Taxes	369,775	296,791
Professional service fees	25,724	24,862
Operational and advisory service fees	484,987	456,785
Consulting and technical support service fees	519,153	477,200
Wholesale banking business service fees	44,783	42,179
Building management fees	51,702	50,891
Computer management fees	137,849	125,361
Director's remuneration	3,293	3,184
Other	145,054	245,158
Total	$2,013,111	$1,945,726

(37) Disclosure of financial instruments

(a) Financial instruments measured at fair value

i. Valuation of financial instruments measured at fair value:

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

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

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

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

iii. The definition of fair value hierarchy of financial instruments measured at fair value

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

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

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

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

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.

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

	June 30, 2023			
Financial instruments at fair value	Level 1	Level 2	Level 3	Total
Non-derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss				
Debt instruments	$-	$7,037,392	$-	$7,037,392
Financial assets at fair value through other comprehensive income				
Debt instruments	35,490,589	105,319,282	-	140,809,871
Equity instruments	-	-	1,113,011	1,113,011
Other financial assets-net				
Restricted assets-debt instruments	-	10,825,113	-	10,825,113
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	48,932	46,408,803	-	46,457,735
Financial assets for hedging	-	82,175	-	82,175
Liabilities:				
Financial liabilities at fair value through profit or loss	30,379	42,047,909	-	42,078,288
Financial liabilities for hedging	-	96,311	-	96,311

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

Financial instruments at fair value	December 31, 2022 Level 1	Level 2	Level 3	Total
Non-derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss				
Debt instruments	$-	$6,161,743	$-	$6,161,743
Financial assets at fair value through other comprehensive income				
Debt instruments	18,393,421	125,869,502	-	144,262,923
Equity instruments	-	-	1,147,642	1,147,642
Other financial assets-net				
Restricted assets-debt instruments	-	12,154,175	-	12,154,175
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	16,716	44,886,674	-	44,903,390
Financial assets for hedging	-	224,517	-	224,517
Liabilities:				
Financial liabilities at fair value through profit or loss	23,495	44,706,363	-	44,729,858
Financial liabilities for hedging	-	104,688	-	104,688

Financial instruments at fair value	June 30, 2022 Level 1	Level 2	Level 3	Total
Non-derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss				
Debt instruments	$-	$3,462,668	$-	$3,462,668
Financial assets at fair value through other comprehensive income				
Debt instruments	16,004,900	145,159,780	-	161,164,680
Equity instruments	-	-	1,196,144	1,196,144
Other financial assets-net				
Restricted assets-debt instruments	-	12,132,074	-	12,132,074
Derivative financial instruments				
Assets:				
Financial assets at fair value through profit or loss	7,051	50,191,021	-	50,198,072
Financial assets for hedging	-	1,218,180	-	1,218,180
Liabilities:				
Financial liabilities at fair value through profit or loss	7,035	46,116,679	-	46,123,714
Financial liabilities for hedging	-	129,637	-	129,637

v. For the six months ended June 30, 2023 and 2022, 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, 2023 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	$1,147,642	$-	$(34,631)	$-	$-	$1,113,011

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

Name	For the six months ended June 30, 2022 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	$747,969	$-	$10,675	$437,500	$-	$1,196,144

vii. For Level 3 of fair value, 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 valuation models would the results of the valuations be different.

Level 3 financial instruments the Company invested are 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:

	Fair value changes reflected in profit or loss of the period		Fair value changes reflected on other comprehensive income	
Financial instruments at fair value	Beneficial changes	Adverse changes	Beneficial changes	Adverse changes
June 30, 2023				
Financial assets at fair value through other comprehensive income-equity instruments	$-	$-	$90,809	$(72,818)

	Fair value changes reflected in profit or loss of the period		Fair value changes reflected on other comprehensive income	
Financial instruments at fair value	Beneficial changes	Adverse changes	Beneficial changes	Adverse changes
December 31, 2022				
Financial assets at fair value through other comprehensive income-equity instruments	$-	$-	$86,400	$(74,312)

	Fair value changes reflected in profit or loss of the period		Fair value changes reflected on other comprehensive income	
Financial instruments at fair value	Beneficial changes	Adverse changes	Beneficial changes	Adverse changes
June 30, 2022				
Financial assets at fair value through other comprehensive income-equity instruments	$-	$-	$90,584	$(75,377)

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

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

	June 30, 2023				
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	$45,184	Net asset value approach	Net asset value	-0.10%~0.10%	The higher the net asset value, the higher the fair value.
	754,812	Market approach	Unlisted marketability discount	4.96%~14.96%	The higher the unlisted marketability discount rate, the lower the fair value.
	269,765	Income approach	Discount rate/ Sustainable growth rate	Discount rate is 8.40%～14.04%	The higher the discount rate, the lower the fair value.
				Sustainable growth rate is -0.20%～1.73%	The higher the sustainable growth rate, the higher the fair value.
	43,250	Asset approach	Unlisted marketability discount	15.37%~25.37%	The higher the unlisted marketability discount rate, the lower the fair value.

	December 31, 2022				
Item	Fair value	Valuation technique	Material unobservable inputs	Reasonable change range	Correlation between input and fair value
Financial asset at fair value through other comprehensive income-equity instruments	$42,980	Net asset value approach	Net asset value	-0.10%~0.10%	The higher the net asset value, the higher the fair value.
	823,063	Market approach	Unlisted marketability discount	6.41% ~ 16.41%	The higher the unlisted marketability discount rate, the lower the fair value.
	239,249	Income approach	Discount rate/ Sustainable growth rate	Discount rate: 9.17%~14.89%	The higher the discount rate, the lower the fair value.
				Sustainable growth rate: -0.20%~1.69%	The higher the sustainable growth rate, the higher the fair value.
	42,350	Asset approach	Unlisted marketability discount	15.62%~25.62%	The higher the unlisted marketability discount rate, the lower the fair value.

	June 30, 2022				
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	$38,336	Net asset value approach	Net asset value	-0.10%~0.10%	The higher the net asset value, the higher the fair value.
	862,063	Market approach	Unlisted marketability discount	4.28%~14.28%	The higher the unlisted marketability discount rate, the lower the fair value.
	252,295	Income approach	Discount rate/ Sustainable growth rate	Discount rate is 8.84%～14.56%	The higher the discount rate, the lower the fair value.
				Sustainable growth rate is -0.20%～1.69%	The higher the sustainable growth rate, the higher the fair value.
	43,450	Asset approach	Unlisted marketability discount	15.62%~25.62%	The higher the unlisted marketability discount rate, the lower the fair value.

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

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

(b)Financial instruments measured at amortized cost

i. Valuation of financial instruments measured at amortized cost:

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

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

C. Debt instrument investments measured at amortized cost: for debt instruments that have direct observable market values, market values were used as fair values; for debt instruments that do not have direct observable market values, fair values were measured via valuation technique.

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

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

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

ii. Fair value of financial instruments measured at amortized cost

	June 30, 2023	
Financial assets	Book value	Fair value
Cash and cash equivalents	$16,884,880	$16,889,099
Due from the Central Bank and call loans to banks	134,104,677	134,123,798
Debt instrument investments measured at amortized cost	28,787,021	28,779,632
Securities and bonds purchased under resell agreements	11,140,085	11,096,149
Receivables-net	24,911,318	24,911,318
Discounts and loans-net	280,057,645	280,263,372

	December 31, 2022	
Financial assets	Book value	Fair value
Cash and cash equivalents	$16,772,114	$16,772,610
Due from the Central Bank and call loans to banks	115,567,226	115,593,098
Debt instrument investments measured at amortized cost	30,410,209	30,387,186
Securities and bonds purchased under resell agreements	13,860,254	13,827,862
Receivables-net	19,924,576	19,924,576
Discounts and loans-net	287,864,358	288,443,965

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

	June 30, 2022	
Financial assets	Book value	Fair value
Cash and cash equivalents	$10,315,436	$10,315,547
Due from the Central Bank and call loans to banks	129,563,265	129,568,725
Debt instrument investments measured at amortized cost	9,129,950	9,099,934
Securities and bonds purchased under resell agreements	6,354,080	6,474,311
Receivables-net	21,904,443	21,904,443
Discounts and loans-net	286,853,639	286,891,034

	June 30, 2023	
Financial liabilities	Book value	Fair value
Deposits from the Central Bank and banks	$1,532,081	$1,532,080
Payables	2,960,479	2,960,479
Related parties payable	5,602,281	5,602,281
Deposits and remittances	602,287,958	601,541,317
Financial debentures	6,233,593	6,233,593
Other financial liabilities	296,805	296,805

	December 31, 2022	
Financial liabilities	Book value	Fair value
Deposits from the Central Bank and banks	$1,638,248	$1,638,223
Payables	5,077,449	5,077,449
Related parties payable	4,291,102	4,291,102
Deposits and remittances	587,506,645	586,759,445
Financial debentures	6,148,843	6,148,843
Other financial liabilities	231,995	231,995

	June 30, 2022	
Financial liabilities	Book value	Fair value
Deposits from the Central Bank and banks	$4,806,392	$4,806,395
Payables	4,957,221	4,957,221
Related parties payable	6,866,659	6,866,659
Deposits and remittances	579,081,921	580,257,282
Financial debentures	5,946,743	5,946,743
Other financial liabilities	106,345	106,345

(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, 2023				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Assets:					
Cash and cash equivalents	$16,884,880	$-	$16,889,099	$-	$16,889,099
Due from the Central Bank and call loans to banks	134,104,677	-	134,123,798	-	134,123,798
Debt instrument investments measured at amortized cost	28,787,021	-	28,779,632	-	28,779,632
Securities and bonds purchased under resell agreements	11,140,085	-	11,096,149	-	11,096,149
Receivables-net	24,911,318	-	24,911,318	-	24,911,318
Discounts and loans-net	280,057,645	-	-	280,263,372	280,263,372
Liabilities:					
Deposits from the Central Bank and banks	1,532,081	-	1,532,080	-	1,532,080
Payables	2,960,479	-	2,960,479	-	2,960,479
Related parties payable	5,602,281	-	5,602,281	-	5,602,281
Deposits and remittances	602,287,958	-	601,541,317	-	601,541,317
Financial debentures	6,233,593	-	6,233,593	-	6,233,593
Other financial liabilities	296,805	-	296,805	-	296,805

Financial instruments measured at amortized cost	December 31, 2022				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Assets:					
Cash and cash equivalents	$16,772,114	$-	$16,772,610	$-	$16,772,610
Due from the Central Bank and call loans to banks	115,567,226	-	115,593,098	-	115,593,098
Debt instrument investments measured at amortized cost	30,410,209	-	30,387,186	-	30,387,186
Securities and bonds purchased under resell agreements	13,860,254	-	13,827,862	-	13,827,862
Receivables-net	19,924,576	-	19,924,576	-	19,924,576
Discounts and loans-net	287,864,358	-	10,500,000	277,943,965	288,443,965
Liabilities:					
Deposits from the Central Bank and banks	1,638,248	-	1,638,223	-	1,638,223
Payables	5,077,449	-	5,077,449	-	5,077,449
Related parties payable	4,291,102	-	4,291,102	-	4,291,102
Deposits and remittances	587,506,645	-	586,759,445	-	586,759,445
Financial debentures	6,148,843	-	6,148,843	-	6,148,843
Other financial liabilities	231,995	-	231,995	-	231,995

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

Financial instruments measured at amortized cost	June 30, 2022				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Assets:					
Cash and cash equivalents	$10,315,436	$-	$10,315,547	$-	$10,315,547
Due from the Central Bank and call loans to banks	129,563,265	-	129,568,725	-	129,568,725
Debt instrument investments measured at amortized cost	9,129,950	-	9,099,934	-	9,099,934
Securities and bonds purchased under resell agreements	6,354,080	-	6,474,311	-	6,474,311
Receivables-net	21,904,443	-	21,904,443	-	21,904,443
Discounts and loans-net	286,853,639	-	10,000,000	276,891,034	286,891,034
Liabilities:					
Deposits from the Central Bank and banks	4,806,392	-	4,806,395	-	4,806,395
Payables	4,957,221	-	4,957,221	-	4,957,221
Related parties payable	6,866,659	-	6,866,659	-	6,866,659
Deposits and remittances	579,081,921	-	580,257,282	-	580,257,282
Financial debentures	5,946,743	-	5,946,743	-	5,946,743
Other financial liabilities	106,345	-	106,345	-	106,345

(c) Information on financial risk

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

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

i. Market risk

A. Strategy and procedure of market risk management

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

B. Market risk management organization and structure

The department, Market Risk Taiwan, follows the regulatory requirements 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 the department and are in line with the guidance of Group Market Risk Committee.

Market risk limits are proposed by the business within the terms of the agreed policies. 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.

The department 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 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.

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

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

	For the six months ended June 30					
	2023			2022		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Trading book VaR	$15,419	$25,316	$10,236	$12,271	$19,187	$7,110
Banking book fair value VaR	56,175	68,482	46,663	49,200	65,205	30,295
Total VaR	53,557	63,217	41,068	50,213	63,247	31,750

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 Risk Taiwan with approval by the delegated authority. The Traded Risk Type Framework is presented to the 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.

(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, 2023		
	Foreign currency	Exchange rate	NTD
Long position			
USD	$31,419,814	31.157	$978,946,011
CNY	21,074,322	4.309	90,815,179
GBP	87,821	39.337	3,454,554
EUR	71,521	33.776	2,415,670
HKD	39,367	3.977	156,558
Short position			
USD	31,432,478	31.157	979,340,589
CNY	21,070,496	4.309	90,798,691
GBP	87,394	39.337	3,437,787
EUR	72,193	33.776	2,438,372
HKD	27,517	3.977	109,432

	December 31, 2022		
	Foreign currency	Exchange rate	NTD
Long position			
USD	$9,972,966	30.733	$306,501,291
CNY	4,952,941	4.411	21,849,312
THB	4,483,698	0.882	3,956,031
HKD	378,627	3.941	1,492,241
SGD	58,077	22.887	1,329,233
Short position			
USD	10,006,504	30.733	307,532,015
CNY	4,838,995	4.411	21,346,655
THB	4,506,997	0.882	3,976,588
HKD	348,054	3.941	1,371,747
SGD	57,050	22.887	1,305,731

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

	June 30, 2022		
	Foreign currency	Exchange rate	NTD
Long position			
USD	$24,410,714	29.723	$725,552,674
CNY	14,126,676	4.440	62,723,424
EUR	674,984	31.007	20,929,087
HKD	228,653	3.789	866,293
ZAR	398,995	1.830	730,098
Short position			
USD	24,425,255	29.723	725,984,857
CNY	14,044,553	4.440	62,358,791
EUR	675,810	31.007	20,954,716
HKD	222,478	3.789	842,898
ZAR	368,237	1.830	673,817

G. Interest rate sensitivity information

a. Interest rate sensitivity analysis (NTD)

June 30, 2023

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	$383,959,627	$34,763,228	$21,623,084	$31,470,173	$471,816,112
Interest rate sensitive liabilities	334,435,985	9,157,052	13,437,350	3,154,668	360,185,055
Interest rate sensitive gap	49,523,642	25,606,176	8,185,734	28,315,505	111,631,057
Net worth					46,635,158
Ratio of interest rate sensitive assets to liabilities (%)					130.99
Ratio of interest rate sensitive gap to net worth (%)					239.37

December 31, 2022

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	$368,567,587	$24,638,868	$67,630,141	$34,050,229	$494,886,825
Interest rate sensitive liabilities	307,527,398	8,485,949	13,274,094	2,964,582	332,252,023
Interest rate sensitive gap	61,040,189	16,152,919	54,356,047	31,085,647	162,634,802
Net worth					47,293,907
Ratio of interest rate sensitive assets to liabilities (%)					148.95
Ratio of interest rate sensitive gap to net worth (%)					343.88

June 30, 2022

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	$374,412,539	$22,935,539	$39,842,864	$56,034,457	$493,225,399
Interest rate sensitive liabilities	314,551,615	24,283,691	14,443,483	2,337,464	355,616,253
Interest rate sensitive gap	59,860,924	(1,348,152)	25,399,381	53,696,993	137,609,146
Net worth					45,054,251
Ratio of interest rate sensitive assets to liabilities (%)					138.70
Ratio of interest rate sensitive gap to net worth (%)					305.43

b. Interest rate sensitivity analysis (USD)

June 30, 2023

Units: in thousands of US Dollars

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	$5,560,244	$846,391	$221,358	$94,330	$6,722,323
Interest rate sensitive liabilities	8,207,658	966,714	572,099	200,363	9,946,834
Interest rate sensitive gap	(2,647,414)	(120,323)	(350,741)	(106,033)	(3,224,511)
Net worth					50,625
Ratio of interest rate sensitive assets to liabilities (%)					67.58
Ratio of interest rate sensitive gap to net worth (%)					(6,369.40)

December 31, 2022

Units: in thousands of US Dollars

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	$4,269,330	$68,890	$800,509	$49,290	$5,188,019
Interest rate sensitive liabilities	7,773,101	624,247	1,026,038	215,853	9,639,239
Interest rate sensitive gap	(3,503,771)	(555,357)	(225,529)	(166,563)	(4,451,220)
Net worth					681
Ratio of interest rate sensitive assets to liabilities (%)					53.82
Ratio of interest rate sensitive gap to net worth (%)					(653,629.96)

June 30, 2022

Units: in thousands of US Dollars

Item	Day 1 to 90 days	Day 91 to 180 days	Day 181 to 1 Year	Over 1 year	Total
Interest rate sensitive assets	$5,102,726	$1,567,926	$113,595	$39,526	$6,823,773
Interest rate sensitive liabilities	9,082,012	728,729	562,158	215,000	10,587,899
Interest rate sensitive gap	(3,979,286)	839,197	(448,563)	(175,474)	(3,764,126)
Net worth					56,169
Ratio of interest rate sensitive assets to liabilities (%)					64.45
Ratio of interest rate sensitive gap to net worth (%)					(6,701.43)

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&T RTF”) for operational risk management. The O&T RTF builds on Enterprise Risk Management Framework (“ERMF”) and covers the operational risk related to inadequate or failed internal processes, technology events, human errors, or from the impact of external events (including legal risks). According to the O&T RTF, operational risks should be managed through the Risk and Control Self-Assessment (“RCSA”) cycle, which includes the following stages: Process Universe, Risk Identification, Inherent Risk Assessment, Control Design and Assessment, Risk and Control Monitoring, Residual Risk Assessment, and Response and Reporting. Responsibility for the management of operational risk rests with businesses and functions. O&T RTF 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&T RTF, 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.

The operational risk subtypes include transaction processing, product management, client service resilience, technology risk, 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 defines monitors, i.e. Key Control Indicators (“KCIs”) and Control Sample Tests (“CSTs”), and sets benchmark thresholds for Key Controls. 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&T RTF. The identified risk shall be escalated to the authority defined in O&T RTF for risk monitoring by the management.

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

E. Method used for regulatory capital calculation

Basic Indicator Approach.

iii. Compliance and legal risk

Compliance and legal risks arise from the possibility that an entity may not be able to comply with laws or 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 taking charge of the planning, management, and execution of the regulatory compliance system. And as the designated department in charge of the planning, implementation and supervision of each department’s executions for Treating Customers Fairly Principles, also including Money laundering, terrorist financing, and financial crime supervision, such as the planning and implementation of policies and procedures for identifying, assessing and monitoring money laundering and terrorist financing risks, and coordinating and supervising the implementation of the company-wide Anti-Money Laundering and Counter Terrorist Financing risk identification and assessment. The Legal Department of the Company is responsible for providing advisory services to legal aspects of transaction documents including legality and enforceability of such transaction documents. The two departments together are to make sure that the financial structure and operations of the Company follows relevant regulatory compliance and legal matters.

iv. Credit risk management

A. Credit risk strategy, goal, policy and procedure

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

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

a. Strategy and Goal

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

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

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

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

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

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

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

b. Policies and procedures

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

B. Credit risk management organization and structure

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

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

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

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

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

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

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

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

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

Potential credit losses from any given accounts, customers or portfolios 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, aircrafts, plants and machineries, marketable securities, commodities, bank guarantees and letters of credit. The Company also enters into collateralized reverse repurchase agreements.

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

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

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

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

E. Method used for regulatory capital calculation

Standardized Approach.

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

F. Maximum exposure to credit risk

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

	Maximum exposure to credit risk		
Off-balance-sheet items	June 30, 2023	December 31, 2022	June 30, 2022
Other guarantees	$7,171,441	$7,117,800	$6,898,330
Unused amount of irrevocable loan commitments	4,923,112	4,900,906	6,423,016
Unused amount of irrevocable letters of credit	635,164	579,931	533,270
Total	$12,729,717	$12,598,637	$13,854,616

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 people. 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 discounts and loans, and non-performing loans that are significant. The following table illustrates the diversification of the loan portfolio among industry sectors, geographical regions and collateral types of the Company:

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

a. By industry

	June 30, 2023	December 31, 2022	June 30, 2022
Individual	$219,931,090	$215,647,619	$210,454,401
Manufacturing	30,785,862	30,678,030	33,664,224
Transportation and warehousing	6,498,772	9,703,048	9,150,894
Financial industry	7,213,395	6,326,450	7,677,388
Commercial	2,467,112	2,529,841	3,242,789
Government	-	10,500,000	10,000,000
Other	17,901,106	17,105,476	17,190,639
Total	$284,797,337	$292,490,464	$291,380,335

b. By area

	June 30, 2023	December 31, 2022	June 30, 2022
Domestic	$262,877,627	$263,857,407	$259,934,197
Overseas	21,919,710	28,633,057	31,446,138
Total	$284,797,337	$292,490,464	$291,380,335

c. By collateral

	June 30, 2023	December 31, 2022	June 30, 2022
Unsecured	$82,155,614	$88,107,761	$87,704,335
Secured			
-Real estate	190,420,508	187,960,034	183,672,584
-Movable assets	7,849,875	10,929,695	12,962,607
-Debt instruments	2,352,637	2,366,737	2,513,616
-Other	2,018,703	3,126,237	4,527,193
Total	$284,797,337	$292,490,464	$291,380,335

H. Credit quality and impairment analysis on financial assets

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

a. Internal/external risk rating of credit extensions at the reporting date deteriorates significantly compared to that at the initial recognition date.
b. Significant change in the probability of default over the lifetime since origination.
c. Borrowers that fail to make payment and are past due over 30 days.

d. Borrowers that have outstanding amounts unpaid, past maturity dates, and are overdue for the agreed grace period.
e. Borrowers that have significant deterioration in ability to repay and face the compulsory enforcement, debt restructuring or legal action.
f. Borrowers that have been placed as Early Alert - Non-Purely Precautionary (EA-NPP) are concluded by Credit Issue Committee (CIC) to have fundamental deterioration in creditworthiness which requires closer scrutiny and monitoring.

Definitions of default and credit impaired financial assets:

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

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

a. Borrower is deceased.
b. Borrower has declared bankruptcy or may declare bankruptcy or financial restructuring.
c. Enterprise has been temporarily suspended.
d. Borrower has applied for debt restructuring program (including internal or government programs) due to financial difficulty.

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.

(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, 2023											
	Stage 1				Stage 2				Stage 3			
	Investment grade	Sub-investment grade	High risk grade	Subtotal	Investment grade	Sub-investment grade	High risk grade	Subtotal	Individually impaired	Collectively impaired	Allowance of bad debt	Total
Balance sheet items												
Accounts receivable												
-Accounts receivable factoring	$10,940,411	$4,813,692	$-	$15,754,103	$1,261,079	$-	$-	$1,261,079	$-	$-	$174,152	$16,841,030
-Credit cards receivable	1,714,326	1,249,370	14	2,963,710	-	6,939	4,195	11,134	66,544	186,421	119,612	3,108,197
Discounts and loans												
-Consumer banking	179,360,502	33,569,387	2,177,675	215,107,564	182,592	1,245,671	1,168,166	2,596,429	339,940	2,075,726	3,864,070	216,255,589
-Wholesale banking	42,735,287	17,819,290	-	60,554,577	982,102	2,910,542	532	3,893,176	73,596	88,849	1,125,922	63,484,276
-Non-accrual loans	-	-	-	-	-	-	-	-	16,431	51,049	16,431	51,049
Other financial assets												
-Non-accrual loans other than those reclassified form loans	-	-	-	-	-	-	-	-	7,294	-	7,294	-
Off-balance sheet items												
Loan commitments and guarantees	9,591,522	2,859,079	-	12,450,601	5,711	273,405	-	279,116	-	-	99,051	12,630,666

	December 31, 2022											
	Stage 1				Stage 2				Stage 3			
	Investment grade	Sub-investment grade	High risk grade	Subtotal	Investment grade	Sub-investment grade	High risk grade	Subtotal	Individually impaired	Collectively impaired	Allowance of bad debt	Total
Balance sheet items												
Accounts receivable												
-Accounts receivable factoring	$10,387,836	$-	$-	$10,387,836	$2,769,302	$-	$-	$2,769,302	$-	$-	$135,571	$13,021,567
-Credit cards receivable	1,768,647	1,334,779	79	3,103,505	-	8,952	4,002	12,954	73,702	207,595	131,162	3,266,594
Discounts and loans												
-Consumer banking	177,210,657	32,027,413	2,319,137	211,557,207	188,737	708,413	904,636	1,801,786	353,378	2,166,924	3,656,517	212,222,778
-Wholesale banking	56,296,101	15,090,696	-	71,386,797	2,134,568	2,846,474	-	4,981,042	81,153	85,399	1,153,412	75,380,979
-Non-accrual loans	-	-	-	-	-	-	-	-	18,332	58,446	18,332	58,446
Other financial assets												
-Non-accrual loans other than those reclassified form loans	-	-	-	-	-	-	-	-	7,253	-	7,253	-
Off-balance sheet items												
Loan commitments and guarantees	8,165,967	2,871,296	-	11,037,263	581,222	980,152	-	1,561,374	-	-	103,667	12,494,970

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

	June 30, 2022											
	Stage 1				Stage 2				Stage 3			
	Investment grade	Sub-investment grade	High risk grade	Subtotal	Investment grade	Sub-investment grade	High risk grade	Subtotal	Individually impaired	Collectively impaired	Allowance of bad debt	Total
Balance sheet items												
Accounts receivable												
-Accounts receivable factoring	$13,677,064	$874,674	$-	$14,551,738	$163,726	$-	$-	$163,726	$-	$-	$151,155	$14,564,309
-Credit cards receivable	1,607,557	1,294,540	56	2,902,153	-	8,913	2,601	11,514	82,968	227,324	138,206	3,085,753
Discounts and loans												
-Consumer banking	173,928,175	29,673,187	2,773,203	206,374,565	129,447	699,172	851,768	1,680,387	382,524	2,289,034	3,474,578	207,251,932
-Wholesale banking	58,778,900	15,518,275	-	74,297,175	632,543	5,474,461	-	6,107,004	92,869	71,457	1,244,421	79,324,084
-Non-accrual loans	-	-	-	-	-	-	-	-	20,379	64,941	20,379	64,941
Other financial assets												
-Non-accrual loans other than those reclassified form loans	-	-	-	-	-	-	-	-	7,133	-	7,133	-
Off-balance sheet items												
Loan commitments and guarantees	10,075,972	2,768,242	-	12,844,214	436,775	572,141	-	1,008,916	-	1,486	124,579	13,730,037

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

a. Asset quality of the Company

Product \ Period			June 30, 2023				
			Non-performing loans	Loan balances	NPL ratio	Allowance for bad debts	Coverage ratio
Wholesale Banking	Secured		$54,485	$5,537,918	0.98%	$78,852	144.72%
	Unsecured		15,034	59,124,493	0.03%	1,062,977	7,070.49%
Consumer Banking	Mortgage		18,610	153,556,296	0.01%	2,337,568	12,560.82%
	Personal loan		161,335	32,516,398	0.50%	1,510,020	935.95%
	Others	Secured	9,571	33,085,961	0.03%	14,500	151.50%
		Unsecured	-	976,271	-%	2,506	-%
Total			259,035	284,797,337	0.09%	5,006,423	1,932.72%
			Overdue receivables	Accounts receivable	Overdue ratio	Allowance for bad debts	Coverage ratio
Credit card			7,262	3,227,809	0.22%	119,612	1,647.09%
Factoring loan receivable without recourse			-	17,015,182	-%	174,152	-%

Product \ Period			December 31, 2022				
			Non-performing loan	Loan balances	NPL ratio	Allowance for bad debts	Coverage ratio
Wholesale Banking	Secured		$58,119	$7,725,322	0.75%	$89,537	154.06%
	Unsecured		16,613	68,872,739	0.02%	1,082,207	6,514.22%
Consumer Banking	Mortgage		26,873	152,895,910	0.02%	2,327,883	8,662.53%
	Personal loan		150,156	30,342,086	0.49%	1,308,694	871.56%
	Others	Secured	14,666	31,645,368	0.05%	17,153	116.96%
		Unsecured	-	1,009,039	-%	2,787	-%
Total			266,427	292,490,464	0.09%	4,828,261	1,812.23%
			Overdue receivables	Accounts receivable	Overdue ratio	Allowance for bad debts	Coverage ratio
Credit card			8,272	3,397,756	0.24%	131,162	1,585.61%
Factoring loan receivable without recourse			-	13,157,138	-%	135,571	-%

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

Product \ Period			Non-performing loans (June 30, 2022)	Loan balances	NPL ratio	Allowance for bad debts	Coverage ratio
Wholesale Banking	Secured		$65,732	$10,153,408	0.65%	$123,128	187.32%
	Unsecured		18,123	70,482,057	0.03%	1,141,617	6,299.27%
Consumer Banking	Mortgage		26,616	150,807,838	0.02%	2,296,684	8,628.96%
	Personal loan		83,156	28,137,640	0.30%	1,156,901	1,391.24%
	Others	Secured	25,831	30,754,265	0.08%	18,146	70.25%
		Unsecured	-	1,045,127	-%	2,902	-%
Total			219,458	291,380,335	0.08%	4,739,378	2,159.58%
			Overdue receivables	Accounts receivable	Overdue ratio	Allowance for bad debts	Coverage ratio
Credit card			6,456	3,223,959	0.20%	138,206	2,140.74%
Factoring loan receivable without recourse			-	14,715,464	-%	151,155	-%

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

	June 30, 2023		December 31, 2022	
	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	$1,033	$2,530	$1,185	$3,240
The amount under debt discharge program and rehabilitation program without default by debtors	124,060	16,751	129,887	18,342
	$125,093	$19,281	$131,072	$21,582

	June 30, 2022	
	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	$1,356	$3,760
The amount under debt discharge program and rehabilitation program without default by debtors	146,863	19,758
	$148,219	$23,518

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

b. Concentration of corporate credit risk for the Company

June 30, 2023				
Rank	Industry classification of group enterprise		Outstanding credit	% of net assets
1	A Group	Packaging and testing of semi-conductors	$5,228,368	10.91%
2	B Company	Electricity Transmission and Distribution Enterprise	4,094,965	8.54%
3	C Group	Manufacture of automobile parts	3,120,174	6.51%
4	D Group	Electronic parts and components manufacturing not elsewhere classified	2,884,750	6.02%
5	E Group	Manufacture of cement	2,100,000	4.38%
6	F Group	Electronic parts and components manufacturing not elsewhere classified	2,084,709	4.35%
7	G Company	Real estate development activities	1,943,223	4.05%
8	H Group	Other service activities incidental to water transportation	1,938,335	4.04%
9	I Company	Other service activities incidental to water transportation	1,900,000	3.96%
10	J Group	Air transport	1,896,298	3.96%

December 31, 2022				
Rank	Industry classification of group enterprise		Outstanding credit	% of net assets
1	A Group	Packaging and testing of semi-conductors	$5,294,258	11.21%
2	E Group	Manufacture of cement	3,807,205	8.06%
3	B Company	Electricity Transmission and Distribution Enterprise	3,698,012	7.83%
4	C Group	Manufacture of automobile parts	3,339,654	7.07%
5	D Group	Electronic parts and components manufacturing not elsewhere classified	2,969,334	6.29%
6	J Group	Air transport	2,393,125	5.07%
7	K Group	Vessel carries	2,113,363	4.48%
8	H Group	Other service activities incidental to water transportation	2,067,532	4.38%
9	I Company	Other service activities incidental to water transportation	1,900,000	4.02%
10	G Company	Real estate development activities	1,830,103	3.88%

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

June 30, 2022				
Rank	Industry classification of group enterprise		Outstanding credit	% of net assets
1	A Group	Packaging and testing of semi-conductors	$5,484,831	12.10%
2	C Group	Manufacture of automobile parts	3,793,707	8.37%
3	H Group	Other service activities incidental to water transportation	3,477,372	7.67%
4	E Group	Manufacture of cement	3,318,307	7.32%
5	B Company	Electricity Transmission and Distribution Enterprise	2,504,994	5.53%
6	J Group	Air transport	2,498,791	5.51%
7	L Group	Other food manufacturing not elsewhere classified	2,298,611	5.07%
8	K Group	Vessel carries	2,144,395	4.73%
9	M Company	Electronic parts and components manufacturing not elsewhere classified	1,800,000	3.97%
10	N Group	Manufacture of footwear	1,726,570	3.81%

Note: The above listed group enterprises refer to a group of corporate entities defined by Article 6 of the Supplementary Provisions to the Taiwan Stock exchange Corporation Criteria for Review of Securities Listings.

v. Liquidity risk management mechanism

A. Definition and sources of liquidity risk

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

B. Management procedures 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 regulations. In total, it maintains a liquidity buffer of 175.3 billion as of June 30, 2023, which is equivalent to 24.32% of the Company’s total assets. The level of the Company’s aggregate liquid reserves is in accordance with local regulatory minimum liquidity requirements.

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

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

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

C. Financial assets held for liquidity risk management

The Company holds cash and high quality liquid assets to support the repay liability and the potential urgency for cash demand emerges from market environment. The assets held for liquidity risk management include cash and cash equivalents, 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-derivative liabilities based on time remaining until the contractual maturity dates.

	June 30, 2023				
	Within 3 months	3 months~ 1 year	1~5 years	Over 5 years	Total
Deposits from the Central Bank and banks	$1,464,431	$67,650	$-	$-	$1,532,081
Payables	2,960,479	-	-	-	2,960,479
Related parties payable	5,602,281	-	-	-	5,602,281
Deposits and remittances	511,310,061	72,302,015	18,675,882	-	602,287,958
Financial debentures	2,200	-	6,231,393	-	6,233,593
Other financial liabilities	296,805	-	-	-	296,805
Lease liabilities	91,321	254,785	926,816	1,220,133	2,493,055
Total	$521,727,578	$72,624,450	$25,834,091	$1,220,133	$621,406,252

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

	December 31, 2022				
	Within 3 months	3 months~ 1 year	1~5 years	Over 5 years	Total
Deposits from the Central Bank and banks	$1,570,598	$67,650	$-	$-	$1,638,248
Payables	5,077,449	-	-	-	5,077,449
Related parties payable	4,291,102	-	-	-	4,291,102
Deposits and remittances	502,457,507	72,430,557	12,618,581	-	587,506,645
Financial debentures	2,200	-	6,146,643	-	6,148,843
Other financial liabilities	201,262	30,733	-	-	231,995
Lease liabilities	104,088	240,986	979,728	1,303,265	2,628,067
Total	$513,704,206	$72,769,926	$19,744,952	$1,303,265	$607,522,349

	June 30, 2022				
	Within 3 months	3 months~ 1 year	1~5 years	Over 5 years	Total
Deposits from the Central Bank and banks	$4,724,502	$81,890	$-	$-	$4,806,392
Payables	4,957,221	-	-	-	4,957,221
Related parties payable	6,866,659	-	-	-	6,866,659
Deposits and remittances	504,693,773	71,702,020	2,686,128	-	579,081,921
Financial debentures	2,200	-	5,944,543	-	5,946,743
Other financial liabilities	106,345	-	-	-	106,345
Lease liabilities	84,329	241,435	930,609	1,472,306	2,728,679
Total	$521,435,029	$72,025,345	$9,561,280	$1,472,306	$604,493,960

E. Maturity analysis of derivative financial liabilities

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

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

a. Maturity analysis of net settled derivatives

	June 30, 2023					
	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	$363,953	$336,079	$5,795	$236,988	$-	$942,815
Interest rate derivative instruments	78,314	284,633	292,014	1,603,615	16,283,601	18,542,177
Derivative financial instruments for hedging						
Interest rate derivative instruments	-	-	13,131	-	83,180	96,311
	$442,267	$620,712	$310,940	$1,840,603	$16,366,781	$19,581,303

	December 31, 2022					
	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	$188,425	$303,929	$224,677	$110,480	$-	$827,511
Interest rate derivative instruments	30,592	112,562	255,521	1,118,965	15,906,860	17,424,500
Derivative financial instruments for hedging						
Interest rate derivative instruments	1,571	-	-	20,362	82,755	104,688
	$220,588	$416,491	$480,198	$1,249,807	$15,989,615	$18,356,699

	June 30, 2022					
	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	$351,620	$25,438	$101,131	$176,719	$-	$654,908
Interest rate derivative instruments	11,473	19,044	66,136	439,330	18,634,920	19,170,903
Derivative financial instruments for hedging						
Interest rate derivative instruments	-	-	-	939	128,698	129,637
	$363,093	$44,482	$167,267	$616,988	$18,763,618	$19,955,448

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

b. Maturity analysis of gross settled derivatives

	June 30, 2023					
	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	$166,974,799	$223,150,048	$213,471,888	$164,710,476	$12,535,487	$780,842,698
Cash inflow	162,455,283	214,953,780	203,947,888	156,209,970	11,818,145	749,385,066
Net cash flow	$(4,519,516)	$(8,196,268)	$(9,524,000)	$(8,500,506)	$(717,342)	$(31,457,632)

	December 31, 2022					
	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	$213,563,145	$325,267,124	$158,986,812	$131,010,278	$16,839,046	$845,666,405
Cash inflow	207,021,170	316,805,143	154,731,394	124,048,165	15,291,043	817,896,915
Net cash flow	$(6,541,975)	$(8,461,981)	$(4,255,418)	$(6,962,113)	$(1,548,003)	$(27,769,490)

	June 30, 2022					
	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	$169,274,632	$194,594,850	$144,973,012	$121,856,283	$58,361,765	$689,060,542
Cash inflow	164,379,170	188,155,701	137,853,057	116,017,644	53,358,917	659,764,489
Net cash flow	$(4,895,462)	$(6,439,149)	$(7,119,955)	$(5,838,639)	$(5,002,848)	$(29,296,053)

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

F. Maturity analysis of off-balance-sheet items

Tables below show 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 flows and may be different from that included in the balance sheets.

	June 30, 2023				
	0~30 days	31~90 Days	91 days~1 year	Over 1 year	Total
Other guarantees	$478,550	$637,937	$4,404,886	$1,650,068	$7,171,441
Unused amount of irrevocable loan commitments	-	-	391,098	4,532,014	4,923,112
Unused amount of irrevocable letters of credit	93,423	514,880	26,861	-	635,164
	$571,973	$1,152,817	$4,822,845	$6,182,082	$12,729,717

	December 31, 2022				
	0~30 days	31~90 Days	91 days~1 year	Over 1 year	Total
Other guarantees	$462,513	$901,349	$4,095,544	$1,658,394	$7,117,800
Unused amount of irrevocable loan commitments	-	-	158,679	4,742,227	4,900,906
Unused amount of irrevocable letters of credit	119,452	450,902	9,577	-	579,931
	$581,965	$1,352,251	$4,263,800	$6,400,621	$12,598,637

	June 30, 2022				
	0~30 days	31~90 Days	91 days~1 year	Over 1 year	Total
Other guarantees	$717,194	$544,006	$4,594,373	$1,042,757	$6,898,330
Unused amount of irrevocable loan commitments	-	-	164,575	6,258,441	6,423,016
Unused amount of irrevocable letters of credit	113,278	393,985	26,007	-	533,270
	$830,472	$937,991	$4,784,955	$7,301,198	$13,854,616

G. Structure analysis of maturity, New Taiwan Dollars

June 30, 2023

	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	$1,062,323,959	$72,456,454	$100,145,287	$228,833,275	$216,974,568	$186,373,906	$257,540,469
Main capital outflow on maturity	1,126,829,730	61,357,240	115,659,078	273,032,231	228,848,485	176,332,815	271,599,881
Gap	(64,505,771)	11,099,214	(15,513,791)	(44,198,956)	(11,873,917)	10,041,091	(14,059,412)

December 31, 2022

	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	$1,112,345,432	$101,934,749	$122,339,849	$242,910,608	$175,726,437	$207,443,404	$261,990,385
Main capital outflow on maturity	1,176,223,902	92,271,756	131,173,895	330,812,220	181,426,664	167,540,249	272,999,118
Gap	(63,878,470)	9,662,993	(8,834,046)	(87,901,612)	(5,700,227)	39,903,155	(11,008,733)

June 30, 2022

	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	$1,008,432,260	$71,791,858	$131,122,543	$174,577,948	$163,149,497	$165,570,329	$302,220,085
Main capital outflow on maturity	1,072,746,908	69,559,686	134,058,976	233,120,855	219,665,571	126,297,484	290,044,336
Gap	(64,314,648)	2,232,172	(2,936,433)	(58,542,907)	(56,516,074)	39,272,845	12,175,749

H. Structure analysis of maturity, US Dollars

June 30, 2023

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	$35,057,354	$9,802,259	$9,259,061	$8,954,817	$6,188,999	$852,218
Main capital outflow on maturity	38,099,444	9,858,211	11,367,482	7,552,380	5,948,713	3,372,658
Gap	(3,042,090)	(55,952)	(2,108,421)	1,402,437	240,286	(2,520,440)

December 31, 2022

Units: in thousands of US Dollars

		Remaining period to maturity				
	Total	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Main capital inflow on maturity	$34,776,753	$9,363,231	$11,255,573	$6,462,609	$6,638,566	$1,056,774
Main capital outflow on maturity	37,442,511	10,589,456	12,131,955	5,776,782	5,545,375	3,398,943
Gap	(2,665,758)	(1,226,225)	(876,382)	685,827	1,093,191	(2,342,169)

June 30, 2022

Units: in thousands of US Dollars

		Remaining period to maturity				
	Total	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year
Main capital inflow on maturity	$32,936,224	$9,630,915	$7,672,604	$8,004,336	$4,673,137	$2,955,232
Main capital outflow on maturity	35,419,006	10,933,398	10,535,750	5,698,594	4,820,816	3,430,448
Gap	(2,482,782)	(1,302,483)	(2,863,146)	2,305,742	(147,679)	(475,216)

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:

June 30, 2023

	Financial assets under net executable settlement contracts or similar agreements					
				Relevant amounts not offset in balance sheet (d)		
	Total financial assets recognized (a)	Offset total financial liabilities recognized in balance sheet (b)	Net financial assets reported in balance sheet (c)=(a)-(b)	Financial instruments (Note)	Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial assets	$46,539,910	$-	$46,539,910	$21,277,487	$4,661,023	$20,601,400
Securities and bonds purchased under resell agreements	11,140,085	-	11,140,085	-	11,140,085	-
Total	$57,679,995	$-	$57,679,995	$21,277,487	$15,801,108	$20,601,400

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

	December 31, 2022					
	Financial assets under net executable settlement contracts or similar agreements					
	Total financial assets recognized (a)	Offset total financial liabilities recognized in balance sheet (b)	Net financial assets reported in balance sheet (c)=(a)-(b)	Relevant amounts not offset in balance sheet (d) Financial instruments (Note)	Relevant amounts not offset in balance sheet (d) Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial assets	$45,127,907	$-	$45,127,907	$25,330,538	$4,476,656	$15,320,713
Securities and bonds purchased under resell agreements	13,860,254	-	13,860,254	-	13,860,254	-
Total	$58,988,161	$-	$58,988,161	$25,330,538	$18,336,910	$15,320,713

	June 30, 2022					
	Financial assets under net executable settlement contracts or similar agreements					
	Total financial assets recognized (a)	Offset total financial liabilities recognized in balance sheet (b)	Net financial assets reported in balance sheet (c)=(a)-(b)	Relevant amounts not offset in balance sheet (d) Financial instruments (Note)	Relevant amounts not offset in balance sheet (d) Cash collateral received	Net amount (e)=(c)-(d)
Derivative financial assets	$51,416,252	$-	$51,416,252	$20,004,782	$8,096,764	$23,314,706
Securities and bonds purchased under resell agreements	6,354,080	-	6,354,080	-	6,354,080	-
Total	$57,770,332	$-	$57,770,332	$20,004,782	$14,450,844	$23,314,706

	June 30, 2023					
	Financial liabilities under net executable settlement contracts or similar agreements					
	Total financial liabilities recognized (a)	Offset total financial assets recognized in balance sheet (b)	Net financial liabilities reported in balance sheet (c)=(a)-(b)	Relevant amounts not offset in balance sheet (d) Financial instruments (Note)	Relevant amounts not offset in balance sheet (d) Cash collateral pledged	Net amount (e)=(c)-(d)
Derivative financial liabilities	$42,174,599	$-	$42,174,599	$21,277,487	$8,271,105	$12,626,007

	December 31, 2022					
	Financial liabilities under net executable settlement contracts or similar agreements					
	Total financial liabilities recognized (a)	Offset total financial assets recognized in balance sheet (b)	Net financial liabilities reported in balance sheet (c)=(a)-(b)	Relevant amounts not offset in balance sheet (d) Financial instruments (Note)	Relevant amounts not offset in balance sheet (d) Cash collateral pledged	Net amount (e)=(c)-(d)
Derivative financial liabilities	$44,834,546	$-	$44,834,546	$25,330,538	$5,001,298	$14,502,710

	June 30, 2022					
	Financial liabilities under net executable settlement contracts or similar agreements					
	Total financial liabilities recognized (a)	Offset total financial assets recognized in balance sheet (b)	Net financial liabilities reported in balance sheet (c)=(a)-(b)	Relevant amounts not offset in balance sheet (d) Financial instruments (Note)	Relevant amounts not offset in balance sheet (d) Cash collateral pledged	Net amount (e)=(c)-(d)
Derivative financial liabilities	$46,253,351	$-	$46,253,351	$20,004,782	$5,293,010	$20,955,559

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

v. Capital management

A. Summary

The goals of the Company's capital management are 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 procedures

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

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

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

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

- Common stock and additional paid-in capital in excess of par-common stock
- Capital collected in advance
- Capital reserve
- Legal reserve
- Special reserve
- Accumulated profit or loss
- Non-controlling interests
- Other items in stockholders' equity

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

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.

C. Capital adequacy

Item \ Period-end			June 30, 2023	December 31, 2022	June 30, 2022
Regulatory capital	Common equity Tier 1 capital		$44,885,168	$44,165,236	$42,375,068
	Additional Tier 1 capital		-	-	-
	Tier 2 capital		4,618,151	4,235,280	5,609,930
	Total regulatory capital		49,503,319	48,400,516	47,984,998
Risk-weighted assets	Credit risk	Standardized approach (SA)	260,628,346	230,777,722	249,270,826
		Internal ratings-based approach (IRB)	-	-	-
		Securitization	-	-	-
	Operational risk	Basic indicator approach (BIA)	23,397,382	23,397,382	23,852,910
		Standardized approach (SA) /Alternative standardized approach	-	-	-
		Advanced measurement approaches (AMA)	-	-	-
	Market risk	Standardized approach (SA)	48,549,612	42,072,468	38,689,987
		Internal models approach (IMA)	-	-	-
	Total risk-weighted assets		332,575,340	296,247,572	311,813,723
Capital Adequacy ratio			14.88%	16.34%	15.39%
Ratio of common equity Tier 1 capital to total risk-weighted assets			13.50%	14.91%	13.59%
Ratio of Tier 1 capital to total risk-weighted assets			13.50%	14.91%	13.59%
Leverage ratio			6.08%	6.12%	5.93%

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

7. Related party transactions

Name and relationship of related parties

Name	Relationship
Standard Chartered PLC ("SC PLC")	The ultimate parent company
Standard Chartered Bank Hong Kong Limited ("SCB Hong Kong")	Parent company of SC NEA
Standard Chartered NEA Limited ("SC NEA")	Parent company
Standard Chartered Bank ("SCB")	Affiliate
Standard Chartered Bank Taipei Branch ("SCB Taipei")	Affiliate
Standard Chartered Bank New York ("SCB New York")	Affiliate
Standard Chartered Bank Japan ("SCB Japan")	Affiliate
Standard Chartered Bank Singapore ("SCB Singapore")	Affiliate
Standard Chartered Bank Germany ("SCB Germany")	Affiliate
Standard Chartered Global Business Services Private Limited	Affiliate
Standard Chartered Global Business Services Sdn Bhd	Affiliate
Standard Chartered Bank South Africa Limited ("SCB South Africa")	Affiliate
Standard Chartered Bank China Limited ("SCB China")	Affiliate
Standard Chartered Bank Thailand Limited ("SCB Thailand")	Affiliate
Standard Chartered Bank Korea Limited ("SCB Korea")	Affiliate
Standard Chartered Bank Vietnam Limited ("SCB Vietnam")	Affiliate
Standard Chartered Bank North America ("SCB North America")	Affiliate
Standard Chartered Bank Philippines Limited ("SCB Philippines")	Affiliate
Standard Chartered Bank Macau Limited ("SCB Macau")	Affiliate
Standard Chartered Bank 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
Standard Chartered Bank Sweden ("SCB Cameroon")	Affiliate
Standard Chartered Bank Indonesia ("SCB Indonesia")	Affiliate
Standard Chartered Bank Mauritius ("SCB Mauritius")	Affiliate
Standard Chartered Bank United Arab Emirates ("SCB UAE")	Affiliate
Standard Chartered Bank Bahrain ("SCB Bahrain")	Affiliate
Standard Chartered Bank Turkey ("SCB Turkey")	Affiliate
Standard Chartered Bank Kenya ("SCB Kenya")	Affiliate
Standard Chartered Bank Nepal ("SCB Nepal")	Affiliate
Standard Chartered Bank Oman ("SCB Oman")	Affiliate
Standard Chartered Bank Jordan ("SCB Jordan")	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.

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

Name	Relationship
	(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.

Significant transactions with related parties

(1) Deposits

June 30, 2023			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties not over 1% of total deposits	$268,428	0.04	0.00~9.05

December 31, 2022			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties not over 1% of total deposits	$618,325	0.11	0.00~7.95

June 30, 2022			
Name	Ending balance	Percentage of deposits (%)	Interest rate (%)
Deposits by individual related parties not over 1% of total deposits	$612,039	0.11	0.00~6.30

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% with the maximum amount of $480 thousand.

For the six months ended June 30, 2023 and 2022, interest expenses on the above deposits were $1,580 thousand and $1,541 thousand, respectively. As of June 30, 2023, December 31, 2022 and June 30, 2022, the interest payables on the above transaction were $164 thousand, $171 thousand and $111 thousand, respectively, recorded under related parties payable.

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

As of June 30, 2023, December 31, 2022 and June 30, 2022, the time deposits of SCB Hong Kong were $15,578,482 thousand, $15,366,607 thousand and $11,889,086 thousand, respectively, and the interest payables resulting from the above time deposits were $355,985 thousand, $264,321 thousand and $37,741 thousand, respectively, recorded under related parties payable. For the six months ended June 30, 2023 and 2022, interest expenses on the time deposits of SCB Hong Kong were $268,885 thousand and $42,475 thousand, respectively.

(2) Loans

June 30, 2023							
				Repayment			
Type of loan	Maximum Balance during the period	Number of accounts or name of related party	Ending balance	On-schedule	Overdue	Collateral	Difference between terms and conditions offered to the accounts and to the general public
Employee consumer loans	$7,869	7	$6,253	$6,253	$-	Unsecured lending	None
Mortgage	44,527	9	39,383	39,383	-	House	None

December 31, 2022							
				Repayment			
Type of loan	Maximum Balance during the period	Number of accounts or name of related party	Ending balance	On-schedule	Overdue	Collateral	Difference between terms and conditions offered to the accounts and to the general public
Employee consumer loans	$9,486	9	$6,781	$6,781	$-	Unsecured lending	None
Mortgage	68,772	13	41,788	41,788	-	House	None

June 30, 2022							
				Repayment			
Type of loan	Maximum Balance during the period	Number of accounts or name of related party	Ending balance	On-schedule	Overdue	Collateral	Difference between terms and conditions offered to the accounts and to the general public
Employee consumer loans	$8,870	8	$7,063	$7,063	$-	Unsecured lending	None
Mortgage	$55,092	12	43,786	43,786	-	Houses	None

For the six months ended June 30, 2023 and 2022, interest income on the above loans were $407 thousand and $298 thousand, respectively. As of June 30, 2023, December 31, 2022 and June 30, 2022 the interest receivables from the above transactions were $52 thousand, $52 thousand, and $46 thousand, respectively, recorded under receivables-net.

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

(3) Foreign exchange and derivative instruments

June 30, 2023

Name	Contracts	Contracts duration period	Notional	Gain (loss) on valuation	Balance sheet Account	Balance sheet Balance
SCB	Interest rate swap	2023.7.3~ 2033.9.21	$2,253,155,614	$(135,739)	Financial assets at fair value through profit or loss	$13,488,989
					Financial liabilities at fair value through profit or loss	(12,978,220)
	Interest rate option	2024.9.30	1,557,848	(8,907)	Financial assets at fair value through profit or loss	70,332
	Spot/forward/swap	2023.7.3~ 2024.8.12	226,511,220	(489,304)	Financial assets at fair value through profit or loss	1,995,824
					Financial liabilities at fair value through profit or loss	(3,819,220)
	Cross currency swap	2023.8.23~ 2024.10.28	2,308,066	(184,052)	Financial assets at fair value through profit or loss	71,931
					Financial liabilities at fair value through profit or loss	(49,128)
	Foreign exchange option	2023.7.3~ 2025.4.15	80,072,560	256,543	Financial assets at fair value through profit or loss	167,431
					Financial liabilities at fair value through profit or loss	(98,278)
	Commodity swap	2023.7.5~ 2024.4.15	155,809	328	Financial assets at fair value through profit or loss	6,697
					Financial liabilities at fair value through profit or loss	(5,750)
	Commodity option	2023.7.13~ 2024.4.15	2,087,095	6,759	Financial liabilities at fair value through profit or loss	(9,475)
SCB Hong Kong	Spot/forward/swap	2023.7.3~ 2024.6.21	10,487,617	(526)	Financial assets at fair value through profit or loss	109,502
					Financial liabilities at fair value through profit or loss	(153,777)
SCB Germany	Spot/forward/swap	2023.7.3~ 2023.10.16	8,408,159	114,943	Financial assets at fair value through profit or loss	11,439
					Financial liabilities at fair value through profit or loss	(70,182)
SCB Korea	Spot/forward/swap	2023.7.25~ 2023.9.16	2,634,263	24,401	Financial assets at fair value through profit or loss	30,764
					Financial liabilities at fair value through profit or loss	(6,363)

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

December 31, 2022

Name	Contracts	Contracts duration period	Notional	Gain (loss) on valuation	Balance sheet Account	Balance sheet Balance
SCB	Interest rate swap	2023.1.3~ 2033.3.15	$1,893,241,870	$492,120	Financial assets at fair value through profit or loss	$13,280,664
					Financial liabilities at fair value through profit or loss	(12,634,156)
	Interest rate option	2023.6.12~ 2024.9.30	1,567,394	71,206	Financial assets at fair value through profit or loss	79,243
					Financial liabilities at fair value through profit or loss	(4)
	Spot/forward/swap	2023.1.3~ 2024.6.26	210,884,393	(1,325,087)	Financial assets at fair value through profit or loss	1,818,896
					Financial liabilities at fair value through profit or loss	(3,152,988)
	Cross currency swap	2023.2.23~ 2024.10.28	3,097,874	104,783	Financial assets at fair value through profit or loss	206,855
	Foreign exchange option	2023.1.3~ 2024.7.19	31,385,317	(151,270)	Financial assets at fair value through profit or loss	1,220
					Financial liabilities at fair value through profit or loss	(188,610)
	Commodity swap	2023.1.4~ 2023.7.5	71,055	8,489	Financial assets at fair value through profit or loss	6,711
					Financial liabilities at fair value through profit or loss	(6,092)
	Commodity option	2023.1.17~ 2023.4.26	2,085,064	(16,234)	Financial assets at fair value through profit or loss	2,940
					Financial liabilities at fair value through profit or loss	(19,174)
SCB Singapore	Spot/forward/swap	2023.1.3	1,047	1	Financial assets at fair value through profit or loss	1
SCB Hong Kong	Spot/forward/swap	2023.1.3~ 2023.12.29	11,138,635	(24,609)	Financial assets at fair value through profit or loss	72,783
					Financial liabilities at fair value through profit or loss	(116,532)
SCB Germany	Spot/forward/swap	2023.1.30~ 2023.10.16	3,464,879	(173,686)	Financial assets at fair value through profit or loss	1,569
					Financial liabilities at fair value through profit or loss	(175,255)
SCB Korea	Spot/forward/swap	2023.2.21~ 2023.3.7	2,100,520	(89,759)	Financial liabilities at fair value through profit or loss	(89,759)

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

June 30, 2022

Name	Contracts	Contracts duration period	Notional	Gain (loss) on valuation	Balance sheet Account	Balance sheet Balance
SCB	Interest rate swap	2022.7.1~ 2032.9.21	$1,681,181,314	$318,612	Financial assets at fair value through profit or loss	$13,929,022
					Financial liabilities at fair value through profit or loss	(13,456,022)
	Interest rate option	2024.9.30	1,486,136	43,312	Financial assets at fair value through profit or loss	51,345
	Spot/forward/swap	2022.7.1~ 2024.6.26	178,906,127	(957,278)	Financial assets at fair value through profit or loss	2,204,794
					Financial liabilities at fair value through profit or loss	(3,171,077)
	Cross currency swap	2022.7.19~ 2024.10.28	3,529,392	54,853	Financial assets at fair value through profit or loss	171,411
					Financial liabilities at fair value through profit or loss	(14,486)
	Foreign exchange option	2022.7.1~ 2024.3.8	56,026,361	(4,300)	Financial assets at fair value through profit or loss	70,555
					Financial liabilities at fair value through profit or loss	(110,975)
	Commodity swap	2022.7.5~ 2023.7.5	176,843	23,952	Financial assets at fair value through profit or loss	26,178
					Financial liabilities at fair value through profit or loss	(10,096)
	Commodity option	2022.7.19~ 2022.11.21	1,225,765	(6,238)	Financial assets at fair value through profit or loss	126
					Financial liabilities at fair value through profit or loss	(6,364)
SCB Hong Kong	Spot/forward/swap	2022.7.5~ 2023.5.10	17,517,173	112,486	Financial assets at fair value through profit or loss	211,497
					Financial liabilities at fair value through profit or loss	(118,151)
SCB Germany	Spot/forward/swap	2022.7.1~ 2022.9.28	1,467,128	9,536	Financial assets at fair value through profit or loss	13,317
					Financial liabilities at fair value through profit or loss	(3,781)

As of June 30, 2023, December 31, 2022 and June 30, 2022, the premium receivables resulting from the above option contracts were $1,025 thousand, $445 thousand and $249 thousand, respectively, recorded under receivables-net. As of June 30, 2023, December 31, 2022 and June 30, 2022, no premium payables resulting from the above option contracts were recorded.

(4) Deposits with banks-affiliates

	For the six months ended June 30, 2023 Balance	Interest rate %	Net interest income
SCB Taipei	$3,600,000	0.40~1.42	$14,348
SCB Hong Kong	363,720	0.00	-
SCB New York	56,346	3.25~3.81	11,549
Other	410,791	-0.63~2.46	231
	$4,430,857		$26,128

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

	2022		
	Balance	Interest rate %	Net interest income
SCB Taipei	$6,100,000	0.15~1.29	$29,775
SCB New York	62,474	0.75~2.87	14,427
Other	603,434	-0.63~2.87	480
	$6,765,908		$44,682

	For the six months ended June 30, 2022		
	Balance	Interest rate %	Net interest income
SCB Taipei	$5,500,000	0.15~0.24	$5,384
SCB Germany	582,763	-	-
SCB Hong Kong	405,278	-	-
SCB New York	63,534	0.75	1,287
Other	354,256	0.00~2.23	158
	$6,905,831		$6,829

As of June 30, 2023, December 31, 2022 and June 30, 2022, interest receivables resulting from the above deposits with other banks from affiliates were $421 thousand, $862 thousand and $4,819 thousand, respectively, recorded under receivables-net. For the six months ended June 30, 2023 and 2022, the service charges from the above deposits were $10,364 thousand and $14,681 thousand, respectively, recorded under net service fee income.

(5) Call loans to banks-affiliates

	For the six months ended June 30, 2023		
	Balance	Interest rate %	Net interest income
SCB Hong Kong	$40,504,053	-0.45~5.50	$863,112
SCB Taipei	25,584,837	0.40~5.18	132,489
Other	-	-0.17~4.58	487
	$66,088,890		$996,088

	2022		
	Balance	Interest rate %	Net interest income
SCB Hong Kong	$35,571,294	-0.80~7.50	$374,112
SCB Taipei	16,732,300	-0.37~2.02	84,067
Other	279,499	-0.17~4.40	(168)
	$52,583,093		$458,011

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

	For the six months ended June 30, 2022		
	Balance	Interest rate %	Net interest income
SCB Hong Kong	$61,583,812	-0.80~3.79	$66,246
SCB Taipei	10,469,556	-0.37~2.02	19,195
Other	-	-0.17~-0.14	(183)
	$72,053,368		$85,258

As of June 30, 2023, December 31, 2022 and June 30, 2022, the interest receivables resulting from the above call loans to banks from affiliates were $1,011,784 thousand, $179,430 thousand and $77,931 thousand, respectively, recorded under receivables-net.

(6) Deposits from banks-affiliates

	For the six months ended June 30, 2023		
	Balance	Interest rate %	Net interest expense
SCB Taipei	$472,159	0.01	$5

	2022		
	Balance	Interest rate %	Net interest expense
SCB Taipei	$53,401	0.01	$13

	For the six months ended June 30, 2022		
	Balance	Interest rate %	Net interest expense
SCB Taipei	$77,008	0.13	$8

As of June 30, 2023, December 31, 2022 and June 30, 2022, no interest payables resulting from the above deposits from banks to affiliates were recorded.

(7) Overdrafts on banks-affiliates

	For the six months ended June 30, 2023		
	Balance	Interest rate %	Net interest expense
SCB New York	$23,095	4.40~5.15	$4,656
SCB Japan	-	2.05	539
Other	-	1.50~7.00	560
	$23,095		$5,755

	2022		
	Balance	Interest rate %	Net interest expense
SCB New York	$1,388,163	0.10~3.90	$8,805
SCB Germany	-	1.50	902
Other	18,222	0.10~5.75	492
	$1,406,385		$10,199

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

	For the six months ended June 30, 2022		
	Balance	Interest rate %	Net interest expense
SCB New York	$2,635,658	0.10~0.90	$2,601
SCB Germany	-	1.50	633
Other	-	0.75~6.35	101
	$2,635,658		$3,335

As of June 30, 2023, December 31, 2022 and June 30, 2022, 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, 2023		
	Balance	Interest rate %	Net interest expense
SCB Taipei	$690,000	0.68~5.10	$3,976
SCB Hong Kong	214,916	-0.16~9.00	233,867
SCB Korea	-	4.29~5.10	20,466
Other	-	0.00~3.55	5
	$904,916		$258,314

	2022		
	Balance	Interest rate %	Net interest expense
SCB Hong Kong	$-	-0.60~4.90	$75,019
SCB Korea	-	0.07~4.31	19,062
SCB Taipei	-	0.06~3.80	8,632
Other	-	-0.14~1.02	287
	$-		$103,000

	For the six months ended June 30, 2022		
	Balance	Interest rate %	Net interest expense
SCB Taipei	$1,100,000	0.06~1.60	$2,127
SCB Hong Kong	872,520	-0.60~4.20	15,120
SCB Korea	-	0.07~1.60	1,696
Other	-	-0.14~0.15	286
	$1,972,520		$19,229

As of June 30, 2023, December 31, 2022 and June 30, 2022, the interest payables resulting from the above call loans from banks to affiliates were $59 thousand, $0 thousand, and $41 thousand, respectively, recorded under related parties payable.

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

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

Name	June 30, 2023	December 31, 2022	June 30, 2022
SCB	$1,631,851	$1,614,138	$1,514,216

For the six months ended June 30, 2023 and 2022, the interest income resulting from the above transactions were $19,931 thousand and $2,401 thousand, respectively. As of June 30, 2023, December 31, 2022 and June 30, 2022, the interest receivable resulting from the above transactions were $4,371 thousand, $5,302 thousand and $892 thousand, respectively, recorded under receivables-net.

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

Name	Bond (Note)	June 30, 2023	December 31, 2022	June 30, 2022
SCB	103-2	$6,231,393	$6,146,643	$5,944,543

Note: The issuance conditions and details of financial debentures are stated in note 6(17).

For the six months ended June 30, 2023 and 2022, the interest expenses on the above transactions were $132,252 thousand and $125,925 thousand, respectively. As of June 30, 2023, December 31, 2022 and June 30, 2022, the interest payables on the above transactions were $10,126 thousand, $10,757 thousand and $9,660 thousand, respectively, recorded under related parties payable.

(11) Guarantee

None.

(12) For the six months ended June 30, 2023, operational and advisory service fees, consulting and technical support service fees and wholesale banking business service fees were $484,987 thousand, $519,195 thousand and $44,783 thousand, respectively. For the six months ended June 30, 2022, operational and advisory service fees, consulting and technical support service fees and wholesale banking business service fees were $456,785 thousand, $477,200 thousand and $42,179 thousand, respectively. As of June 30, 2023, December 31, 2022 and June 30, 2022, the fees payables resulting from above services fees were $4,633,939 thousand, $3,520,291 thousand and $6,357,334 thousand due to SCB, $3 thousand, $0 thousand and $0 thousand due to SCB Singapore, respectively, recorded under related parties payable. For the six months ended June 30, 2023 and 2022, the group insurance expenses for entering the group insurance amounted to $18,961 thousand and $35,224 thousand, respectively. Furthermore, as of June 30, 2023, December 31, 2022 and June 30, 2022, group insurance expense payables were $54,185 thousand, $35,223 thousand and $35,224 thousand, respectively, recorded under related parties payable.

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

(13) For the six months ended June 30, 2023 and 2022, the related costs of the executive share option scheme amounted to $9,818 thousand and $6,768 thousand, respectively. As of June 30, 2023, December 31, 2022 and June 30, 2022, the estimated accounts payable to SCB for the share-based payment scheme costs amounted to $24,638 thousand, $36,884 thousand and $29,485 thousand, respectively, recorded under related parties payable.

(14) For the six months ended June 30, 2023 and 2022, expenses resulting from operating and other business related activities with affiliates were as follows:

Name	For the six months ended June 30	
	2023	2022
Technical support service fees:		
SCB	$5,919	$1,380
SCB Singapore	125	1,364
SCB Hong Kong	-	1,232
Other	-	16
Total	$6,044	$3,992
Information technology service fees:		
Standard Chartered Global Business Services Sdn Bhd	$66,189	$72,648
Standard Chartered Global Business Services Private Limited	46,918	47,129
Total	$113,107	$119,777
Consultant service income, origination income, and trading income:		
SCB Hong Kong	$138,106	$2,415
SCB	96,765	122,932
SCB New York	57,338	16,539
SCB Singapore	43,633	3,445
Other	50,521	8,322
Total	$386,363	$153,653
Consultant service fees, origination fees, and trading fees:		
SCB New York	$74,886	$19,777
SCB Hong Kong	30,440	3,642
SCB Germany	18,511	4,313
SCB	14,281	23,168
SCB France	10,112	824
Other	21,670	15,670
Total	$169,900	$67,394

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

As of June 30, 2023, December 31, 2022 and June 30, 2022, technical support service fees payables and information technology service fees payables were $122,732 thousand, $115,556 thousand and $121,146 thousand, respectively, recorded under related parties payable. As of June 30, 2023, December 31, 2022 and June 30, 2022, consultant service income, origination income, trading income and technical support service receivables were $822,475 thousand, $538,194 thousand and $503,750 thousand, respectively, recorded under receivables-net. As of June 30, 2023, December 31, 2022 and June 30, 2022, consultant service fees, origination fees and trading fees payables were $400,450 thousand, $307,712 thousand and $275,917 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, 2023 and 2022, the rentals were both $1,268 thousand. As of June 30, 2023, December 31, 2022 and June 30, 2022, the utility and information system usage income receivables from SCB Taipei were $57 thousand, $71 thousand and $52 thousand, respectively, recorded under receivables-net. For the six months ended June 30, 2023 and 2022, the related recharges from expense allocation were $359 thousand and $384 thousand, respectively.

(16) For the six months ended June 30, 2023 and 2022, the administrative support service income from SCB Taipei to the Company were both $2,410 thousand. As of June 30, 2023, December 31, 2022 and June 30, 2022, no receivable resulting from administrative support service was recorded.

(17) The Company entered into the Exclusivity Fee Sharing Agreement with SCB Singapore. For the six months ended June 30, 2023 and 2022, the service fee income were $328,113 thousand and $265,063 thousand, respectively, recorded under net service fee income. As of June 30, 2023, December 31, 2022 and June 30, 2022, the service income receivables were $675,945 thousand, $419,668 thousand and $784,280 thousand, respectively, recorded under receivables-net. As of June 30, 2023, December 31, 2022 and June 30, 2022, advance service fee income were $1,010,968 thousand, $1,080,098 thousand and $1,124,739 thousand, respectively, recorded under other liabilities. (Please refer to note 9(2)).

<u>The salary and remuneration for directors and supervisors</u>

	For the six months ended June 30	
	2023	2022
Salary and other short-term benefits	$143,250	$117,617
Post-employment benefits	697	659
Total	$143,947	$118,276

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

8. Pledged assets

Pledged assets	Pledged for	June 30, 2023	December 31, 2022	June 30, 2022
Negotiable certificates of deposit, bonds (recorded under other financial assets)	USD overdraft clearing deposits	$10,371,244	$11,697,333	$11,670,578

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, 2023	December 31, 2022	June 30, 2022
Negotiable certificates of deposit, bonds (recorded under other financial assets)	Trust indemnity reserve	$151,757	$153,125	$155,269
	Operation Bond for securities broker	50,586	51,042	51,756
	Operation Bond for securities underwriter	40,468	40,833	41,405
	Operation Bond for securities dealer	10,117	10,208	10,351
	Bond for bills business	99,770	99,551	99,202
	Bond payment settlement reserve	101,171	102,083	103,513
		453,869	456,842	461,496
Guarantee deposits paid (recorded under other assets)	Bond payment settlement reserve, and self-regulatory fund deposit	40,300	40,300	40,300
Total		$494,169	$497,142	$501,796

(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 businesses.

(3) Operation Bond for securities broker is placed for operating business of foreign bond agency approved by the competent authority in accordance with the Regulations Governing Securities Firms. (Amounts required in accordance with relevant regulations for securities broker are $50,000 thousand.)

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

(4) Operation Bond for securities underwriter and dealer is placed in accordance with the Regulations Governing Securities Firms. (Amounts required in accordance with relevant regulations for securities underwriter and dealer are $40,000 thousand and $10,000 thousand, respectively)

(5) A Bond for bills business is posted in the Central Bank of the Republic of China in accordance with the Regulations Governing Bills Houses Security Deposit Amount, Purpose, and Administration. (Amounts required in accordance with the relevant regulations for a financial institution engaging in bills finance business are $50,000 thousand.)

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

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

9. Significant commitments and contingent liabilities

(6) Commitments and contingent liabilities

	June 30, 2023	December 31, 2022	June 30, 2022
Consignment collection for others	$2,852,555	$3,693,355	$3,355,676
Securities, consignments and goods in custody	5,864,812,196	4,518,805,496	4,859,461,075
Trust assets	117,395,416	104,526,769	101,129,417
Subtotal	$5,985,060,167	$4,627,025,620	$4,963,946,168
Other guarantees	$7,171,441	$7,117,800	$6,898,330
Unused amount of irrevocable loan commitments	$4,923,112	$4,900,906	$6,423,016
Unused amount of irrevocable letters of credit	$635,164	$579,931	$533,270

(7) 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.

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

(8) 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, 2023

Trust assets		Trust liabilities	
Bank deposits	$3,215	Accounts payable	$1
Short-term investments		Payables for securities under custody	5,775,575
Bonds	34,401,030	Trust capital and accumulated earnings	
Stocks	10,035,591	Trust capitals	139,784,171
Funds	65,787,748	Accumulated earnings	(28,164,331)
Structured notes	1,392,257		
Securities under custody	5,775,575		
Total trust assets	$117,395,416	Total trust liabilities	$117,395,416

Trust balance sheet
December 31, 2022

Trust assets		Trust liabilities	
Bank deposits	$3,538	Accounts payable	$1
Short-term investments		Payables for securities under custody	5,413,002
Bonds	27,395,115	Trust capital and accumulated earnings	
Stocks	9,248,723	Trust capitals	132,253,897
Funds	61,166,695	Accumulated earnings	(33,140,131)
Structured notes	1,299,696		
Securities under custody	5,413,002		
Total trust assets	$104,526,769	Total trust liabilities	$104,526,769

Trust balance sheet
June 30, 2022

Trust assets		Trust liabilities	
Bank deposits	$3,868	Accounts payable	$1
Short-term investments		Payables for securities under custody	5,972,285
Bonds	22,185,697	Trust capital and accumulated earnings	
Stocks	9,142,739	Trust capitals	128,206,075
Funds	61,705,904	Accumulated earnings	(33,048,944)
Structured notes	2,118,924		
Securities under custody	5,972,285		
Total trust assets	$101,129,417	Total trust liabilities	$101,129,417

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

Trust statement of comprehensive income

	For the six months ended June 30	
	2023	2022
Trust revenue:		
Interest revenue	$2,555,868	$4,690,596
Realized gain on investments-bonds	37,784	49,771
Realized gain on investments-stocks	844,558	545,385
Realized gain on investments-funds	199,198	820,235
Realized gain on investments-structured notes	19,875	10,128
Unrealized gain on investments-bonds	159,621	162,881
Unrealized gain on investments-stocks	810,859	557,692
Unrealized gain on investments-funds	970,505	551,435
Unrealized gain on investments-structured notes	343	133
	5,598,611	7,388,256
Trust expenses:		
Management expense	9	9
Realized loss on investments-bonds	109,409	190,018
Realized loss on investments-stocks	264,399	250,439
Realized loss on investments-funds	1,153,828	879,858
Realized loss on investments-structured notes	5,692	3,977
Unrealized loss on investments-bonds	3,678,550	3,545,265
Unrealized loss on investments-stocks	4,835,967	5,335,667
Unrealized loss on investments-funds	15,694,729	17,025,631
Unrealized loss on investments-structured notes	84,207	711,099
	25,826,790	27,941,963
Net losses before income tax	(20,228,179)	(20,553,707)
Income tax expense	-	-
Net losses after income tax	$(20,228,179)	$(20,553,707)

Schedules of investment for trust business

Investment items	June 30, 2023	December 31, 2022	June 30, 2022
Bank deposits	$3,215	$3,538	$3,868
Short-term investments:			
Bonds	34,401,030	27,395,115	22,185,697
Common stock	10,035,591	9,248,723	9,142,739
Funds	65,787,748	61,166,695	61,705,904
Structured notes	1,392,257	1,299,696	2,118,924
Securities under custody	5,775,575	5,413,002	5,972,285
Total	$117,395,416	$104,526,769	$101,129,417

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

Foreign currency trust business engaged by the Offshore Banking Unit (OBU) as of June 30, 2023, December 31, 2022 and June 30, 2022, 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

(9) Profitability

Unit: %

Items		June 30, 2023	December 31, 2022	June 30, 2022
Return on assets (Annualized)	Before income tax	0.78	0.41	0.25
	After income tax	0.66	0.35	0.21
Return on equity (Annualized)	Before income tax	11.71	6.10	3.71
	After income tax	9.96	5.15	3.21
Net profit ratio		28.99	18.89	12.41

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

13. Other disclosure items

For the six months ended June 30, 2023, relevant information of any major transactions that the Company was required to disclose were as follows:

(10) Related information on significant transactions

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

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

(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.

(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				Remark
						Number of shares(thousand)	Pro forma number of shares(thousand)	Total		
								Shares (thousand)	Percentage	
Taiwan Small and Medium Enterprises Development Co., Ltd.	8F., No.181, Fushing N. Rd., Songshan District, Taipei City 10596, Taiwan (R.O.C.)	Small and medium enterprises improvement services	4.84%	$40,068	$1,709	3,417	-	3,417	4.84%	Note 2
Universal Venture Fund Co., Ltd.	8F., No.70, Sec. 3, Nanjing E. Rd., Jhongshan District, Taipei City 10489, Taiwan (R.O.C.)	Venture capital services	4.76%	4,456	-	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%	268,505	-	5,938	-	5,938	1.14%	Note 2
Taiwan Financial 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%	43,250	-	5,000	-	5,000	2.94%	Note 2
TSC BioVenture Capital Corp.	5F., No.50, Sec. 1, Sinsheng S. Rd., Jhongjheng Dist., Taipei City 100, Taiwan (R.O.C.)	Venture capital services	5.00%	660	-	43	-	43	5.00%	Note 2
Sunny Asset Management Corp.	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%	1,260	115	85	-	85	1.42%	Note 2
LINE Bank Taiwan Limited	15F., No206, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.)	Commercial bank	5.42%	754,812	-	81,250	-	81,250	5.42%	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 were unchanged as compared to December 31, 2022.

(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 8 are as follows:

(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 profit or loss are in accordance with the accounting policies of the Company specified under note 4. Segmental gains and losses include inter department transfer pricing expenses as well as head office allocated expenses. Income tax expense (income) is not allocated to the reportable segments for disclosure purposes.

Majority of the 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.

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

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

	For the six months ended June 30, 2023			
	CPBB	CCIB	OB	Total
Net interest income	$3,487,851	$1,128,473	$(1,894,026)	$2,722,298
Net service fee income	1,899,405	428,037	(17,265)	2,310,177
Other miscellaneous income	342,962	169,366	2,626,090	3,138,418
Net income	5,730,218	1,725,876	714,799	8,170,893
Bad debt expense, commitment and guarantee liability provisions	(518,919)	(1,492)	(3,765)	(524,176)
Operating expenses	(3,611,562)	(1,217,982)	(31,355)	(4,860,899)
Segment profit	$1,599,737	$506,402	$679,679	$2,785,818

	For the six months ended June 30, 2022			
	CPBB	CCIB	OB	Total
Net interest income	$2,331,454	$422,983	$7,303	$2,761,740
Net service fee income	1,539,164	336,348	(13,286)	1,862,226
Other miscellaneous income	281,062	836,986	180,523	1,298,571
Net income	4,151,680	1,596,317	174,540	5,922,537
Bad debt expense, commitment and guarantee liability (provisions) reversal	(110,217)	(192,800)	56	(302,961)
Operating expenses	(3,551,967)	(1,122,846)	(91,163)	(4,765,976)
Segment profit	$489,496	$280,671	$83,433	$853,600

STANDARD CHARTERED BANK (TAIWAN) LIMITED SECURITIES DEPARTMENT

Financial Statements

For the Six Months Ended June 30, 2023 and 2022

Securities Department Financial Statements

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English Translation of Financial Statements Originally Issued in Chinese

STANDARD CHARTERED BANK (TAIWAN) LIMITED SECURITIES DEPARTMENT

Balance Sheets

June 30, 2023, December 31, 2022 and June 30, 2022

(Expressed in thousands of New Taiwan Dollars)

			June 30, 2023		December 31, 2022		June 30, 2022	
		Note	Amount	%	Amount	%	Amount	%
	Assets							
110000	Current Assets							
112000	Financial assets at fair value through profit or loss	6(1)	$7,037,392	11	$6,161,743	9	$3,462,668	5
113200	Financial assets at fair value through other comprehensive income	6(2)	41,546,734	65	47,788,786	74	47,071,415	76
113300	Financial assets measured at amortized cost	6(3) & 6(8)	5,127,923	8	4,751,499	7	4,770,034	8
114010	Securities and bonds purchased under resell agreements	6(4) & 6(8)	9,508,233	15	5,175,877	8	4,839,863	8
114130	Accounts receivable	6(5) & 7	300,263	-	560,623	1	1,293,922	2
119000	Other current assets		57,819	-	98,287	-	49,418	-
	Current Assets		63,578,364	99	64,536,815	99	61,487,320	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	354,099	1	357,291	1	362,294	1
	Non-current Assets		394,399	1	397,591	1	402,594	1
	Total assets		$63,972,763	100	$64,934,406	100	$61,889,914	100
	Liabilities and Equity							
210000	Current Liabilities							
214130	Accounts payable	6(7) & 7	$22,616	-	$1,985,833	3	$2,093,521	3
	Current Liabilities		22,616	-	1,985,833	3	2,093,521	3
229110	Intercompany		61,900,614	97	60,974,866	94	57,978,442	94
	Total Liabilities		61,923,230	97	62,960,699	97	60,071,963	97
300000	Equity							
301110	Capital surplus		2,000,000	3	2,000,000	3	2,000,000	3
304040	Retained Earnings		193,372	-	242,370	-	70,620	-
305000	Other equity		(143,839)	-	(268,663)	-	(252,669)	-
	Total equity		2,049,533	3	1,973,707	3	1,817,951	3
	Total Liabilities and Equity		$63,972,763	100	$64,934,406	100	$61,889,914	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, 2023 and 2022

(Expressed in thousands of New Taiwan Dollars)

		Note	For the six months ended June 30, 2023		For the six months ended June 30, 2022	
			Amount	%	Amount	%
400000	Operating Revenue					
401000	Brokerage handling fee revenue	7	$169	-	$1,091	1
404000	Revenue from underwriting business	7	5,124	2	23,842	27
411000	Gains (losses) on sale of trading securities	6(1)	19,811	9	(67,979)	(76)
421200	Interest income	6(1)	192,221	91	130,841	145
421500	Valuation (losses) gains on trading securities at fair value through profit or loss	6(1)	(9,326)	(4)	2,263	3
425300	Expected credit reversal gains (impairment losses)		996	1	(168)	-
428000	Other operating income	7	1,463	1	71	-
	Total operating revenue		210,458	100	89,961	100
500000	Operating expenses					
502000	Brokerage handling fee expenses		-	-	3	-
528000	Other operating losses	7	-	-	873	1
531000	Employee benefit expenses		11,581	5	10,637	11
533000	Other operating expenses		5,505	3	7,828	9
	Total operating expenses		17,086	8	19,341	21
902005	Profit		193,372	92	70,620	79
805000	Other comprehensive income					
805600	Components of other comprehensive income that will be reclassified to profit or loss					
805615	Revaluation losses from investments in debt instruments measured at fair value through other comprehensive income		124,595	59	(201,284)	(224)
805618	Provision of impairment (losses) gains from investments in debt instruments measured at fair value through other comprehensive income		(845)	-	89	-
805000	Other comprehensive income		123,750	59	(201,195)	(224)
902006	Total comprehensive Income		$317,122	151	$(130,575)	(145)

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, 2023 and 2022

(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:

(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.

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 instrument investments measured at amortized cost

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

A. it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
B. its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

ii. Securities and bonds under repurchase/resell agreements

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

iii. Loans and receivables

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

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

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

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

Principal or interest overdue over 3 months is categorized as overdue accounts. If principal or interest of any outstanding loan is overdue for over 6 months, both the principal and accrued interest are reclassified as non-performing loan. Accrued interest on a non-performing loan will only be calculated and booked into memo accounts.

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

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

(b) Fair value through other comprehensive income (FVOCI)

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

i. it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
ii. its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt 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, securities department of the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Dividends deriving from equity investments are recognized as income in profit or loss, and other net gains and losses of financial assets measured at FVOCI are recognized in OCI. Upon derecognition, gains and losses accumulated in OCI of equity investments are reclassified to retained earnings.

(c) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, securities department of the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

(d) Impairment of financial assets

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 instrument investments 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 investments 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) Refundable security deposits

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

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

(5) Revenue recognition

(a) Profit or loss on disposal of trading securities, and relevant brokerage securities transaction charges are recognized at the trading date.
(b) Brokerage handling fee revenue are recognized at the trading date.
(c) Revenue from underwriting business are recognized right after the underwriting service are made.
(d) Interest income: interest income from investments in debt instruments measured at amortized cost and fair value through other comprehensive income are required to be calculated using the effective interest rate method; interest income from securities purchased under resell agreements are measured at accrual basis, according to its principal amount, interest rate and settlement date.
(e) Operating expenses: Expenses derived from the operating of securities department are mainly classified under employee benefits expense and other operating expense.

(6) Change in accounting policy

From January 1, 2023, in response to the changing of trading system for debt securities of the Standard Chartered Group, to more properly reflect the economic substance while calculating the cost, gain and loss of investment, in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, the company had been approved the below change of accounting policy by Financial Supervisory Commission of the Republic of China through Jin-Guan-Yin-(Wai)-Zi No. 1110233582 on March 13, 2023. The inventory costing method to the investment on debt securities was changed from Weighted Average Cost to First In First Out method beginning on January 1, 2023. However, due to the limitation and constraint of current transaction system design for debt securities, it is impractical to determine the effects of above mentioned change for the period ended December 31, 2022 and the cumulative effect of the change. Retrospective application is also impractical.

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 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.

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

Valuation of financial instruments

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

6. Contents of significant accounts

As of June 30, 2023, 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, 2023	December 31, 2022	June 30, 2022
Securities held for operations-dealing:			
Government bonds	$5,030,790	$6,161,743	$3,112,613
Corporate bonds	1,804,966	-	350,055
Financial bonds	201,636	-	-
Total	$7,037,392	$6,161,743	$3,462,668

For the six months ended June 30, 2023 and 2022, relevant operating details of the securities department of the Company were as follows:

	For the six months ended June 30	
	2023	2022
Gains (losses) on sale of trading securities	$19,842	$(4,913)
Interest income	$21,509	$5,980
Valuation (losses) gains on trading securities measured at fair value through profit or loss	$(9,326)	$2,263

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

(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, 2023	December 31, 2022	June 30, 2022
Government bonds	$41,546,734	$47,788,786	$47,071,415
Revaluation adjustment of hedge items	$-	$27	$(17,404)

As of June 30, 2023, December 31, 2022 and June 30, 2022, the allowance for impairments of the above debt investment were $1,807 thousand, $2,652 thousand and $2,796 thousand, respectively.

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

	For the six months ended June 30, 2023				
	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment Losses according to IFRS 9 (total)
Beginning balance	$2,652	$-	$-	$-	$2,652
Changes due to financial instrument recognition:					
Financial assets derecognized during the period	(1,176)	-	-	-	(1,176)
New financial assets originated or purchased	307	-	-	-	307
Foreign currency exchange and other changes	24	-	-	-	24
Ending Balance	$1,807	$-	$-	$-	$1,807

	For the six months ended June 30, 2022				
	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses (non-purchased or originated credit impaired financial assets)	Lifetime expected credit losses (purchased or originated credit impaired financial assets)	Impairment Losses according to IFRS 9 (total)
Beginning balance	$2,707	$-	$-	$-	$2,707
Changes due to financial instrument recognition:					
Financial assets derecognized during the period	(291)	-	-	-	(291)
New financial assets originated or purchased	130	-	-	-	130
Foreign currency exchange and other changes	250	-	-	-	250
Ending Balance	$2,796	$-	$-	$-	$2,796

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

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, 2023				
	12-month 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	$47,788,786	$-	$-	$-	$47,788,786
Changes due to financial instrument recognition:					
Financial assets derecognized during the period	(38,852,409)	-	-	-	(38,852,409)
New financial assets originated or purchased	32,623,630	-	-	-	32,623,630
Foreign currency exchange and other changes	(13,273)	-	-	-	(13,273)
Ending Balance	$41,546,734	$-	$-	$-	$41,546,734

	For the six months ended June 30, 2022				
	12-month 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	$44,508,058	$-	$-	$-	$44,508,058
Changes due to financial instrument recognition:					
Financial assets derecognized during the period	(3,326,462)	-	-	-	(3,326,462)
New financial assets originated or purchased	6,005,726	-	-	-	6,005,726
Foreign currency exchange and other changes	(115,907)	-	-	-	(115,907)
Ending Balance	$47,071,415	$-	$-	$-	$47,071,415

(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, 2023	December 31, 2022	June 30, 2022
Government bonds	$5,127,923	$4,751,499	$4,770,034

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

As of June 30, 2023, December 31, 2022 and June 30, 2022, the allowance of impairments of the above financial assets measured at amortized cost were $186 thousand, $301 thousand and $315 thousand, respectively.

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

	For the six months ended June 30, 2023				
	12-month 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	$301	$-	$-	$-	$301
Foreign currency exchange and other changes	(115)	-	-	-	(115)
Ending Balance	$186	$-	$-	$-	$186

	For the six months ended June 30, 2022				
	12-month 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	$293	$-	$-	$-	$293
New financial assets originated or purchased	22	-	-	-	22
Ending Balance	$315	$-	$-	$-	$315

(4) Securities and bonds purchased under resell agreements

	June 30, 2023	December 31, 2022	June 30, 2022
Bonds purchased under resell agreements	$9,508,233	$5,175,877	$4,839,863
Face value of bonds	$10,352,600	$5,676,600	$5,250,000
Interest rate	1.10%~1.32%	0.88%~1.26%	0.47%~0.50%
Last settlement date	2023.7.31	2023.2.2	2022.7.25
Resell price	$9,516,977	$5,180,613	$4,841,568

As of June 30, 2023, December 31, 2022 and June 30, 2022, allowance for impairments of the above securities and bonds purchased under resell agreements were $11 thousand, $47 thousand and $136 thousand, respectively.

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

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

	For the six months ended June 30, 2023				
	12-month 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	$47	$-	$-	$-	$47
Changes due to financial instrument recognition:					
Financial assets derecognized during the period	(47)	-	-	-	(47)
New financial assets originated or purchased	11	-	-	-	11
Ending Balance	$11	$-	$-	$-	$11

	For the six months ended June 30, 2022				
	12-month 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	$79	$-	$-	$-	$79
Changes due to financial instrument recognition:					
Financial assets derecognized during the period	(79)	-	-	-	(79)
New financial assets originated or purchased	136	-	-	-	136
Ending Balance	$136	$-	$-	$-	$136

(5) Accounts receivable

	June 30, 2023	December 31, 2022	June 30, 2022
Unsettled trades receivable	$-	$-	$772,831
Interest receivables	292,441	552,679	513,111
Accounts receivable-related parties	7,822	7,944	7,980
Total	$300,263	$560,623	$1,293,992

(6) Other financial assets

	June 30, 2023	December 31, 2022	June 30, 2022
Restricted assets-debt instruments	$354,099	$357,291	$362,294

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

(7) Payables

	June 30, 2023	December 31, 2022	June 30, 2022
Unsettled trades payable	$-	$1,967,260	$2,073,475
Accounts payable-related parties	18,896	18,573	20,046
Collection payable	3,394	-	-
Accrued expenses	326	-	-
Total	$22,616	$1,985,833	$2,093,521

(8) Fair value of financial instruments

(a) Fair value of financial instruments

	June 30, 2023	
	Book Value	Fair Value
Amortized cost	$5,127,923	$5,106,981
Securities and bonds purchased under resell agreements	9,508,233	9,467,083
Other financial assets	354,099	354,099

	December 31,2022	
	Book Value	Fair Value
Amortized cost	$4,751,499	$4,714,444
Securities and bonds purchased under resell agreements	5,175,877	5,143,533
Other financial assets	357,291	357,291

	June 30, 2022	
	Book Value	Fair Value
Amortized cost	$4,770,034	$4,740,995
Securities and bonds purchased under resell agreements	4,839,863	4,960,230
Other financial assets	362,294	362,294

(b) Information of financial risk

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

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

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 China Limited ("SCB China")	Affiliate
Standard Chartered Bank Malaysia ("SCB Malaysia")	Affiliate
Standard Chartered Bank Germany ("SCB Germany")	Affiliate
Standard Chartered Bank India ("SCB India")	Affiliate

Significant transactions with related parties

	For the six months ended June 30	
Name	2023	2022
Brokerage handling fee revenue:		
SCB	$162	$1,091
Others	7	-
Total	$169	$1,091
Revenue from underwriting business:		
SCB Dubai	$341	$-
SCB North America	83	-
Total	$424	$-
Other operating income:		
SCB Hong Kong	$-	$67
SCB	-	4
Total	$-	$71
Other operating losses		
SCB India	$-	$873

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

Name	June 30, 2023	December 31, 2022	June 30, 2022
Accounts receivable-related parties:			
SCB	$5,927	$6,397	$7,352
Other	1,895	1,547	628
Total	$7,822	$7,944	$7,980
Accounts payable-related parties:			
SCB	$10,734	$10,518	$11,362
SCB Dubai	6,321	6,235	6,029
SCB North America	1,314	1,297	1,254
Other	527	523	1,401
Total	$18,896	$18,573	$20,046

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, 2023	December 31, 2022	June 30, 2022
Negotiable certificates of deposit, bonds (recorded under other non-current financial assets)	Trust indemnity reserve	$151,757	$153,125	$155,269
	Operation Bond for securities broker	50,586	51,042	51,756
	Operation Bond for securities underwriter	40,468	40,833	41,405
	Operation Bond for securities dealer	10,117	10,208	10,351
	Bond payment settlement reserve	101,171	102,083	103,513
		354,099	357,291	362,294
Guarantee deposits paid (recorded under other non-current assets)	Bond payment settlement reserve, and self-regulatory fund deposit	40,300	40,300	40,300
Total		$394,399	$397,591	$402,594

(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) Operation Bond for securities broker is placed for operating business of foreign bond agency approved by the competent authority in accordance with the Regulations Governing Securities Firms. (Amounts required in accordance with relevant regulations for securities broker are $50,000 thousand.)

(3) Operation Bond for securities underwriter and dealer is placed in accordance with the Regulations Governing Securities Firms. (Amounts 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 placed in the Taipei Exchange's electronic bond trading system in accordance with relevant regulations.

(5) Self-regulatory fund deposits are placed in Taiwan Securities Association in accordance with relevant 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, 2023:

(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, 2023

(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		
A07101		-	-	$3,350,000	0.63%	$3,449,053	100.57	$3,369,125	-	
A09101		-	-	1,150,000	0.50%	1,487,832	99.47	1,143,855	-	
Other (Note)		-	-	2,500,000	0.42%~1.88%	2,502,895	96.24~109.71	2,524,412	-	
Total				$7,000,000		$7,439,780		$7,037,392		

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, 2023

(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	
A10109		-	-	$6,000,000	0.25%	$5,995,920	$84	99.87	$5,992,259	
A93103		-	-	4,600,000	3.00%	4,676,584	244	101.17	4,653,872	
A94103		-	-	3,900,000	2.38%	4,048,315	270	102.18	3,985,099	
A07107		-	-	3,900,000	0.63%	3,900,187	32	99.98	3,899,222	
A07111		-	-	3,600,000	0.75%	3,604,797	106	99.89	3,595,904	
A12106		-	-	3,000,000	1.00%	2,988,379	227	99.50	2,985,014	
A03106		-	-	2,700,000	1.50%	2,719,006	131	100.30	2,708,115	
A08101		-	-	2,450,000	0.63%	2,445,620	92	99.78	2,444,579	
A02110		-	-	2,100,000	1.75%	2,111,365	41	100.13	2,102,797	
Other (Note)		-	-	9,148,900	0.25%~3.00%	9,259,518	580	97.91~102.65	9,179,873	
Total				$41,398,900		$41,749,691	$1,807		$41,546,734	

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

Standard Chartered Bank (Taiwan) Limited Securities Department

Statement of financial assets measured at amortized cost

June 30, 2023

(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%	$999,942	$8	
A02110		-	-	900,000	1.75%	901,955	18	
A09101		-	-	800,000	0.50%	801,761	48	
A93109		-	-	600,000	3.00%	621,904	43	
A03106		-	-	600,000	1.50%	604,650	29	
A08107		-	-	400,000	0.50%	400,553	24	
Other (Note)		-	-	800,000	0.25%~3.00%	797,344	16	
Total				$5,100,000		$5,128,109	$186	

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

Standard Chartered Bank (Taiwan) Limited Securities Department

Statement of securities and bonds purchased under resell agreements

June 30, 2023

(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.	2023.06.15	2023.07.17	1.15%	A05104	$730,000	$655,000	
Other (Note)	2023.06.01~2023.06.30	2023.07.03~2023.07.31	1.10%~1.32%		9,622,600	8,853,244	
Total					$10,352,600	$9,508,244	

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, 2023

(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	$-	$-	$-	$1,114	$-	$1,114	
February	-	-	-	-	-	-	
March	-	-	-	-	-	-	
April	-	-	-	-	-	-	
May	-	-	-	424	-	424	
June	-	-	-	3,586	-	3,586	
Total	$-	$-	$-	$5,124	$-	$5,124	

Standard Chartered Bank (Taiwan) Limited Securities Department

Statement of gain on sale of trading securities

For the six months ended June 30, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Revenue	Cost	Profit	Note
Securities trading at business establishment	$7,616,653	$7,596,842	$19,811	

Standard Chartered Bank (Taiwan) Limited Securities Department

Statement of interest income

For the six months ended June 30, 2023

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Bonds interest income		$154,047	
Interest income from bond purchased under resell agreements		38,174	
Total		$192,221	