Stock code: 5876
Taiwan Stock Exchange

The Shanghai Commercial & Savings Bank, Ltd.

Standalone Financial Statements for the Years Ended December 31, 2018 and 2017 and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors and the Shareholders
The Shanghai Commercial & Savings Bank, Ltd.

Opinion

We have audited the accompanying financial statements of The Shanghai Commercial & Savings Bank, Ltd. (the "Bank"), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2018 and 2017, its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations of IAS (SIC) endorsed and issued into effect by the Financial Supervisory Commission of (the FSC).

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the ROC (Taiwan). 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 Bank in accordance with The Norm of Professional Ethics for Certified Public Accountant of the ROC (Taiwan), and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 year ended December 31, 2018. 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.

Key audit matters related to the Bank's financial statements as of and for the year ended December 31, 2018 are described as follows:

Allowance for Credit Losses on Discounts and Loans

The Bank primarily engages in the loan business. As of December 31, 2018, the Bank's balance of discounts and loans amounted to $692,232,200 thousand, which was significant to the accompanying financial statements. Starting from January 1, 2018, the Bank conducted its impairment assessment on discounts and loans following the requirement of IFRS No. 9 and the authorities' regulations of recognizing allowance for bad debt. The Bank's management assesses the impairment on discounts and loans using the expected credit loss model. The Bank assessed whether the credit risk has increased significantly since initial recognition by taking into consideration factors like the amount of loss on impairment, past experience, current market situation, etc. In addition, credit-impaired loans are also evaluated for possible future recovery. Refer to Notes 4, 5, 14 and 38 to the financial statements for disclosures related to impairment of loan portfolios. As the cash flow forecasts involved management's critical judgments in accounting estimations and the underlying assumptions, we then determined the impairment of loan portfolios as a key audit matter.

In response to the abovementioned key audit matter, we have performed the following procedures:

1. We understood and tested the Bank's internal control procedures that were relevant to loan impairment assessment.

2. We tested whether the method and important parameters (default rate, default loss rate , default exposure amount and forward-looking imformation) adopted in the expected credit loss model properly reflect the actual situation and calculated the amount of impairment.

3. We reviewed the loan cases in which credit impairment has occurred and assessed the reasonableness of such cases' estimated future cash flows and the value of the collateral held.

4. We tested the classification of credit assets to assess whether the allowance for impairment meets the requirements of the competent authority's regulations.

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 IFRS, IAS, SIC endorsed and issued into effect by the FSC, and for such internal control as management determines is necessary to ensure the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shih-Tsung Wu and Chun-Hung Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2019

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC (Taiwan). If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and financial statements shall prevail.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.
Balance Sheets
December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

Codes	ASSETS	December 31, 2018 Amount	%	December 31, 2017 Amount	%
11000	Cash and cash equivalents (Note 6)	$ 20,028,192	2	$ 33,056,025	3
11500	Due from the Central Bank and call loans to banks (Note 7)	82,203,377	7	85,249,801	8
12000	Financial assets measured at fair value through profit or loss (Note 8)	5,052,827	1	1,241,777	-
12100	Financial assets measured at fair value through other comprehensive income (Notes 9, 11 and 36)	187,598,121	16	-	-
12200	Debt instrument investments measured at amortized cost (Notes 10, 11 and 36)	96,596,605	8	-	-
12500	Securities purchased under resale agreements (Note 12)	438,017	-	195,061	-
13000	Receivables, net (Notes 13 and 35)	8,731,985	1	7,192,157	1
13200	Current income tax assets (Note 32)	37,267	-	37,267	-
13500	Discounts and loans, net (Notes 14 and 35)	682,776,179	58	630,998,058	58
14000	Available-for-sale financial assets, net (Notes 15 and 36)	-	-	153,412,275	14
14500	Held-to-maturity financial assets, net (Notes 16 and 36)	-	-	103,444,933	9
15000	Investments under the equity method, net (Note 17)	70,353,368	6	60,883,586	6
15500	Other financial assets, net (Note 18)	2,461,333	-	635	-
18500	Properties, net (Note 19)	12,092,483	1	12,124,251	1
19300	Deferred income tax assets (Note 32)	797,096	-	575,209	-
19500	Other assets, net (Note 20)	2,818,641	-	2,469,098	-
10000	TOTAL ASSETS	$ 1,171,985,491	100	$ 1,090,880,133	100

Codes	LIABILITIES AND EQUITY	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Liabilities				
21000	Due to the Central Bank and banks (Note 21)	$ 16,473,754	2	$ 8,331,836	1
22000	Financial liabilities measured at fair value through profit or loss (Note 8)	2,581,351	-	317,780	-
22500	Securities sold under repurchase agreements (Note 22)	14,629,530	1	29,792,067	3
23000	Payables (Notes 23 and 35)	22,204,383	2	20,561,446	2
23200	Current income tax liabilities (Note 32)	790,069	-	796,857	-
23500	Deposits and remittances (Notes 24 and 35)	911,863,930	78	850,155,101	78
24000	Bank debentures (Note 25)	57,150,000	5	45,150,000	4
25500	Other financial liabilities (Note 26)	3,693,107	-	3,048,417	-
25600	Provisions (Notes 27 and 29)	1,341,663	-	1,132,371	-
29300	Deferred income tax liabilities (Note 32)	9,235,350	1	8,435,684	1
29500	Other liabilities (Notes 28 and 35)	866,407	-	748,775	-
20000	Total liabilities	1,040,829,544	89	968,470,334	89
	Equity (Notes 30)				
	Share capital				
31101	Common stock	41,016,031	4	40,791,031	4
31500	Capital surplus	5,893,238	-	4,655,555	-
	Retained earnings				
32001	Legal reserve	47,832,994	4	44,117,426	4
32003	Special reserve	7,600,814	1	7,538,888	1
32005	Unappropriated earnings	23,499,036	2	21,066,873	2
32000	Total retained earnings	78,932,844	7	72,723,187	7
32500	Other equity	5,396,978	-	4,323,170	-
32600	Treasury shares	(83,144)	-	(83,144)	-
30000	Total equity	131,155,947	11	122,409,799	11
	TOTAL LIABILITIES AND EQUITY	$ 1,171,985,491	100	$ 1,090,880,133	100

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

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.
Statements of Comprehensive Income
For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

Codes		2018 Amount	2018 %	2017 Amount	2017 %	Change (%)
41000	Interest revenue	$ 20,507,119	89	$ 17,518,700	81	17
51000	Interest expenses	7,621,112	33	5,737,068	26	33
49010	Net interest (Notes 31 and 35)	12,886,007	56	11,781,632	55	9
	Non-interest revenue					
49100	Service fee income, net (Note 31 and 35)	2,551,657	11	2,369,451	11	8
49200	Gain on financial assets and liabilities measured at fair value through profit or loss (Note 31 and 35)	(80,713)	-	992,123	5	(108)
49300	Realized gain on available-for-sale financial assets	-	-	696,708	3	(100)
49310	Realized gain on financial assets measured at fair value through other comprehensive income (Note 31)	417,285	2	-	-	-
49450	Gain on financial assets measured at amortized cost	(1,824)	-	-	-	-
49600	Foreign exchange gain, net	829,580	3	(29,405)	-	2,921
49700	Impairment loss on assets(Note 11)	(15,720)	-	-	-	-
49750	Proportionate share of profit of subsidiaries, associates and joint ventures under equity method, net (Note 17)	6,462,213	28	5,447,400	25	19
49800	Other non-interest revenue (Note 35)	56,730	-	317,061	1	(82)
49020	Total non-interest revenue	10,219,208	44	9,793,338	45	4
4xxxx	Net revenue	23,105,215	100	21,574,970	100	7
58200	Provisions for bad-debt expense, commitment and guarantee liability (Note 14)	499,993	2	599,928	3	(17)
	Operating expenses					
58500	Employee benefits (Notes 29, 31 and 35)	3,966,817	17	3,817,711	18	4
59000	Depreciation and amortization (Note 31)	384,939	2	452,861	2	(15)
59500	Other general and administrative (Note 35)	2,522,980	11	2,296,218	10	10
58400	Total operating expenses	6,874,736	30	6,566,790	30	5
61001	Profit before income tax	15,730,486	68	14,408,252	67	9
61003	Income tax expense (Note 32)	(2,018,515)	(9)	(2,023,025)	(10)	-
64000	Net income	13,711,971	59	12,385,227	57	11
	Other comprehensive income (loss)					
	Items that will be not reclassified subsequently to profit or loss:					
65201	Remeasurement of defined benefit plans	(102,625)	-	(98,336)	-	4
65204	Gain on investments in equity instruments measured at fair value through other comprehensive income	(452,078)	(2)	-	-	-
65207	Proportionate share of other comprehensive income of associates and joint ventures under equity method	1,280,452	5	(279)	-	459,043

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

		2018		2017		Change
Codes		Amount	%	Amount	%	(%)
65220	Income tax relating to items that may be not reclassified subsequently to profit or loss (Note 32)	31,368	-	16,717	-	88
65200	Subtotal of items that will not be reclassified subsequently to profit or loss	757,117	3	(81,898)	-	1,024
	Items that may be reclassified subsequently to profit or loss:					
65301	Exchange differences on translating foreign operations	2,298,372	10	(4,999,726)	(23)	146
65302	Unrealized gain on available-for-sale financial assets	-	-	883,890	4	(100)
65307	Proportionate share of other comprehensive income of associates and joint ventures under equity method	(469,430)	(2)	(689,845)	(3)	(32)
65309	Loss on debt instruments measured at fair value through other comprehensive income	(1,221,107)	(5)	-	-	-
65310	Allowance loss on debt instruments measured at fair value through other comprehensive income (Note 11)	15,387	-	-	-	-
65320	Income tax relating to items that may be reclassified subsequently to profit or loss (Note 32)	(87,194)	-	789,402	3	(111)
65300	Subtotal of items that may be reclassified subsequently to profit or loss	536,028	3	(4,016,279)	(19)	113
65000	Other comprehensive income, net of income tax	1,293,145	6	(4,098,177)	(19)	132
66000	Total comprehensive income	$ 15,005,116	65	$ 8,287,050	38	81
	Earnings per share (Note 33)					
67500	Basic	$3.37		$3.04		
67700	Diluted	$3.37		$3.04		

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

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.
Statements of Changes in Equity
For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

Codes		Share Capital		Retained Earnings			Other Equity				
		Common stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Change in Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares	Total Equity
A1	Balance at January 1, 2017	$ 40,791,031	$ 4,647,655	$ 40,592,926	$ 7,480,146	$ 18,465,441	$ 2,442,274	$ 5,897,175	$ -	$ (83,144)	$ 120,233,504
	Appropriation of 2016 earnings										
B1	Legal reserve	-	-	3,524,500	-	(3,524,500)	-	-	-	-	-
B5	Special reserve	-	-	-	58,742	(58,742)	-	-	-	-	-
B9	Cash dividends	-	-	-	-	(6,118,655)	-	-	-	-	(6,118,655)
C7	Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	7,900	-	-	-	-	-	-	-	7,900
D1	Net profit for the year ended December 31, 2017	-	-	-	-	12,385,227	-	-	-	-	12,385,227
D3	Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	(81,898)	(4,006,743)	(9,536)	-	-	(4,098,177)
D5	Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	12,303,329	(4,006,743)	(9,536)	-	-	8,287,050
Z1	Balance at December 31, 2017	40,791,031	4,655,555	44,117,426	7,538,888	21,066,873	(1,564,469)	5,887,639	-	(83,144)	122,409,799
A3	Effect of retrospective application and retrospective restatement	-	-	-	-	55,374	-	(5,887,639)	5,453,000	-	(379,265)
A5	Balance at January 1, 2018 as restated	40,791,031	4,655,555	44,117,426	7,538,888	21,122,247	(1,564,469)	-	5,453,000	(83,144)	122,030,534
	Appropriation of 2017 earnings										
B1	Legal reserve	-	-	3,715,568	-	(3,715,568)	-	-	-	-	-
B5	Special reserve	-	-	-	61,926	(61,926)	-	-	-	-	-
B9	Cash dividends	-	-	-	-	(7,342,386)	-	-	-	-	(7,342,386)
C9	Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	9,480	-	-	-	-	-	-	-	9,480
C17	Dividends not yet collected	-	686,631	-	-	-	-	-	-	-	686,631
D1	Net profit for the year ended December 31, 2018	-	-	-	-	13,711,971	-	-	-	-	13,711,971
D3	Other comprehensive income for the year ended December 31, 2018, net of income tax	-	-	-	-	(70,200)	1,398,760	-	(35,415)	-	1,293,145
D5	Total comprehensive income for the year ended December 31, 2018	-	-	-	-	13,641,771	1,398,760	-	(35,415)	-	15,005,116
E1	Capital increase via cash	225,000	541,572	-	-	-	-	-	-	-	766,572
Q1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	(145,102)	-	-	145,102	-	-
Z1	Balance at December 31, 2018	$ 41,016,031	$ 5,893,238	$ 47,832,994	$ 7,600,814	$ 23,499,036	$ (165,709)	$ -	$ 5,562,687	$ (83,144)	$ 131,155,947

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

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.
Statements of Cash Flows
For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

Codes		2018	2017
	Cash flows from operating activities		
A00010	Net profit before income tax	$ 15,730,486	$ 14,408,252
A20010	Adjustments to reconcile net profit to net cash provided by operating activities		
A20100	Depreciation expenses	184,275	193,933
A20200	Amortization expenses	200,664	258,928
A20300	Bad debt expense, commitment and guarantee liability provisions	499,993	599,928
A21400	Expected credit impairment loss	15,720	-
A20400	Loss (gain) on financial assets and liabilities at fair value through profit or loss	426,224	(292,032)
A20900	Interest expenses	7,621,112	5,737,068
A21200	Interest revenue	(20,507,119)	(17,518,700)
A21300	Dividend income	(357,812)	(150,737)
A22400	Proportionate share of profit of associates and joint ventures	(6,462,213)	(5,447,400)
A22500	Gain on disposal of properties and equipment, net	(2,178)	(248,858)
A29900	Other adjustments	(100,618)	(47,375)
A40000	Changes in operating assets and liabilities		
A41110	(Increase) decrease in due from the Central Bank and call loans to banks	(10,005,786)	6,141,437
A41120	Decrease in financial assets at fair value through profit or loss	291,582	8,374,962
A41123	Increase in financial assets at fair value through other comprehensive income	(39,944,944)	-
A41125	Decrease in debt instrument investments measured at amortized cost	6,327,868	-
A41150	Decrease (increase) in receivables	(907,078)	56,922
A41160	Increase in discounts and loans	(52,482,631)	(48,356,423)
A41170	Decrease in available-for-sale financial assets	-	10,769,132
A41180	Increase in held-to-maturity financial assets	-	(41,219,149)
A41190	(Increase) decrease in other financial assets	(2,460,706)	935
A42110	Increase (decrease) in due to the Central Bank and banks	8,141,919	(4,748,850)
A42120	Increase (decrease) in financial liabilities at fair value through profit or loss	(101,984)	101,741
A42140	Increase (decrease) increase in securities sold under repurchase agreements	(15,162,537)	19,605,855
A42150	Increase in payables	1,853,172	1,070,489
A42160	Increase in deposits and remittances	61,708,829	60,370,076
A42170	Increase (decrease) in other financial liabilities	644,690	(231,970)
A42180	Increase in employee benefit provisions	131,952	138,053
A42990	Increase in other liabilities	48,114	21,466
A33000	Cash generated from (used in) operations	(44,669,006)	9,587,683
A33100	Interest received	20,241,791	18,270,626
A33200	Dividends received	2,551,768	2,340,857
A33300	Interest paid	(7,144,985)	(5,492,809)
A33500	Income tax paid	(1,498,130)	(1,413,686)
AAAA	Net cash generated from (used in) operating activities	(30,518,562)	23,292,671

(Continued)

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

Codes		2018	2017
	Cash flows from investing activities		
B01800	Acquisition of investment under equity method	$ (2,457,470)	$ -
B02700	Acquisition of properties	(154,211)	(78,496)
B02800	Proceeds from disposal of properties	4,276	431,093
B03700	Decrease in refundable deposits	20,774	23,890
B06800	Increase in other assets	(570,713)	(133,691)
BBBB	Net cash generated from (used in) investing activities	(3,157,344)	242,796
	Cash flows from financing activities		
C04600	Capital increased by cash	758,797	-
C01400	Issuance of bank debentures	14,155,462	10,000,000
C01500	Payments for bank debentures	-	(3,000,000)
C03100	Increase (decrease) in guarantee deposits received	67,678	(8,563)
C05600	Payment of cash dividend	(7,342,386)	(6,118,655)
CCCC	Net cash generated from financing activities	7,639,551	872,782
DDDD	Effects of exchange rate changes on the balance of cash held in foreign currencies	199,340	(394,354)
EEEE	Net increase (decrease) in cash and cash equivalents	(25,837,015)	24,013,895
E00100	Cash and cash equivalents at the beginning of the period	86,324,616	62,310,721
E00200	Cash and cash equivalents at the end of the period	$ 60,487,601	$ 86,324,616

Reconciliation of the amounts in the statements of cash flows with the equivalent items reported in the balance sheets as of December 31, 2018 and 2017:

Codes		2018	2017
E00210	Cash and cash equivalents in balance sheets	$ 20,028,192	$ 33,056,025
E00220	Due from the Central Bank and call loans to banks which fall within the definition of cash and cash equivalents under IAS 7	40,021,392	53,073,530
E00230	Securities purchased under resale agreements which fall within the definition of cash and cash equivalents under IAS 7	438,017	195,061
E00200	Cash and cash equivalents in statements of cash flows	$ 60,487,601	$ 86,324,616

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

1. ORGANIZATION AND OPERATIONS

The Shanghai Commercial & Savings Bank (the Bank) was incorporated in Taiwan and engages in the commercial banking businesses under related laws and regulations.

The Bank has a head office in Taipei, 69 domestic branches, 3 foreign branches located in Hong Kong, Vietnam and Singapore, and 3 representative offices located in Thailand, Cambodia and Indonesia.

The operations of the Bank's Trust Department include services related to planning, managing and operating a trust business under the Banking Act and Trust Enterprise Act.

The shares of the Bank have been listed and traded on the Taiwan Stock Exchange since October 19, 2018.

The financial statements are presented in the Bank's functional currency, New Taiwan dollar.

2. AUTHORIZATION OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorized for issue on March 23, 2019.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

   Aside from the following explanations, the applicable amendments to the Regulations Goverrning the Preparation of Financial Reports by Public Banks and the IFRSs approved and issued by the FSC will not result in significant changes in the Bank's accounting policies:

   IFRS 9 "Financial Instruments" and related amendments

   IAS 39 "Financial Instruments: Recognition and Measurement" was replaced by IFRS 9 "Financial Instruments", which amended IFRS 7 "Financial Instruments: Disclosure" and other principles. The new regulations of IFRS 9 are about the recognition, measurement, and impairment of financial assets and general hedge accounting. For the related accounting policy, see Note 4.

   Recognition, measurement and impairment of financial assets

   The Bank analyzed the current facts and circumstances existing at January 1, 2018, the classification of existing financial assets was assessed on the date and retrospectively adjusted, and the comparison period was not restated.

On January 1, 2018, the measurement, carrying amounts and the changes in classifications of financial assets determined under IAS 39 and IFRS 9 are summarized as follows:

Financial Assets	Measurement		Carry Amount		Note
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Derivatives	Held-for-trading financial assets	Mandatorily at fair value through profit or loss	$ 532,309	$ 523,797	
Hybrid instruments	Designated at fair value through profit or loss	Mandatorily at fair value through profit or loss	705,418	705,418	
Share investments	Held-for-trading financial assets	Investments in equity instruments at fair value through other comprehensive income	4,050	4,050	
	Available-for-sale financial assets	Mandatorily at fair value through profit or loss	561,098	561,098	(2)
	Available-for-sale financial assets	Investments in equity instruments at fair value through other comprehensive income	3,005,644	2,757,110	(1)
Beneficiary certificates	Available-for-sale financial assets	Mandatorily at fair value through profit or loss	3,577,093	3,577,093	(2)
Bond investments	Available-for-sale financial assets	Mandatorily at fair value through profit or loss	184,622	184,622	(2)
	Available-for-sale financial assets	Investments in debt instruments at fair value through other comprehensive income	142,843,675	142,843,675	
	Available-for-sale financial assets	Measured at amortized cost	3,240,144	3,238,754	(3)
	Held-to-maturity investments	Measured at amortized cost	99,740,290	99,740,290	(4)
	Held-to-maturity investments	Investments in debt instruments at fair value through other comprehensive income	3,704,643	3,704,643	(5)
Accounts receivable and other receivables	Accounts receivable	Measured at amortized cost	7,192,792	7,178,716	(6)
Discounts and loans	Loans and receivables	Measured at amortized cost	630,998,058	630,912,890	(7)

	January 1, 2018 Carrying Amount (IAS 39)	Reclassification	Remeasurement	January 1, 2018 Carrying Amount (IFRS 9)	January 1, 2018 Retained Earnings Effects	January 1, 2018 Other Effects	Note
Financial assets at fair value through profit or loss	$ 1,241,777	$ -	$ (8,512)	$ 1,233,265	$ -	$ -	
Add: Reclassified from Held-for-trading financial assets (IAS 39)							
Mandatorily	-	4,322,813	-	4,322,813	209,959	(209,959)	(2)
Less: Reclassified to financial assets at fair value through other comprehensive income - equity instruments (IFRS 9)	-	(4,050)	-	(4,050)	-	-	
	1,241,777	4,318,763	(8,512)	5,552,028	209,959	(209,959)	
Financial assets at fair value through other comprehensive income							
Debt instruments							
Add: Reclassified from Held-to-maturity investments (IAS 39)	-	3,704,643	-	3,704,643	-	-	(5)
Add: Reclassified from available-for-sale financial assets (IAS 39)	-	142,843,675	-	142,843,675	(49,848)	49,848	
Equity instruments							
Add: Reclassified from financial assets at fair value through profit or loss (IAS 39)	-	4,050	-	4,050	-	-	
Add: Reclassified from available-for-sale financial assets (IAS 39)	-	3,005,644	(248,534)	2,757,110	-	(248,534)	(1)
	-	149,558,012	(248,534)	149,309,478	(49,848)	(198,686)	
Financial assets at amortized cost							
Add: Reclassified from available-for-sale financial assets	-	3,240,144	(1,390)	3,238,754	(1,390)	-	(3)
Add: Reclassified from held-to-maturity investments (IAS 39)	-	99,740,290	-	99,740,290	-	-	(4)
	-	102,980,434	(1,390)	102,979,044	(1,390)	-	
Total	$ 1,241,777	$ 256,857,209	$ (258,436)	$ 257,840,550	$ 158,721	$ (408,645)	

(1) Unlisted share investments were originally classified as available-for-sale financial assets under IAS 39. Because they are not held for trading, they are measured at fair value through other comprehensive income (FVTOCI) in accordance with IFRS 9 and are re-measured at fair value; therefore, the unrealized gain and loss on financial assets at FVTOCI decreased by $248,534 thousand on January 1, 2018.

(2) Share investments and beneficiary certificates were classified as available-for-sale financial assets under IAS 39. The Bank measured them at fair value through profit or loss (FVTPL), and reclassified the other equity - unrealized gain and loss on available-for-sale financial assets as retained earnings in the amount of $209,959 thousand.

(3) Bond investments were classified as available-for-sale financial assets under IAS 39. The Bank assessed that the business model is established for the purpose of collecting contractual cash flow under the current facts and circumstances existing as of January 1, 2018. The cash flows at the time of original recognition were fully used to pay for the interest on the principal and the amount of the outstanding principal; therefore, such investments are measured at amortized cost in accordance with IFRS 9, and the Bank assessed the expected credit loss. The Bank determined the amortized cost on January1, 2018 under the retroactive application of the effective interest method. And the Bank reduced the retained earnings by $1,390 thousand on January 1, 2018.

(4) Bond investments were classified as financial assets held-to-maturity and at amortized cost under IAS 39. The cash flows at the time of original recognition were fully used to pay for the interest on the principal and the amount of the outstanding principal. The Bank assessed that the business model is established for the purpose of collecting contractual cash flow under the current facts and circumstances existing as of January 1, 2018; therefore, such investments are measured at amortized cost in accordance with IFRS 9, and the Bank assessed the expected credit loss.

(5) Bond investments were classified as financial assets held-to-maturity and at amortized cost under IAS 39. The cash flows at the time of original recognition were fully used to pay for the interest on the principal and the amount of the outstanding principal. The Bank assessed that the business model is established for the purpose of collecting contractual cash flow by holding the financial assets under the current facts and circumstances existing as of January 1, 2018; therefore, such investments are measured at amortized cost in accordance with IFRS 9, and the Bank assessed the expected credit loss.

(6) Receivables, which were classified as loans and receivables under IAS 39, are classified as financial assets at amortized cost in accordance with IFRS 9, and they are assessed for expected credit loss. Due to retrospective application, the expected credit loss increased by $14,076 thousand, and the Bank's retained earnings decreased by $14,076 thousand on January 1, 2018.

(7) Discounts and loans, which were classified as loans and receivables under IAS 39, are classified as financial assets at amortized cost in accordance with IFRS 9, and they are assessed for expected credit loss. Due to retrospective application, the expected credit loss increased by $85,168 thousand, and the Bank's retained earnings decreased by $85,168 thousand on January 1, 2018.

b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	**Effective Date Announced by IASB (Note 1)**
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Amended by Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: FSC permits the Bank electing to apply the amendments in advance starting at January 1, 2018.

Note 3: Any plan amendment, curtailment or settlement on or after January 1, 2019 should be applied under this amendment.

IFRS 16 "Leases"

IFRS 16 sets out the identification of lease agreements and the accounting standards for lessor and lessee that will supersede IAS 17 and a number of related interpretations.

Definition of leases

When applying IFRS 16 for the first time, the Bank will choose whether a contract signed or changed on or after January 1, 2019 will be assessed as a lease according to IFRS 16. Currently, lease contracts under IAS 17 and IFRIC 4 are not allowed to be reassessed, which should be processed in accordance with the transitional provisions of IFRS 16.

The Bank as lessee

When IFRS 16 is applied for the first time, except for the low-value asset leases and short-term lease, which are expenditures under a straight-line basis, leases will be recognized as the right-of-use assets and lease liabilities in the balance sheets. However, assets, which are eligible for use under the definition of investment real estate, will be presented as investments in real estate.

The comprehensive income statements will represent the depreciation expense of the right-of-use assets and the interest expense arising from the effective interest method on the lease liabilities separately.

In the cash flow statements, the principal amount of lease liabilities is expressed as financing activities, and the interest payment portion is classified as operating activities.

Prior to the application of IFRS 16, the operating leases were recognized as expenses on a straight-line basis. Operating lease cash flows are expressed in operating activities in the cash flow statements. Contracts classified as finance leases are recognized in the balance sheets as lease assets and lease payables.

The Bank planned to adjust the cumulative effects of the retroactive application of IFRS 16 to the retained earnings on January 1, 2019, without restating the comparative information.

At present, in accordance with the agreement of IAS 17 for operating leases, the measurement of lease liabilities on January 1, 2019 will be discounted by the remaining lease payments at the increased borrowing rate of the lessee at that date. All assets with use rights will be measured at the amount of lease liabilities on that date. The identified right-of-use assets will be subject to an IAS 36 impairment assessment.

For the leases classified as financing leases under IAS 17, the carrying amount of the lease assets and lease liabilities on January 1, 2019 will be the same as those on December 31, 2018.

The Bank as lessor

IFRS 16 is applicable starting from January 1, 2019, and no adjustments will be made to the leases in which the Bank acts as a lessor during the transition period.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets	$ -	$ 508,700	$ 508,700
Total effect on assets	$ -	$ 508,700	$ 508,700
Lease liabilities	$ -	$ 508,700	$ 508,700
Total effect on liabilities	$ -	$ 508,700	$ 508,700

Except for the above impacts, as of the date the financial statements were authorized for issue, the Bank is assessing the application of other standards and interpretations will not have a significant impact on financial condition and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The Bank shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Bank shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020

As of the date the financial statements were authorized for issue, the Bank is continuously assessing the possible impact that the application of other standards and interpretations will have on the Bank's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and related regulations endorsed by the FSC.

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

a. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

c. Level 3 inputs are unobservable inputs for an asset or liability.

Classification of Current and Non-current Assets and Liabilities

Since the operating cycle in the banking industry cannot be reasonably identified, accounts included in the Bank's financial statements are not classified as current or noncurrent. Nevertheless, these accounts are properly categorized according to the nature of each account and sequenced by liquidity.

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting financial statements, the assets and liabilities of the Bank's foreign operations (including of the subsidiaries, associates, joint ventures or branches operations in other countries or currencies used are different from the Bank) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

Financial Instruments

Financial assets and financial liabilities are recognized in the balance sheets when the Bank becomes one of the parties of the contract. When the original recognition of financial assets and financial liabilities is not financial assets or financial liabilities at fair value through profit or loss (FVTPL), the fair value is directly attributable to the transaction costs of acquiring or issuing financial assets or financial liabilities. Transaction costs directly attributable to the acquisition or issue of financial assets or financial liabilities at FVTPL are recognized as current expenses.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

(1) Measurement

2018

The Bank owns financial assets which are classified into the following specified categories: Financial assets at FVTPL, financial assets at amortized cost, investments in debt instruments at FVTOCI and investments in equity instruments at fair value through other comprehensive income.

A. Financial assets at FVTPL

A financial asset is classified as at FVTPL when the financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on re-measurement (excluding any dividends or interest arising from such financial assets) recognized in profit or loss. Fair value is determined in the manner described in Note 38.

B. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, accounts receivable at amortized cost and others, are measured at amortized cost, which equals to gross carrying amount determined using the effective interest method less any impairment loss. After the post-sale cost, exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such a financial asset; and

ii) Financial assets that have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such a financial asset.

C. Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

i) The financial asset is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of the financial assets; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

D. Investments in equity instruments at FVTOCI

On initial recognition, the Bank may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Bank's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

The Bank owns financial assets which are classified into the following specified categories: Financial assets at FVTPL, held-to-maturity financial assets, available-for-sale financial assets and loans and receivables.

A. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are either held for trading or designated as at FVTPL.

A financial asset may be designated as at FVTPL upon initial recognition if:

i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

ii) The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

iii) The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at FVTPL.

Fair value is determined in the manner described in Note 38. Financial assets at FVTPL are measured at FVTPL.

B. Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Bank has the positive intent and ability to hold to maturity other than those that the Bank, upon initial recognition, designates as at FVTPL, designates as available for sale, or which meet the definition of loans and receivables.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

C. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Bank's right to receive the dividends is established.

D. Loans and receivables

Loans and receivables (including due from the Central Bank and call loans to banks, securities purchased under resale agreements, receivables, discounts and loans, debt investments with no active markets, etc.) are measured using the effective interest method at amortized cost less any impairment, except for short-term accounts receivables when the effect of discounting is immaterial.

The cash and cash equivalents on the balance sheets include cash on hand and deposits that can be used at any time in the industry. For the purpose of presenting cash flow statements, cash and cash equivalents refer to the cash and cash equivalents in the balance sheets, and the Central Bank and borrowings that meet the definition of cash and cash equivalents under IAS 7 as approved by the FSC, as well as call loans to banks and securities purchased under resale agreements.

(2) Impairment of financial assets

2018

The Bank recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including discounts and loans and accounts receivable), investments in debt instruments that are measured at FVTOCI, lease receivables, loan commitments, as well as contract assets at the estimated credit loss on each balance sheet date.

For such financial assets, the Bank recognizes lifetime expected credit losses (i.e. ECLs) when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Bank recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

Under the guidelines of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" issued by the Banking Bureau of the Financial Supervisory Commission, the credit accounts are categorized into five groups: Normal credit assets, require special mention assets, substandard assets, doubtful assets and full-amount loss based on clients' financial conditions. After assessing the value of the collateral, the Bank will assess the possibilities of recovery.

Under the above guidelines, in addition to the minimum standard allowance for all accounts, allowance is provided for accounts classified as normal (except government accounts), accounts with notice, accounts with warning, difficult accounts and uncollectible accounts at rates of 1%, 2%, 10%, 50%, and 100%, respectively.

According to the local statutes, the Bank's allowances for bad debts and guarantee liabilities for the “acquisition of residential home repair loans and construction loans” and “category one credit assets (including short-term trade financing) due from PRC businesses” should be at least 1.5%.

The creditor's rights which are determined to be unrecoverable shall be written off after being submitted to the board of directors for approval.

2017

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of such financial assets, that the estimated future cash flows of the investment have been affected.

Financial assets at amortized cost, such as loans and receivables, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of loans and receivables could include the Bank’s past experience with collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with defaults on such financial assets.

For a financial asset at amortized cost, the amount of the impairment loss recognized is the difference between such an asset’s carrying amount and the present value of its estimated future cash flows.

For a financial asset at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment (at the date on which the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for those financial assets because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment loss is subsequently reversed through profit or loss if an increase in the fair value of such an investment can be objectively related to an event occurring after the recognition of the impairment loss.

For a financial asset measured at cost, the amount of the impairment loss is measured as the difference between such an asset’s carrying amount and the present value of its estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

In accordance with the requirements of the Financial Supervisory Committee's "Bank Assets Assessment Loss Preparation and Overdue Loan Collection and Handling of Bad Debts" (hereinafter referred to as the "Handling Method"), the Bank determines whether financial position and principal and interest payment are delayed, etc. The credit assets are classified as normal credit assets, and such assets are noted, expected to be recovered, and any recovery difficulties and recovery of hopeless bad credit assets are determined. The Bank evaluates the recoverability of the bad credit assets after assessing the value of the collateral for the specific claims.

The above-mentioned treatment stipulates that normal credit assets (excluding the balance of claims of government agencies in China), should be noted, expected to be recovered, and any recovery difficulties and recovery of hopeless bad credit assets are determined, respectively, at the rates of 1%, 2%, 10%, 50% and 100% of the balance of claims, which is the minimum standard for the preparation of the allowance for bad debts and guarantees.

According to the law, the Bank's allowance for bad debts and guarantee liabilities for the “acquisition of residential home repair loans and construction loans” and “category one credit assets (including short-term trade financing) due from to PRC businesses” should be at least 1.5%.

The creditor's rights which are determined to be unrecoverable shall be written off after being submitted to the board of directors for approval.

(3) Derecognition of financial assets

When the contractual rights from the cash flows of financial assets have lapsed or the financial assets and all the risks and rewards of the assets have been transferred to other enterprises, the financial assets are derecognized.

When a financial asset is totally derecognized, the difference between the carrying amount and the sum of any accumulated gain or loss recognized in other comprehensive income is recognized as profit or loss.

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

On derecognition of a financial asset other than in its entirety, the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognize and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. Before 2018, the difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part that is no longer recognized and any cumulative gain or loss allocated to it which had been recognized in other comprehensive income is recognized in profit or loss. Staring from 2018, the difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part that is no longer recognized is treated in the same way as when the financial asset is derecognized in entirety. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Equity instruments

Debt and equity instruments issued by the Bank are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument
.
Equity instruments issued by the Bank are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

Financial liabilities

(1) Subsequent measurement

All financial liabilities are measured at amortized cost using effective interest rate, except for the following situations:

A. Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividends paid on such financial liability.

A financial liability may be designated as at FVTPL upon initial recognition when doing so results in more relevant information and if:

i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

ii) The financial liability forms part of a bank of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

iii) The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at FVTPL.

For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which does not incorporate any interest or dividends paid on such financial liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in the fair value of the liability are presented in profit or loss.

Fair value is determined in the manner described in Note 38.

B. Financial guarantee contracts

2018

The financial guarantee contracts issued by the Bank and not measured at FVTPL are measured at the higher of the allowance for the expected credit losses and the amortized amount after original recognition.

2017

Financial guarantee contracts issued by the Bank are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of the best estimate of the obligation under the contract and the amount initially recognized less the cumulative amortization recognized.

(2) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivatives

Derivatives signed by the Bank include forward foreign exchange contracts, interest rate swaps and others to manage the Bank 's interest rate and exchange rate risk.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Before 2018, derivatives embedded in non-derivative host contracts were treated as separate derivatives when they met the definition of a derivative; their risks and characteristics were not closely related to those of the host contracts; and the contracts were not measured at FVTPL. Starting from 2018, derivatives embedded in hybrid contracts that contain financial asset hosts that are within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. those embedded in the principal contract of financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

Investment in Subsidiaries

Investments in subsidiaries are accounted for by the equity method

Subsidiaries are the entities over which the Bank has control.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Bank's share of the profit or loss and other comprehensive income of the subsidiary. The changes in subsidiaries' other equity are recognized by the Bank based on its share proportion.

If the change in subsidiaries' equity does not make the Bank lose control on subsidiaries, the change is treated as equity transactions. The difference between the carrying amount of the investment and the fair value received or paid is recognized in equity.

When the investment loss equals or exceeds the Bank's interest in that subsidiary (including carrying amount of the investment accounted for by the equity method and other long-term investment), the Bank continues recognizing losses in proportion to its current ownership in the investee.

Any excess of the cost of acquisition over the Bank's share of the net fair value of the identifiable assets and liabilities of an associate and jointly controlled entity recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Bank's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When testing for impairment, the cash-generating unit is determined based on the scope of financial statements as a whole by comparing its recoverable amount with its carrying amount. If the recoverable amount of the asset subsequently increases, the reversal of the impairment loss is recognized as a gain, but the increased carrying amount of an asset after a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized on the asset in prior years. An impairment loss recognized on goodwill shall not be reversed in a subsequent period.

When the Bank ceases to have control over the subsidiary, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the subsidiaries attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the subsidiaries. The Bank accounts for all amounts previously recognized in other comprehensive income in relation to the subsidiaries on the same basis as would be required if the subsidiaries had directly disposed of the related assets or liabilities.

When the bank transacts with its subsidiaries, profits and losses resulting from the transactions with the subsidiaries are recognized in the Bank's financial statements only to the extent of interests in the subsidiaries that are not related to the Bank.

Non-performing Loans

Under guidelines issued by the Banking Bureau of the FSC the balance of loans and other credits extended by the Bank and the related accrued interest thereon are classified as non-performing.

Non-performing loans in the lending business are classified as discounts and loans; otherwise, are classified as other financial assets.

Securities Purchased/Sold Under Resale/Repurchase Agreements

Securities purchased under resale agreements and securities sold under repurchase agreements are generally treated as collateralized financing transactions. Interest earned on resale agreements or interest incurred on repurchase agreements is recognized as interest income or interest expense over the life of each agreement.

Properties and Equipment

Properties and equipment are stated at cost, less recognized accumulated depreciation and accumulated impairment loss.

Depreciation is provided on a straight-line basis over estimated useful lives; critical components are identified and depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period. Change in accounting estimate takes effect prospectively.

Any gain or loss on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible Assets

Intangible assets that have finite useful lives and are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life residual value, and amortization method are reviewed at the end of each reporting period. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Bank expects to dispose of the intangible asset before the end of its economic life. Change in accounting estimate takes effect prospectively. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

The intangible assets acquired from the business combination are recognized at the fair value of the acquisition date and are recognized separately from the goodwill. Subsequent measurement is the same as the intangible assets obtained separately.

Any gain or loss on the disposal or retirement of an item of intangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Bank reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Collaterals Assumed

Collaterals assumed are recorded at their appraised values. At balance sheet date, these collaterals are individually revalued at the lower of cost or net realizable value.

Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Revenue Recognition

Interest revenues from loans are estimated on accrual basis. Interest revenue from nonperforming Bank-extended loans and other credits are recognized only when collection is made. In accordance with the Ministry of Finance regulations, the interest from the relief and extension of specific loans is recorded as deferred income and recognized as income upon collection. Service fees are recorded as income upon receipt or when the related services are substantially completed.

The costs of acquisition of loans and accounts receivable and extra fees received are accounted as adjustments to the book value and the effective interest of loans and accounts receivable.

Dividend revenue is recognized when the right of shareholder to receive dividend is established. The premise is that the economic benefits associated with the transaction are likely to flow into the combined company and the amount of revenue can be reliably measured.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

a. The Bank as lessor

   Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

b. The Bank as lessee

   Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Employee Benefits

a. Short-term employee benefits

Liabilities related to short-term employee benefits are measured and recognized at the undiscounted amount expected to be paid to employees for their services.

b. Retirement benefit costs

The Bank currently provides both defined contribution and defined benefit retirement plans to its employees. Pursuant to local rules, employees working overseas are enrolled in defined contribution retirement benefit plan.

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Bank's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

c. Employee preferential deposits

The Bank provides current and retired employees preferential interests rates for deposits under certain balances. Differences between preferential rate and interest at market rate are recognized as employee benefits.

Under rule No. 30 of the Regulations Governing the Preparation of Financial Reports by Public Banks, post-retirement preferential interests provided to retired employees should be measured and recognized using actuarial calculation pursuant to IAS No. 19 if variables for use in the actuarial assumptions are stipulated in official governing rules, then the rules should be applied first.

d. Other long-term employee benefits

The Bank provides death benefit to employees who die on the job other than occupational injuries. For employees with retirement eligibility, death benefits are considered as part of their pension benefits. For those without retirement eligibility, death benefits are determined based on the length of employment: If employment is less than one year, death benefit is equivalent to one month salary; if employment is about one year to five years, death benefit is equivalent to one month salary for each year of employment; if employment is more than five years, death benefit is determined in line with the employee's pension benefit based on years of service before the Labor Pension Act was enacted.

Share-based payment arrangements

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Bank's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share option. It is recognized as an expense in full at the grant date if vested immediately. The grant date of issued common stock for cash which are reserved for employee is the date on which the number of shares that the employees purchase is confirmed.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current period's income tax expenses.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized on all taxable temporary differences. Deferred tax assets are generally recognized that taxable income will be for use in deducting temporary differences probably.

Deferred tax liabilities are recognized on taxable temporary differences associated with investments in subsidiaries and associates, except where the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to use the benefits of the temporary differences and are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax of this period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Bank's accounting policies, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimated impairment of financial assets - 2018

Estimates of impairment on loans and receivables, are based on management's assumptions about default rates and expected loss rates. The Bank considers historical experience, current market conditions and forward-looking information to make assumptions and select input values for impairment assessments. Refer to Note 38 for the important assumptions and input values used. If the actual cash flows in the future are less than expected, significant impairment losses may occur.

Impairment of loans and receivables - 2017

The Bank periodically reviews its loan portfolios for impairment. Recognition of impairment depends on whether any observable objective evidence of impairment exists. The evidence should contain observable data indicating the unfavorable changes in payment conditions or the economic conditions in related countries or territories. When analyzing the expected cash flows of such loans and receivables, the management's estimates are based on past experience with loss. The Bank reviews regularly the methods and assumptions in estimating expected cash flows in order to reduce the difference between the expected and actual losses.

Income tax

The Bank's income tax calculation relies heavily on estimates. The Bank determined the final amount of tax through many transactions and calculations. If the actual amount differs from the original estimation, the difference will be adjusted in the recognition of current tax and deferred tax in the current period.

The reliability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences are available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such reversal takes place.

6. CASH AND CASH EQUIVALENTS

	December 31, 2018	December 31, 2017
Cash on hand and working fund	$ 6,146,942	$ 6,351,970
Notes and checks in clearing	3,105,616	3,031,515
Due from other banks - domestic	3,183,525	5,591,332
Due from other banks - foreign	7,592,109	18,081,208
	$ 20,028,192	$ 33,056,025

7. DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS, NET

	December 31, 2018	December 31, 2017
Call loans to banks	$ 56,567,771	$ 60,390,707
Deposit reserves - I	5,825,635	7,216,386
Deposit reserves - II	19,651,176	17,480,443
Deposit reserves - foreign	158,795	162,265
	$ 82,203,377	$ 85,249,801

Deposit reserves are statutory reserves and determined monthly at prescribed rates based on average balances of customers' deposits. The entire balance of deposit reserve - II is subject to withdrawal restrictions while no restrictions are placed on other deposit reserves.

Based on the expected credit loss model, the Bank assessed the allowance for due from the Central Bank and call loans to banks. Due to the low credit risk of due from the Central Bank and call loans to banks, the allowed loss was recognized as 12-month expected credit losses on December 31, 2018.

On December 31, 2017, the Bank's call loans to banks measured by IAS 39 included allowances of $1,929 thousand.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2018	December 31, 2017
Financial assets at fair value through profit or loss		
Held-for-trading financial assets		
Forward contracts	$ -	$ 292,631
Option contracts	-	158,999
Currency swap contracts	-	56,775
Others	-	27,954
	-	536,359
Financial assets designated at FVTPL		
Structured corporate bond contracts	-	705,418
	-	1,241,777
Financial assets mandatorily at FVTPL		
Beneficiary securities	2,630,217	-
Corporate bonds	1,101,474	-
Shares	789,294	-
Forward contracts	235,151	-
Interest rate swap contracts	140,200	-
Option contracts	65,156	-
Currency swap contracts	55,729	-
Others	35,606	-
	5,052,827	-
	$5,052,827	$1,241,777
Financial liabilities at FVTPL		
Held-for-trading financial liabilities		
Forward contracts	$ 190,861	$ 80,549
Option contracts	99,793	159,990
Currency swap contracts	45,141	76,126
Others	3,035	1,115
	338,830	317,780
Financial liabilities designated at FVTPL		
Bank debentures	2,242,521	-
	$ 2,581,351	$ 317,780

The Bank engages in derivative transactions mainly to accommodate customers' needs and manage its exposure positions.

The financial assets and liabilities' at FVTPL contract (nominal) amounts of derivative transactions were as follows:

	December 31, 2018	December 31, 2017
Currency swap contracts	$ 19,892,282	$ 16,797,075
Forward contracts	19,762,077	24,633,634
Option contracts	13,276,237	16,250,270
Interest rate swap contracts	2,258,760	2,592,341
Asset exchange transactions	1,014,354	712,320
Future contracts	54,209	-

Information for financial liabilities designated by the Bank at FVTPL is as follows (December 31, 2017: None):

	December 31, 2018
The difference between the fair value and the maturity value	
－Fair value	$ 2,242,521
－Maturity value	2,250,590
	$ (8,069)

The financial liabilities designated by the Bank at FVTPL were issued the second issuance of unsecured debentures amounting to US$70,000 thousand with a 30-year maturity and a coupon rate of 0% on October 29, 2018. On the expiration of 5 years and every subsequent year, the Bank may exercise the option at the agreed redemption price. If the option is not exercised during the period, the payment were made on the expiration date.

The Bank arranged an interest rate swap contract to reduce the interest rate risk of the aforementioned financial bonds. The interest rate swap contract was measured at fair value and the fair value changes were included in profit or loss. The Bank designated the aforementioned financial bonds as financial liabilities measured at FVTPL in order to consistencies.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	December 31, 2018
Financial assets at FVTOCI	
Investments in equity instruments at FVTOCI	
Common stock	$ 2,632,822
Investments in debt instruments at FVTOCI	
Government bonds	50,861,134
Corporate bonds	48,533,201
Commercial paper	43,122,083
Bank debentures	40,182,857
Treasury bonds	1,991,732
Asset backed securities	274,292
	184,965,299
	$ 187,598,121

The Bank invests in common stock for medium- and long-term strategic purposes and expects to make a profit through long-term investments. The management of the Bank considers that if the short-term fair value fluctuations of these investments are included in profit or loss, they are inconsistent with the aforementioned long-term investment plans. Therefore, the designated investments are selected to be measured at FVTOCI. These investments were originally classified as available-for-sale financial assets under IAS 39. For reclassification and other information of 2017, refer to Note 3 and 15.

Bond investments were originally classified as available-for-sale financial assets under IAS 39. For reclassification and other information of 2017, refer to Note 3 and 15. The information of credit risk management and impairment assessment on investments in debt instruments at FVTOCI, see Note 11.

Part of the aforementioned financial assets at FVTOCI were sold under repurchase agreements as of December 31, 2018. The par value of bonds and commercial papers sold under repurchase agreements were $14,450,800 thousand.

The information of financial assets pledged at FVTOCI, see Note 36.

10. DEBT INSTRUMENT INVESTMENT MEASURED AT AMORTIZED COST - 2018

	December 31, 2018
Negotiable certificates of deposit	$ 88,165,000
Government bonds	3,213,562
Corporate bonds	3,148,504
Bank debentures	1,075,256
Treasury bonds	995,971
Less: Loss allowance	(1,688)
	$ 96,596,605

For the information on financial assets' related credit risk management and impairment at amortized cost, see Note 11.

The information of related financial assets at amortized cost pledged as collateral, see Note 36.

11. CREDIT RISK MANAGEMENT OF INVESTMENTS IN DEBT INSTRUMENTS – 2018

The investments in debt instruments are classified as financial assets at FVTOCI and financial assets at amortized cost, respectively.

December 31, 2018

	At FVTOCI	At Amortized Cost	Total
Total carrying amount	$ 185,994,201	$ 96,598,293	$ 282,592,494
Allowance loss	(65,235)	(1,688)	(66,923)
Amortized cost	185,928,966	$ 96,596,605	282,525,571
Fair value adjustment	(963,667)		(963,667)
	$ 184,965,299		$ 281,561,904

The policy which the Bank implements is to invest only in debt instruments with credit ratings above (and including) investment grade and with impairment low in credit risk. The Bank continued to track external rating information to monitor changes in credit risk of the investments in debt instruments and to review other information such as the bond yield curve and the debtor's material information to assess whether the credit risk of the debt instrument investments has increased significantly since the original recognition.

The Bank considers the historical default loss rate provided by the independent rating agencies, the debtor's current financial status and the industry's forward-looking forecast to measure the 12-month expected credit loss or full-lifetime expected credit loss of the debt instrument investments. The Bank's current credit risk rating mechanism and the total carrying amount of each credit rating investment in debt instruments are as follows:

Credit Rating	Definitions	Expected Credit	Expected Credit Loss Rate	December 31, 2018

		Loss Recognition Base		Total Carrying Amount
Normal	The debtor has a low credit risk and is fully capable of paying off contractual cash flows	12-month expected credit loss	0.000%-1.096 %	$ 282,592,494

The information of changes in allowance loss under the normal credit rating (12-month expected credit loss) assessment of investments in debt instruments at FVTOCI and at amortized cost is summarized as follows:

	At FVTOCI	At Amortized Cost	Total
Balance on January 1, 2018 (IAS 39)	$ -	$ -	$ -
Retrospective application of the impact of IFRS 9	49,848	1,390	51,238
Balance at January 1, 2018 (IFRS 9)	49,848	1,390	51,238
Purchase of new debt instruments	29,122	1,002	30,124
Derecognition	(13,781)	(623)	(14,404)
Exchange rate and other changes	46	(81)	(35)
Loss allowance on December 31, 2018	$ 65,235	$ 1,688	$66,923

12. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

Securities purchased under resale agreements as of December 31, 2018 and 2017 were $438,017 thousand and $195,061 thousand, respectively. The aforementioned securities will be bought back one after another before January 14, 2019 and January 24, 2018 at $439,091 thousand and $ 195,111 thousand, respectively.

13. RECEIVABLES, NET

	December 31, 2018	December 31, 2017
Acceptances	$ 2,944,806	$ 2,279,844
Accrued interest	2,642,761	1,945,260
Credit cards receivable	2,002,459	1,900,742
Accounts receivable - factoring	811,314	648,656
Advances by guarantees	265,099	261,226
Accounts receivable due from sales of securities	4,323	132,526
Others	498,603	423,289
	9,169,365	7,591,543
Less allowance for credit losses	(437,380)	(399,386)
	$ 8,731,985	$ 7,192,157

The changes in the total carrying amount and the allowance of receivables and other financial assets in 2018 (including collections not included in loans and buy remittance) are as follows:

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchase or Original Credit Impairment on Financial Assets)	Total
Receivables and other financial assets					
Beginning on January 1, 2018	$ 6,755,613	$ 415,806	$ -	$ 466,555	$ 7,637,974
Changes due to financial assets recognized at the beginning of the period:					
Transfer to lifetime ECLs	(70,086)	71,049	-	(645)	318
Transfer to ECLs on financial assets	(7,805)	(12,608)	-	146,881	126,468
Transfer to 12-month ECLs	258,165	(121,287)	-	(2,355)	134,523
Financial assets derecognized in the current period	(969,503)	(140,655)	-	(53,732)	(1,163,890)
Purchased or original financial assets	1,979,757	19,473	-	5,652	2,004,882
Write-offs	(10,717)	(15,212)	-	(45,928)	(71,857)
Exchange rate and other changes	441,053	29,811	-	33,448	504,312
Balance on December 31, 2018	$ 8,376,477	$ 246,377	$ -	$ 549,876	$ 9,172,730

	12-Month Expected Credit Loss	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchase or Original Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The difference of impairment under the decree regulation	Total
Allowance							
January 1, 2018	$ 27,726	$ 46,673	$ -	$ 360,380	$ 434,779	$ 24,479	$ 459,258
Changes due to financial assets recognized at the beginning of the period:							
Transfer to lifetime ECLs	(2,100)	33,715	-	(217)	31,398	-	31,398
Transfer to ECLs on financial assets	(259)	(804)	-	25,967	24,904	-	24,904
Transfer to 12-month ECLs	10,480	(14,724)	-	(1,007)	(5,251)	-	(5,251)
Financial assets derecognized in the current period	(7,266)	(12,938)	-	(41,274)	(61,478)	-	(61,478)
Purchased or original financial assets	9,001	8,154	-	2,491	19,646	-	19,646
The difference of impairment under the decree regulation	-	-	-	-	-	6,384	6,384
Write-offs	(10,717)	(15,212)	-	(45,928)	(71,857)	-	(71,857)
Recoveries after write-off	-	-	-	32,290	32,290	-	32,290
Exchange rate and other changes	1,083	2,635	-	1,540	5,258	-	5,258
December 31, 2018	$ 27,948	$ 47,499	$ -	$ 334,242	$ 409,689	$ 30,863	$ 440,552

The changes in allowance of receivables and other financial assets in 2017 (including collections not included in loans) are as follows:

	For the Year Ended December 31, 2017
January 1, 2017	$ 387,243
Provisions	65,992
Write-offs	(33,776)
Recoveries	30,415
Effects of exchange rate changes	(4,692)
December 31, 2017	$ 445,182

Item	December 31, 2017 Receivables	December 31, 2017 Allowance
With objective evidence of impairment		
Individually assessed	$ 43,334	$ 43,334
Collectively assessed	191,022	106,412
With no objective evidence of impairment		
Collectively assessed	5,111,869	295,436
Total	$ 5,346,225	$ 445,182

14. DISCOUNTS AND LOANS, NET

	December 31, 2018	December 31, 2017
Loans	$ 681,411,060	$ 630,129,052
Inward/outward documentary bills	8,483,067	7,455,583
Non-performing loans	1,630,114	1,865,649
	691,524,241	639,450,284
Discount and premium adjustments	707,959	741,351
Allowance for credit losses	(9,456,021)	(9,193,577)
	$ 682,776,179	$ 630,998,058

The Bank discontinues accruing interest when loans are deemed non-performing. For the years ended December 31, 2018 and 2017, the unrecognized interest revenue on the non-performing loans amounted to $33,868 thousand and $34,385 thousand, respectively.

For the years ended December 31, 2018 and 2017, the Bank only had written off certain credits after completing the required legal procedures.

The changes in carrying amount and allowance for discounts and loans in 2018 are summarized below:

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchase or Original Credit Impairment on Financial Assets)	Total
Discounts and loans					
Beginning on January 1, 2018	$ 618,569,202	$ 18,495,197	$ -	$ 2,385,885	$ 639,450,284
Changes due to financial assets recognized at the beginning of the period:					
Transfer to lifetime ECLs	(5,749,224)	5,862,645	-	(2,668)	110,753
Transfer to ECLs on financial assets	(1,112,596)	(788,532)	-	554,476	(1,346,652)
Transfer to 12-month ECLs	2,095,012	(9,737,955)	-	(203,660)	(7,846,603)
Financial assets derecognized in the current period	(133,775,233)	(4,352,921)	-	(195,310)	(138,323,464)
Purchased or original financial assets	197,032,140	1,178,780	-	21,084	198,232,004
Write-offs	(8,277)	(126,685)	-	(373,663)	(508,625)
Exchange rate and other changes	1,703,640	51,692	-	1,212	1,756,544
Balance at December 31, 2018	$ 678,754,664	$ 10,582,221	$ -	$ 2,187,356	$ 691,524,241

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchase or Original Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The difference of impairment under the decree regulation	Total
Allowance							
January 1, 2018	$ 676,218	$ 1,689,363	$ -	$ 644,281	$ 3,009,862	$ 6,268,883	$ 9,278,745
Changes due to financial assets recognized at the beginning of the period:							
Transfer to lifetime ECLs	(5,109)	723,807	-	(1,143)	717,555	-	717,555
Transfer to ECLs on financial assets	(2,181)	(73,003)	-	380,817	305,633	-	305,633
Transfer to 12-month ECLs	45,474	(1,058,969)	-	(35,091)	(1,048,586)	-	(1,048,586)
Financial assets derecognized in the current period	(143,620)	(253,647)	-	(18,465)	(415,732)	-	(415,732)
Purchased or original financial assets	234,408	197,814	-	4,708	436,930	-	436,930
The difference of impairment under the decree regulation	-	-	-	-	-	414,132	414,132
Write-offs	(8,277)	(126,685)	-	(373,663)	(508,625)	-	(508,625)
Recoveries after write-off	-	-	-	186,956	186,956	-	186,956
Exchange rate and other changes	41,614	46,172	-	1,227	89,013	-	89,013
Balance at December 31, 2018	$ 838,527	$ 1,144,852	$ -	$ 789,627	$ 2,773,006	$ 6,683,015	$ 9,456,021

The changes in allowance for discounts and loans in the year of 2017 are summarized below:

	For the Year Ended December 31, 2017
January 1, 2017	$ 9,082,012
Provisions	531,850
Write-offs	(479,721)
Recoveries	253,550
Effects of exchange rate changes	(194,114)
December 31, 2017	$ 9,193,577

Item	December 31, 2017 Total	Allowances
With objective evidence of impairment		
Individually assessed	$ 2,158,672	$ 513,423
Collectively assessed	5,001,433	1,718,283
With no objective evidence of impairment		
Collectively assessed	632,290,179	6,961,871
Total	$ 639,450,284	$ 9,193,577

The details of bad debt expense, commitment and guarantee liability provisions for the year ended December 31, 2018 and 2017 are listed as below:

	December 31 2018	2017
Provisions for loans and discounts	$ 409,932	$ 531,850
Provisions for receivables	74,458	2,086
Provisions for reserve for possible losses on guarantees	15,603	65,992
	$ 499,993	$ 599,928

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS-2017

	December 31, 2017
Bank debentures	$ 41,898,143
Government bonds	39,089,680
Corporate bonds	37,189,005
Commercial papers	24,758,245
Beneficiary certificates	3,585,605
Shares	3,566,742
Treasury bonds	2,979,877
Asset backed securities	321,818
Negotiable certificates of deposit	23,160
Total	$ 153,412,275

Part of the aforementioned available-for-sale financial assets were sold under the repurchase agreements as of December 31, 2017. The par values of bonds and commercial papers sold under repurchase agreements were $28,773,500 thousand.

Part of the aforementioned asset backed securities were invested in Structured Investment Vehicles (SIV). The Bank's recognized impairment losses in prior years amounted to $92,737 thousand and realized gains on available-for-sale financial assets amounted to $52,724 thousand due to the liquidation and disposal of SIV in August 2017.

For more information on the pledged assets, see Note 36.

16. HELD-TO-MATURITY FINANCIAL ASSETS-2017

	December 31, 2017
Negotiable certificates of deposit	$ 98,800,000
Corporate bonds	2,356,690
Government bonds	2,288,243
Total	$ 103,444,933

For more information on the pledged assets, see Note 36.

17. INVESTMENTS UNDER THE EQUITY METHOD

Equity Method	December 31, 2018 Carrying Amount	December 31, 2018 % of Owner-ship	December 31, 2017 Carrying Amount	December 31, 2017 % of Owner-ship
Investment in subsidiaries				
Domestic investments				
SCSB Asset Management Ltd.	$ 1,589,390	100.00	$ 1,637,786	100.00
China Travel Service (Taiwan)	345,234	99.99	316,327	99.99
SCSB Life Insurance Agency	139,993	100.00	191,579	100.00
SCSB Property Insurance Agency	58,869	100.00	57,959	100.00
SCSB Marketing Ltd.	8,142	100.00	7,780	100.00
	2,141,628		2,211,431	
Foreign investments				
Shancom Reconstruction Inc.	65,068,986	100.00	58,089,977	100.00
Wresqueue Limitada	334,493	100.00	312,375	100.00
Paofoong Insurance Company Ltd.	293,178	40.00	269,803	40.00
AMK Microfinance（AMK）	2,515,083	80.01	-	-
	68,211,740		58,672,155	
Total	$ 70,353,368		$ 60,883,586	

The Bank invested in Paofoong Insurance Company (Hong Kong) Ltd. by holding 40% shares directly and 60% indirectly by Shancom Reconstruction Inc. Therefore, Paofoong Insurance Company (Hong Kong) Ltd. was recorded as a subsidiary.

Due to the continuous loss incurred by Kuo Hai Construction, the Bank recognized its investment losses over the years, resulting in a zero balance of the Bank's long-term equity investment.

On September 18, 2017, the Bank passed a resolution with the board of directors to purchase 80.01% of the shares of AMK Microfinance (AMK). The case was approved by the FSC and MOEAIC in November 2017 and January 2018, respectively. It was approved by the Cambodian authorities on July 9, 2018. The group acquired an 80.01% equity of AMK for US$80,103 thousand (equivalent to NT$2,457,470 thousand) on August 28, 2018 and merged AMK into the Group from the date. Refer to Note 38. In addition, on November 10, 2018, the Bank’s board of directors approved to purchase 1,560 thousand shares of AMK via cash. The capital increase was US$15,300 thousand, and the shares were all subscribed by the Bank. After the capital increase is completed. The Bank’s shareholding ratio will increase to 84.9%. The case was approved by the FSC on January 19, 2019. As of the date of publication of the financial report, the case has yet to be approved by the Cambodian authorities.

In November 2017, the Bank's board of directors resolved to submit the application of running concurrently in the life insurance business and property insurance business. It is expected to merge its 100%-owned subsidiaries, SCSB Life Insurance Agency and SCSB Property Insurance Agency, and undertake the insurance agency business to achieve the following purposes: (a) integrating resources; (b) reducing operating costs and (c) improving operational efficiency. The Insurance Bureau of the Financial Supervisory Commission approved and issued the business license on March 20, 2019. In addition, according to the resolution of the board of directors on March 23, 2019, the record date for merger will be on May 6, 2019.

The profit and loss and other comprehensive gains and losses of the subsidiaries under equity method in 2018 and 2017 are recognized based on their audited financial reports.

18. OTHER FINANCIAL ASSETS, NET

	December 31, 2018	December 31, 2017
Due from other banks	$2,461,140	$ -

	December 31, 2018	December 31, 2017
Non-performing receivables	3,164	45,796
Buy remittance	201	635
	2,464,505	46,431
Allowance for non-performing credit card receivables	(3,172)	(45,796)
	$2,461,333	$ 635

The Bank accounts for the deposit of other financial assets with a fixed deposit of more than three months on the original maturity date.

The amount of non-performing credit card receivables is made up of unsettled transactional for forward exchange contracts and credit cards receivables.

The balance of credit cards receivable which were reported as non-performing was $3,164 thousand and $2,463 thousand as of December 31, 2018 and 2017, respectively. The unrecognized interest revenue on the receivables amounted to $33 thousand and $22 thousand for the year ended December 31,2018 and 2017, respectively.

19. PROPERTIES, NET

	December 31, 2018	December 31, 2017
Land	$ 9,641,501	$ 9,559,664
Buildings and improvements	2,100,372	2,193,953
Office equipment	196,775	208,310
Transportation equipment	14,301	13,955
Miscellaneous equipment	110,006	130,714
Construction-in-progress and prepayments	29,528	17,655
	$12,092,483	$12,124,251

	For the Year Ended December 31, 2018				
	Balance at January 1, 2018	Additions	Disposals	Effect of Exchange Rate Changes, Net	Balance at December 31, 2018
Cost					
Land	$ 9,559,664	$ 82,014	$ (177)	$ -	$ 9,641,501
Buildings and improvements	4,244,114	-	(456)	-	4,243,658
Office equipment	1,049,052	45,103	(3,382)	1,066	1,091,839
Transportation equipment	57,017	4,985	(4,308)	-	57,694
Miscellaneous equipment	541,000	10,236	(3,923)	377	547,690
	$ 15,450,847	$ 142,338	$ (12,246)	$ 1,443	$ 15,582,382
Accumulated depreciation					
Buildings and improvements	2,050,161	$ 93,203	$ (78)	$ -	2,143,286
Office equipment	840,742	56,207	(2,690)	805	895,064
Transportation equipment	43,062	4,335	(4,004)	-	43,393
Miscellaneous equipment	410,286	30,530	(3,376)	244	437,684
	$ 3,344,251	$ 184,275	$ (10,148)	$ 1,049	$ 3,519,427
Prepayments for real estate	$ 17,655	$ 11,873	$ -	$ -	$ 29,528
Net amount	$ 12,124,251				$ 12,092,483

	For the Year Ended December 31, 2017				
	Balance at January 1, 2017	Additions	Disposals	Effect of Exchange Rate Changes, Net	Balance at December 31, 2017
Cost					
Land	$ 9,664,925	$ -	$ (105,261)	$ -	$ 9,559,664
Buildings and improvements	4,330,278	-	(86,164)	-	4,244,114
Office equipment	1,025,594	45,758	(19,589)	(2,711)	1,049,052
Transportation equipment	54,518	6,590	(4,091)	-	57,017
Miscellaneous equipment	534,933	15,753	(8,740)	(946)	541,000
	$ 15,610,248	$ 68,101	$ (223,845)	$ (3,657)	$ 15,450,847
Accumulated depreciation					
Buildings and improvements	1,970,399	$ 92,861	$ (13,099)	$ -	2,050,161
Office equipment	799,078	60,291	(16,949)	(1,678)	840,742

Transportation equipment	42,831	4,086	(3,855)	-	43,062
Miscellaneous equipment	381,843	36,695	(7,707)	(545)	410,286
	$ 3,194,151	$ 193,933	$ (41,610)	$ (2,223)	$ 3,344,251
Prepayments for real estate	$ 7,260	$ 10,395	$ -	$ -	$ 17,655
Net amount	$ 12,423,357				$ 12,124,251

The Bank did not recognize any impairment losses on the properties for the year ended December 31, 2018 and 2017.

Depreciation expense of properties is computed using the straight-line method over the useful lives below:

Buildings and improvements	
Branches	43-55 years
Air conditioning and machine rooms	9 years
Office equipment	3-8 years
Transportation equipment	5-10 years
Miscellaneous equipment	5-20 years

20. OTHER ASSETS, NET

	December 31, 2018	December 31, 2017
Prepaid expenses	$ 1,800,465	$ 1,385,957
Refundable deposits, net of $17,618 thousand impairment loss	588,518	609,293
Deferred charges	150,173	237,444
Temporary payments and suspense	160,655	90,759
Computer software	112,377	117,685
Others	6,453	27,960
	$ 2,818,641	$ 2,469,098

21. DUE TO THE CENTRAL BANK AND BANKS

	December 31, 2018	December 31, 2017
Call loans from banks	$ 10,815,103	$ 3,505,624
Deposit transfer from Chunghwa Post Co., Ltd.	2,325,303	3,383,529
Overdraft on banks	1,766,489	798,574
Call loans from central bank	922,140	-
Due to banks	644,719	644,109
	$ 16,473,754	$ 8,331,836

22. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold under repurchase agreements as of December 31, 2018 and 2017 were $14,629,530 thousand and $29,792,067 thousand, respectively. The aforementioned securities will be sold back by September 19, 2019 and September 21, 2018 at $14,636,445 thousand and $29,803,070 thousand, respectively.

23. PAYABLES

	December 31, 2018	December 31, 2017
Dividends payable	$ 12,162,073	$ 11,842,528

Accounts payable	3,780,923	3,719,056
Liabilities on bank acceptances	2,995,542	2,325,602
Accrued interest	1,745,338	1,268,942
Accrued expenses	1,047,283	1,019,524
Other payable	104,378	87,414
Others	368,846	298,380
	$ 22,204,383	$ 20,561,446

24. DEPOSITS AND REMITTANCES

	December 31, 2018	December 31, 2017
Time deposits	$ 387,416,186	$ 344,427,574
Savings deposits	278,418,010	267,627,332
Demand deposits	212,610,434	221,263,402
Checking deposits	11,064,618	9,958,661
Negotiable certificates of deposit	21,550,500	6,417,900
Remittances	804,182	460,232
	$ 911,863,930	$ 850,155,101

25. BANK DEBENTURES

a. The Bank

	December 31, 2018	December 31, 2017
The subordinate bank debenture - 7 year maturity; first issued in 2012; maturity date is on April 2019	4,000,000	4,000,000
The subordinate bank debenture - 7 year maturity; second issued in 2012; maturity date is on May 2019	1,000,000	1,000,000
The subordinate bank debenture - 7-10 year maturity, third issued in 2012; maturity date is from November 2019 to November 2022.	5,000,000	5,000,000
The subordinate bank debenture - 7-10 year maturity, fourth issued in 2012; maturity date is from December 2019 to December 2022.	10,000,000	10,000,000
The subordinate bank debenture - 7-10 year maturity, first issued in 2014; maturity date is from March 2021 to March 2024	6,700,000	6,700,000
The subordinate bank debenture - 7 year maturity, second issued in 2014; maturity date is on November 2021	3,300,000	3,300,000
The subordinate bank debenture - 7 year maturity; first issued in 2015; maturity date is on June 2022	2,150,000	2,150,000
The subordinate bank debenture - 8.5 year maturity; second issued in 2015; maturity date is on June 2024	3,000,000	3,000,000
The subordinate bank debenture - 7-10 year maturity; first issued in 2017; maturity date is from June 2024 to 2027	5,000,000	5,000,000
The subordinate bank debenture - 7-10 year maturity; second issued in 2017; maturity date is from December 2024 to 2027	5,000,000	5,000,000
The subordinate bank debenture - 7-10 year maturity; first issued in 2018; maturity date is from June	5,000,000	-

2025 to 2028		
The subordinate bank; third issued in 2018; no maturity date	7,000,000	-
	$ 57,150,000	$ 45,150,000

The first issuance of the 2012 subordinated bank debenture bears a fixed interest rate of 1.48% with the interest paid annually and the repayment of principal at maturity.

The second issuance of the 2012 subordinated bank debenture bears a fixed interest rate of 1.54% with the interest paid annually and the repayment of principal at maturity.

The third issuance of the 2012 bank debenture can be classified into two types, Types A and B, in accordance with the issued terms and methods of interest accrual. Their terms and methods of interest accrual are as follows: Type A, seven-year of subordinate bank debenture at a fixed annual interest rate of 1.43%; Type B, ten-years of subordinate bank debenture at a fixed annual interest rate of 1.55%. Their interests are paid annually with the repayment of principals at maturity.

The fourth issuance of the 2012 bank debenture can be classified into two types, Types A and B, in accordance with the issued terms and methods of interest accrual. Their terms and methods of interest accrual are as follows: Type A, seven-year of subordinate bank debenture at a fixed annual interest rate of 1.43%; Type B, ten-year of subordinate bank debenture at a fixed annual interest rate of 1.55%. Their interests are paid annually with the repayment of principals at maturity.

The first issuance of the 2014 bank debenture can be classified into two types, Types A and B, in accordance with the issued terms and methods of interest accrual. Their terms and methods of interest accrual are as follows: Type A, seven-year of subordinate bank debenture at a fixed annual interest rate of 1.70%; Type B, ten-year of subordinate bank debenture at a fixed annual interest rate of 1.85%. Their interests are paid annually with the repayment of principals at maturity.

The second issuance of the 2014 subordinated bank debenture bears a fixed interest rate of 1.83% with the interest paid annually and the repayment of principal at maturity.

The first issuance of the 2015 subordinated bank debenture bears a fixed interest rate of 1.83% with the interest paid annually and the repayment of principal at maturity.

The second issuance of the 2015 subordinated bank debenture bears a fixed interest rate of 1.83% with the interest paid annually and the repayment of principal at maturity.

The first issuance of the 2017 bank debenture can be classified into two types, Types A and B, in accordance with the issued terms and methods of interest accrual. Their terms and methods of interest accrual are as follows: Type A, seven-year of subordinate bank debenture at a fixed annual interest rate of 1.50%; Type B, ten-year of subordinate bank debenture at a fixed annual interest rate of 1.85%. Their interests are paid annually with the repayment of principals at maturity.

The second issuance of the 2017 bank debenture can be classified into two types in accordance with the issued terms and the methods of interest accrual: Types A and B. Their terms and methods of interest accrual are as follows: Type A, seven years of subordinate bank debenture at a fixed annual interest rate of 1.30%; Type B, ten years of subordinate bank debenture at a fixed annual interest rate of 1.55%. Their interests are paid annually with repayment of principals at maturity.

The first issuance of the 2018 bank debenture can be classified into two types in accordance with the issued terms and the methods of interest accrual: Types A and B. Their terms and methods of interest accrual are as follows: Type A, seven years of subordinate bank debenture at a fixed annual interest rate of 1.25%; Type B, ten years of subordinate bank debenture at a fixed annual interest rate of 1.45%. Their interests are paid annually with repayment of principals at maturity.

The third issuance of the 2018 subordinate bank debenture was at a fixed annual interest rate of 2.15% with the interest paid annually and the repayment of principal at maturity.

26. OTHER FINANCIAL LIABILITIES

	December 31, 2018	December 31, 2017
Principals of structured instruments	$ 2,188,908	$ 971,217
Appropriated loan funds	1,504,199	2,077,200
	$ 3,693,107	$ 3,048,417

27. PROVISIONS

	December 31, 2018	December 31, 2017
Reserve for employee benefits (Notes 29)	$ 661,644	$ 529,692
Reserve for guarantees liabilities	600,372	596,361
Reserve for financing commitment	73,229	-
Others	6,418	6,318
	$ 1,341,663	$ 1,132,371

Changes in financing commitment and guarantee liability provisions of the Bank in 2018 were as follows:

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Original Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The difference of impairment under the decree regulation	Total
Commitment and guarantee liability provisions							
January 1, 2018	$ 59,333	$ 113,390	$ -	$ -	$ 172,723	$ 423,638	$ 596,361
Changes due to financial assets recognized at the beginning of the period:							
Transfer to lifetime ECLs	(77)	21,471	-	-	21,394	-	21,394
Transfer to 12-month ECLs	4,909	-	-	-	4,909	-	4,909
Financial assets derecognized in the current period	(52,862)	(79,752)	-	-	(132,614)	-	(132,614)
Purchased or original financial assets	90,636	58,040	-	-	148,676	-	148,676
The difference of impairment under the decree regulation	-	-	-	-	-	32,093	32,093
Exchange rate and other changes	434	2,348	-	-	2,782	-	2,782
December 31, 2018	$ 102,373	$ 115,497	$ -	$ -	$ 217,870	$ 455,731	$ 673,601

Changes in guarantee liability provisions of the Bank in the year 2017 were as follows:

	For the Year Ended December 31, 2017
January 1, 2017	$ 604,785
Reserve for possible losses on guarantees	2,086
Exchange differences	(10,510)
December 31, 2017	$ 596,361

28. OTHER LIABILITIES

	December 31, 2018	December 31, 2017
Guarantee deposits received	$ 416,268	$ 348,590
Deferred revenue	143,929	137,268
Unearned revenue	130,968	146,667
Temporary credit	67,235	40,973
Others	108,007	75,277
	$ 866,407	$ 748,775

29. PENSION PLAN

a. Defined contribution plans

The Bank adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The total amount to be paid in accordance with the defined contribution plans in the statement of profit or loss in 2018 and 2017 is $69,369 thousand and $63,286 thousand, respectively.

b. Defined benefit plans

The defined benefit plans adopted by the Bank in accordance with the Labor Standards Law is operated by the government of the ROC (Taiwan). Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Bank contribute amounts equal to 10% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Bank assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Bank has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Bank's defined benefit plans were as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligation	$ 2,766,265	$ 2,652,156
Fair value of plan assets	(2,491,348)	(2,462,967)
Net defined benefit liabilities	$ 274,917	$ 189,189

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Assets
Balance at January 1, 2017	$ 2,543,556	$ (2,439,424)	$ 104,132
Service cost			
Current service cost	193,244	-	193,244
Interest expense (income)	46,719	(46,604)	115
Recognized in profit or loss	239,963	(46,604)	193,359
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	18,886	18,886
Actuarial (gain) loss			
Changes in demographic assumptions	8,936	-	8,936
Experience adjustments	52,700	-	52,700
Recognized in other comprehensive income	61,636	18,886	80,522
Contributions from the employer	-	(188,824)	(188,824)
Benefits paid	(192,999)	192,999	-
Balance at December 31, 2017	$ 2,652,156	$ (2,462,967)	$ 189,189

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Assets
Balance at January 1, 2018	$ 2,652,156	$ (2,462,967)	$ 189,189
Service cost			
Current service cost	187,615	-	187,615
Interest expense (income)	48,507	(46,756)	1,751
Recognized in profit or loss	236,122	(46,756)	189,366
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(21,316)	(21,316)
Actuarial (gain) loss			
Changes in demographic assumptions	5,335	-	5,335
Changes in financial assumptions	103,330	-	103,330
Experience adjustments	(4,394)	-	(4,394)
Recognized in other comprehensive income	104,271	(21,316)	82,955
Contributions from the employer	-	(186,593)	(186,593)
Benefits paid	(226,284)	226,284	-
Balance at December 31, 2018	$ 2,766,265	$ (2,491,348)	$ 274,917

Through the defined benefit plans under the Labor Standards Law, the Bank is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31, 2018	December 31, 2017
Discount rate	1.55%	1.90%
Expected rate of salary increase	2.75%	2.75%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31, 2018	December 31, 2017
Discount rate		

0.25% increase	$ (74,366)	$ (72,813)
0.25% decrease	$ 77,202	$ 75,666
Expected rate of salary increase		
0.25% increase	$ 74,932	$ 73,669
0.25% decrease	$ (72,562)	$ (71,257)

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31, 2018	December 31, 2017
Average duration of the defined benefit obligation	11.1 years	12.0 years
Expected contributions to the plans for the next year	$ 191,724	$ 194,017

c. Employee preferential deposit plan

The Bank's obligation to pay the quota deposits of current staff and retired employees is based on the Bank's relevant employee preferential deposit benefits. In accordance with the guidelines for the Regulations Governing the Preparation of Financial Reports by Public Banks, the Bank needs to measure on the excess interest arising from the post-retirement preferential deposit interest rate through actuarial process .

The actuarial assumptions of the retired employees' preferential deposit and welfare expenses are based on the Banking Bureau’s requirement dated March 15, 2012 (Ref. No. 10110000850). The assumptions are as follows:

	December 31, 2018	December 31, 2017
Discount rate	4.00%	4.00%
Deposit rate of return	2.00%	2.00%
Preferential deposit withdrawal rate	2.00%	2.00%
Change in the preferential deposit system	50.00%	50.00%

The amount of the Bank's obligations arising from the preferential deposit plan for retired employees is included in the balance sheet as follows:

	December 31, 2018	December 31, 2017
Retired employees' preferential deposit liabilities, net	$ 379,288	$ 334,276

The amount classified as retired employees' preferential deposit in the statement of profit or loss in 2018 and 2017 is $64,989 thousand and $68,714 thousand, respectively; in the other comprehensive loss in 2018 and 2017 is $19,670 thousand and $17,814 thousand, respectively

d. Other long-term employee benefit liabilities

Current employees who are eligible for retirement will be given a pension according to the retirement plan. If employees do not have the qualification to retire, (a) the pension will be issued for one month if the service lasts less than one year; (b) if the service lasts more than one year and less than five years, they will receive pension for one month for serving each full year; (c) if the service lasts for more than five years, the pension is calculated according to the actuarial calculation method. However, the calculation method is only applicable to the service that existed before the application of the new system.

The amount of the Bank's obligations arising from the employee's pension is included in the balance sheet as follows:

	December 31, 2018	December 31, 2017
Other long-term employee benefit liabilities, net	$7,439	$6,227

The Bank has recognized employee benefits for pensions as a benefit cost of $1,212 thousand and $1,000 thousand in the financial statement of profit or loss in 2018 and 2017.

e. Defines benefit plan

	December 31, 2018	December 31, 2017
Defined benefit plan	$ 274,917	$ 189,189
Retired employees' preferential deposit liabilities	379,288	334,276
Other long-term employment benefits	7,439	6,227
	$ 661,644	$ 529,692

30. EQUITY

a. Share capital

	December 31	
	2018	2017
Common stock		
Authorized shares (in thousand)	6,000,000	6,000,000
Authorized capital	$ 60,000,000	$ 60,000,000
Issued and paid shares (in thousand)	4,101,603	4,079,103
Issued capital	$ 41,016,031	$ 40,791,031

Issued common stock with a par value of $10 entitle the holder with the right to vote and to receive dividends.

With the application of the initial public offering (IPO) on Taiwan Stock Exchange (TWSE), the board of directors approved to issue 22,500 new shares with a par value of $10 in additional capital on August 18, 2018. Subsequently, TWSE approved the IPO on September 7, 2018, and October 17, 2018 was the base date for capital addition.

The abovementioned additional capital of new shares included public subscription, employee subscription and auction shares 4,000 shares, 2,500 shares and 16,000 shares. The public subscription and employee subscription were issued at a premium of $32.28 per share. The auction was issued at a premium of the average weighted average price of $34.31 per share. The total balance is $755,797 thousand after the full payment of the shares and deduction of relevant commission fees on October 17, 2018.

b. Capital surplus

	December 31	
	2018	2017
Share premium	$ 3,189,155	$ 2,647,583
Treasury shares transaction	2,016,234	2,006,754
Proportionate share in equity-method investee's surplus from donated assets	1,218	1,218

	December 31	
	2018	2017
Dividends not yet collected	686,631	-
	$ 5,893,238	$ 4,655,555

Under the Company Act, capital surplus is only allowed to offset a deficit. However, the capital surplus from shares issued in excess of par (including additional paid-in capital from the issuance of common stock, conversion of bonds and treasury share transactions) and donations may be capitalized, which however is limited to a certain percentage of the Bank's paid-in capital. In addition, the capital surplus generated by the issuance of employee stock options is $2,609,220 thousand, which is limited to be used to offset losses.

The capital surplus from investments accounted for using the equity method and dividends not yet collected are not allowed to be used for any purpose~~,~~ and are limited to be used to offset losses.

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Since the shares held by subsidiaries were reclassified as treasury shares, cash dividend distributed to subsidiaries was then recorded as "capital surplus - treasury shares" according to the shareholding ratio. The cash dividends were $9,480 thousand and $7,900 thousand in 2018 and 2017, respectively.

c. Retained earnings and dividend policy

According to the Bank's Articles of Incorporation, a legal reserve shall be appropriated at the amount equal to 30% of earnings after tax. The legal reserve shall be appropriated until it reaches the Bank's paid-in capital, the remaining profit together with undistributed retained earnings shall be as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be transferred to capital or distributed in cash. However, under the Banking Law, if legal reserve is less than its paid-in capital, the Bank may distribute cash earnings only up to 15% of its paid-in capital. For the basis of the employees' and directors' remuneration estimates, see Note 31 (e) "Employee benefits expense".

The Bank has made special reserves for the adoption of IFRS in accordance with Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs."

The appropriations of earnings for 2017 and 2016 were approved in the shareholders' meetings on June 15, 2018 and June 16, 2017, respectively. The appropriations of earnings and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (In NT Dollar)	
	2017	2016	2017	2016
Legal reserve	$ 3,715,568	$ 3,524,500		
Special reserve	61,926	58,742		
Cash dividends - common stock	7,342,386	6,118,655	$ 1.80	$ 1.50
	$ 11,119,880	$ 9,701,897	$ 1.80	$ 1.50

The appropriations of earnings and dividends per share for 2018 are scheduled to be approved in the shareholders' meeting on March 23, 2019 and are as follows:

	Appropriation of Earnings	Dividends Per Share (In NT Dollar)
	2018	2018
Legal reserve	$ 4,113,591	

Special reserve	68,560	
Cash dividends - common stock	8,203,206	$ 2.00
	$ 12,385,357	

The appropriation of earnings for 2018 will be resolved in the shareholders' meetings in June 2019.

d. Special reserve

The Bank has made a special reserve in the amount of $1,256,859 thousand due to the transfer of its cumulative translation adjustment reported in equity to retained earnings upon first-time IFRS adoption. There was no change in the balance of the special reserve for the period ended December 31, 2018.

With Rule No. 10510001510 issued by the FSC on May 25, 2016, public banks shall make a special reserve for 0.5% to 1.0% of net profit when making appropriations of earnings of 2016 to 2018 to cope with staff transformation for financial technology development. Public banks may reverse the same amount of transfers or resettle the expenses starting from 2017. The Bank has made a special reserve in the amount of $61,926 thousand and $58,742 thousand from earnings of 2017 and 2016 proposed by the Bank's board of directors on June 15, 2018 and June 16, 2017, respectively.

e. Treasury shares

On December 31, 2018 and 2017, Shancom Reconstruction Inc. and China Travel Service (Taiwan) held 11,370 thousand shares and 27 thousand shares of the Bank, respectively.

Under the Company Act, the Bank is not allowed to buy back more than 5% of its issued shares. In addition, the total cost of treasury shares may not exceed the sum of the retained earnings and realized capital surplus. The Bank is not allowed to exercise shareholders' rights on these shares before they are resold. The shares held by its subsidiaries are treated as treasury shares. However, the subsidiaries may still exercise shareholders' rights on these shares, except for voting rights and subscription rights on new shares by cash. Under the Securities and Exchange Act, the Bank shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to receive dividends, to vote and to subscribe for shares new a capital increase by cash.

31. DETAILS OF COMPREHENSIVE INCOME STATEMENT ITEMS

a. Interest revenue, net

	For the Year Ended December 31	
	2018	**2017**
Interest revenue		
Discounts and loans	$ 15,750,595	$ 13,762,498
Securities investments	3,276,972	2,659,427
Due from banks	1,260,086	866,628
Credit and revolving	91,781	88,830
Others	127,685	141,317
	20,507,119	17,518,700
Interest expense		
Deposits	6,301,976	4,713,032
Bank debentures	805,250	674,102
Due to banks	312,956	207,492
Securities sold under repurchase agreements	104,648	83,376
Structured bond instruments	69,717	26,705
Others	26,565	32,361

	For the Year Ended December 31	
	2018	2017
	7,621,112	5,737,068
Interest revenue, net	$12,886,007	$11,781,632

b. Service fee income, net

	For the Year Ended December 31	
	2018	2017
Service fee revenues		
Trust and custody services	$ 877,095	$ 847,905
Insurance commission fees	406,288	269,626
Loan service fees	309,865	236,982
Guarantees related fees	272,734	251,934
Credit card related fees	257,811	240,626
Exchange related fees	156,191	162,861
Inward/outward business	153,034	154,724
Others	583,343	600,238
	3,016,361	2,764,896
Service fee expenses		
Credit card service charge	147,123	124,957
Nominee and brokerage service charge	80,931	76,296
Finance service charge	62,741	58,578
Custody service charge	36,870	46,664
Others	137,039	88,950
	464,704	395,445
	$ 2,551,657	$ 2,369,451

c. Gain (loss) on financial assets and liabilities at FVTPL

	For the Year Ended December 31, 2018		
	Realized (Loss) Gain	Unrealized Gain	Total
Financial assets mandatorily classified as at FVTPL	$ 3,906,726	$ (207,619)	$ 3,699,107
Held-for-trading financial liabilities	(3,561,215)	(127,744)	(3,688,959)
Financial liabilities designated as at FVTPL	-	(90,861)	(90,861)
	$ 345,511	$ (426,224)	$ (80,713)

	For the Year Ended December 31, 2017		
	Realized (Loss) Gain	Unrealized Gain	Total
Held-for-trading financial assets	$ 5,515,702	$ 50,955	$ 5,566,657
Financial assets mandatorily at FVTPL	25,856	(1,990)	23,866
Held-for-trading financial liabilities	(4,841,467)	243,067	(4,598,400)
	$ 700,091	$ 292,032	$ 992,123

d. Realized gain or loss on financial assets at FVTOCI -2018

	For the Year Ended December 31, 2018
Disposal of debt instruments	$ 107,266
Dividend income	310,019
	$ 417,285

e. Employment benefits expense

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	$ 3,377,199	$ 3,244,023
Retirement benefits		
Defined contribution plan	69,369	63,286
Defined benefit plan	189,366	193,359
Other employee benefits	330,883	317,043
	$ 3,966,817	$ 3,817,711

The amendments stipulate the distribution of employees' compensation and remuneration of directors at the rates of no less than 0.1% and no higher than 0.6%, respectively, of net profit before income tax, employees' compensation and directors' remuneration.

If the amount of the annual financial report changes after the release date, it will be treated according to the changes in accounting estimate, and adjusted in the next year.
The employees' compensation and the remuneration of directors for 2018 and 2017 as approved in the board meetings on March 23, 2019 and March 24, 2018, respectively, were as follows:

	For the Year Ended December 31			
	2018		2017	
	Cash	Shares	Cash	Shares
Employees' compensation	$ 38,000	$ -	$ 38,000	$ -
Remuneration of directors	58,000	-	58,000	-

If the amount of the annual financial report changes after the release date, it will be treated according to the changes in accounting estimate and will be adjusted in the next year.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2017 and 2016.

Information on the employees' compensation and remuneration of directors resolved by the Bank's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

f. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Depreciation expense	$ 184,275	$ 193,933
Amortization expense	200,664	258,928
	$ 384,939	$ 452,861

32. INCOME TAX

a. Income tax expense recognized in profit or loss

The major components of tax expenses were as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	$ 1,474,426	$ 1,485,796
In respect of prior periods	22,136	12,458
	1,496,562	1,498,254
Deferred tax		
In respect of the current year	250,769	535,900
In respect of prior periods	25,510	(11,129)
Effect of change in tax rate	245,674	-
	521,953	524,771
Income tax expense recognized in profit or loss	$ 2,018,515	$ 2,023,025

The reconciliation of accounting profit and income tax expenses is as follows：

	For the Year Ended December 31	
	2018	2017
Profit before tax from continuing operations	$ 15,730,486	$ 14,408,252
Income tax expense calculated at the statutory rate	$ 3,146,097	$ 2,449,403
Add (deduct) tax effect of：		
Tax-exempt cash dividend	(71,562)	(19,054)
Permanent difference- investment income	(705,816)	(31,372)
Tax-exempt loss (gains) on securities transactions	9,117	(61,255)
Tax-exempt income from offshore banking unit (OBU)	(789,676)	(586,485)
Tax-exempt gains on sales of land	(5)	(33,055)
Others	18,695	(2,673)
	1,606,850	1,715,509
Tax on undistributed profit	118,345	195,962
Additional income tax under the Alternative Minimum Tax Act	-	110,962
Adjustments for prior years' current tax	22,136	12,458
Adjustments for prior years' deferred tax	25,510	(11,129)
Effect of tax rate changes	245,674	-
Income tax expense recognized in profit or loss	$ 2,018,515	$ 2,023,025

The tax rate applicable to the Bank in 2017 was 17%. In 2018, the corporate income tax rate was 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

2019 appropriation of earnings is subject to the shareholders' meeting in June, 2019, the income tax rate of the unappropriated earnings in 2018 will be 5%.

b. Income tax expense recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
Deferred income tax expense		
Change in tax rate	$ 12,900	$ -
Arising on income and expenses recognized in other comprehensive income		

Translation adjustments for foreign operations	(325,893)	820,109
Unrealized gain or loss on available-for-sale financial assets	-	(30,707)
Unrealized gain or loss on financial assets measured at FVTOCI	236,642	-
Defined benefit plans remeasurement	20,525	16,717
Income tax expense recognized in other comprehensive income	$ (55,826)	$ 806,119

c. Income tax assessments

	December 31	
	2018	2017
Current tax assets		
Tax refund receivable	$ 37,267	$ 37,267
Current tax liabilities		
Income tax payable	$ 790,069	$ 796,857

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2018

Deferred Tax Assets	Opening Balance	Effects of Adopting IFRS9	Change in Tax Rate: Recognized in Profit or Loss	Change in Tax Rate: Recognized in Other Comprehensive Income	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences							
Doubtful debts	$ 403,783	$ 16,871	$ 74,186	$ -	$ (108,104)	$ -	$ 386,736
Impairment loss on financial assets at FVTOCI	4,473	-	789	-	3,087	-	8,349
Unrealized loss on financial instruments	-	-	-	-	12,544	188,840	201,384
Investment loss of domestic subsidiaries recognized under equity method	28,902	-	5,100	-	(5,579)	-	28,423
Unrealized foreign exchange loss	18,192	-	3,210	-	(16,299)	-	5,103
Employee benefits plan	118,808	-	10,063	10,843	5,656	20,525	165,895
Others	1,051	-	128	-	27	-	1,206
	$ 575,209	$ 16,871	$ 93,476	$ 10,843	$ (108,668)	$ 209,365	$ 797,096

Deferred Tax Liabilities	Opening Balance	Effects of Adopting IFRS9	Change in Tax Rate: Recognized in Profit or Loss	Change in Tax Rate: Recognized in Other Comprehensive Income	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences							
Unrealized gain on financial instruments	$ (19,425)	$ (901)	$ (5,797)	$ 2,892	$ (24,571)	$ 47,802	$ -
Investment gain of domestic subsidiaries recognized under equity method	(8,415,953)	5,881	(333,299)	(835)	(164,892)	(325,893)	(9,234,991)
Others	(306)	-	(54)	-	1	-	(359)
	$ (8,435,684)	$ 4,980	$ (339,150)	$ 2,057	$ (189,462)	$ (278,091)	$ (9,235,350)

For the year ended December 31, 2017

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Doubtful debts	$ 452,727	$ (48,944)	$ -	$ 403,783
Impairment loss on available-for- sale financial assets	18,737	(14,264)	-	4,473
Unrealized loss on financial instruments	16,486	-	(16,486)	-
Investment loss of domestic subsidiaries recognized under equity method	33,142	(4,240)	-	28,902
Unrealized foreign exchange loss	-	18,192	-	18,192
Defined employee benefits plan	95,582	6,509	16,717	118,808

Others	1,087	(36)	-	1,051
	$ 617,761	$ (42,783)	$ 231	$ 575,209

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences				
Unrealized gain on financial instruments	$ (44,685)	$ 39,481	$ (14,221)	$ (19,425)
Unrealized exchange interest	(12,549)	12,549	-	-
Investment income and exchange differences on translation of foreign subsidiaries recognized under equity method	(8,701,958)	(534,104)	820,109	(8,415,953)
Others	(392)	86	-	(306)
	$(8,759,584)	$ (481,988)	$ 805,888	$(8,435,684)

e. Income tax assessments

Except 2015, the Bank's income tax returns through 2016 had been assessed by the tax authorities.

33. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2018	2017
Basic earnings per share	$ 3.37	$ 3.04
Diluted earnings per share	$ 3.37	$ 3.04

The earnings and weighted average number of common stock outstanding in the computation of earnings per share were as follows:

Net Profit for the Period

	For the Year Ended December 31	
	2018	2017
Earnings used in the computation of basic and diluted earnings per share	$ 13,711,971	$ 12,385,227

Weighted average number of common stock outstanding (in thousand shares):

	For the Year Ended December 31	
	2018	2017
Weighted average number of common stock in computation of basic earnings per share	4,072,267	4,067,706
Effect of potentially dilutive common stock:		
Employees' compensation	1,750	1,781

Weighted average number of common stock used in the computation of diluted earnings per share	4,074,017	4,069,487

Since the Bank offered to settle compensation paid to employees in cash or shares, it assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

34. SHARE-BASED PAYMENT ARRANGEMENTS

Employee share option plan of the Bank

The board of directors of the Bank approved on August 18, 2018 the issuance of new shares and resolved to allocate 11.11% of the total amount for stock option plan for their employees to subscribe to, according to the Company Law. According to IFRS 2 “share-based payment”, the employee’s share options should be measured at the fair value, and related compensation costs were $7,775 thousand. The relevant information of employee share options is as follows:

Employee Share Option	2018 Unit (thousand per share)
Options granted	2,500
Options exercised	2,473
Options expired	27
Weighted-average fair value of options granted (NT$/per share)	$ 3.11

Options granted were priced using the Black-Scholes pricing model, and the inputs to the model are as follows:

	Employee share option
Acquisition date share price (NT$/per share)	35.39
Exercise price (NT$/per share)	32.28
Expected volatility	19.93%
Option life (in days)	12
Dividend yield	-
Risk-free interest rate	0.36%

35. RELATED-PARTY TRANSACTIONS

Besides the information disclosed in other notes, the significant transactions and account balances with related parties are summarized as follows:

a. The Bank’s related parties

Related Party	Relationship with the Bank
China Travel Service (Taiwan)	Subsidiary
SCSB Life Insurance Agency	Subsidiary
SCSB Property Insurance Agency	Subsidiary
SCSB Asset Management Ltd.	Subsidiary
SCSB Marketing Ltd.	Subsidiary
Shancom Reconstruction Inc.	Subsidiary
Wresqueue Limitada	Subsidiary
CTS Travel International Ltd.	Indirect subsidiary

SCSB Leasing (China) Co., Ltd.	Indirect subsidiary
Krinein Company (Krinein)	Indirect subsidiary
Empresa Inversiones Generales, S.A. (Empresa)	Indirect subsidiary
Shanghai Commercial Bank, HK (SCB)	Third-tier subsidiary
The SCSB Cultural & Educational Foundation	Fund donated by the Bank which exceed 1/3 of total fund
The SCSB Charity Foundation	Fund donated by the Bank which exceed 1/3 of total fund
Silks Place Taroko	Investment under equity method held by subsidiary
Hung Ta Investment Corporation	The chairman and the Bank's chairman are related by marriage
Hung Shen Investment Corporation	The chairman and the Bank's chairman are related by marriage
GTM Corporation	The director of the Bank is the director of the related party
Chi-Li Investment Co., Ltd.	The director of the Bank is the director of the related party
Goldsun Co., Ltd.	The director of the Bank is the director of the related party
Qin Mao Consultants Ltd.	The chairman and the Bank's director are related by marriage
Lian Yi Investment Co., Ltd.	The director and the Bank's director are related by marriage
Other related parties	The Bank's directors, managers, and general manager's spouses are the relatives within the second degree of relationship of the chairman and general manager of the related parties

b. Significant transactions and account balances

1) Due from foreign banks

	December 31, 2018	December 31, 2017
Shanghai Commercial Bank (HK)	$ 431,071	$ 221,537

The interest income arising from the above transactions were $249 thousand and $173 thousand for the year ended December 31, 2018 and 2017, respectively.

2) Due to banks

	December 31, 2018	December 31, 2017
Shanghai Commercial Bank (HK)	$ 6	$ 24

3) Guarantees

	Maximum Balance	Ending Balance	Reserve for Possible Losses on Guarantees	Interest Rate (%)	Collateral
December 31, 2018					
China Travel Service (Taiwan)	$ 7,000	$ 7,000	$	1.00	Real estate
December 31, 2017					
China Travel Service (Taiwan)	$ 4,000	$ 4,000	$ -	1.00	Real estate

4) Deposits

	December 31, 2018			For the Year Ended December 31, 2018
	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Expense
Empresa	$ 2,560,769	$ 805,663	0.75-2.70	$ 19,042
Krinein	810,656	463,365	0.75 2.70	10,552

	December 31, 2018			For the Year Ended December 31, 2018
	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Expense
Employees	491,609	254,973	0.00-9.96	3,820
SCSB AM	410,357	279,796	0.08-1.03	2,982
The SCSB Cultural & Educational Foundation	334,122	314,922	0.01-1.07	1,918
Directors and related management	355,593	258,196	0.00-4.90	1,244
SCSB Life Insurance Agency	253,515	156,911	0.00-1.01	1,492
Shancom Reconstruction Inc.	176,440	176,440	0.25-2.70	3,937
Others	280,692	224,232	0.00-3.40	1,776
	$ 5,673,753	$ 2,934,498		$ 46,763

	December 31, 2017			For the Year Ended December 31, 2017
	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Expense
Empresa	$ 2,479,479	$ 762,922	0.45-1.40	$ 11,114
Krinein	780,094	438,783	0.45-1.40	6,101
Employees	440,089	216,980	0.00-9.96	3,027
Directors and related management	424,455	196,145	0.00-3.40	931
SCSB Asset Management Ltd.	409,308	409,217	0.08-1.08	2,904
The SCSB Cultural & Educational Foundation	332,374	311,573	0.01-1.24	1,921
SCSB Life Insurance Agency	258,763	218,605	0.00-1.08	1,618
Shancom Reconstruction Inc.	167,080	167,080	0.13-1.40	2,264
Others	249,233	232,374	0.01-3.50	1,661
	$ 5,540,875	$ 2,953,679		$ 31,541

5) Accrued receivables (accounted for as receivables)

	December 31, 2018	December 31, 2017
SCSB Life Insurance Agency	$ 24,027	$ 35,188
SCSB Property Insurance Agency	338	657
	$ 24,365	$ 35,845

6) Interest receivable (accounted for as receivables)

	December 31, 2018	December 31, 2017
Directors and related management	$ 54	$ 103

7) Interest payable (accounted for as payables)

	December 31, 2018	December 31, 2017
Empresa	$ 4,955	$ 2,433
Krinein	2,850	1,399
Shancom Reconstruction Inc.	1,085	533
SCSB Life Insurance Agency	76	87
Others	618	661
	$ 9,584	$ 5,113

8) Guarantee deposits received (accounted for as other liabilities)

	December 31, 2018	December 31, 2017
The SCSB Cultural & Educational Foundation	$ 211	$ 211
SCSB Life Insurance Agency	197	197
SCSB Property Insurance Agency	197	197
China Travel Service (Taiwan)	180	180
Others	67	67
	$ 852	$ 852

9) Service fees (accounted for as service fee income, net)

	For the Year Ended December 31	
	2018	2017
SCSB Life Insurance Agency	$ 399,129	$ 257,763
SCSB Property Insurance Agency	12,132	11,858
	$ 411,261	$ 269,621

10) Rental income (accounted for other revenue, net)

	For the Year Ended December 31

	2018	2017
The SCSB Cultural & Educational Foundation	$ 842	$ 842
SCSB Life Insurance Agency	790	790
SCSB Property Insurance Agency	790	790
China Travel Service (Taiwan)	738	732
Others	254	254
	$ 3,414	$ 3,408

For the rental contracts with related parties, the rental is determined in proportion to similar rentals in the area, based on a reference of the rentals in the neighborhood, and is received on a monthly basis.

11) Administrative and operating expense (accounted for as other general administrative expenses)

	For the Year Ended December 31	
	2018	2017
SCSB Marketing	$ 82,422	$ 72,427
China Travel Service (Taiwan)	1,674	2,599
	$ 84,096	$ 75,026

12) Loans

December 31, 2018									For the Year Ended December 31, 2018
				Performance					
Category	Name	Maximum Balance	Ending Balance	Normal Loans	Non-performing Loans	Collateral	Interest Rate (%)	Difference of Terms of the Transactions with Unrelated Parties	Interest Income
Loans for personal house mortgages	Directors and related management (1)	$ 16,747	$ 8,469	$ 8,469	-	Real estate	2.09-2.10	None	$ 264
Others	Directors and related management (4)	86,548	44,427	44,427	-	Real estate	1.68-2.66	None	1,549
	Silks Place Taroko	5,000	-	-	-	Real estate	1.63	None	6
		$ 108,295	$ 52,896	$ 52,896					$ 1,819

December 31, 2017									For the Year Ended December 31, 2017
				Performance					
Category	Name	Maximum Balance	Ending Balance	Normal Loans	Non-performing Loans	Collateral	Interest Rate (%)	Difference of Terms of the Transactions with Unrelated Parties	Interest Income
Loans for personal house mortgages	Directors and related management (2)	$ 24,296	$ 16,184	$ 16,184	-	Real estate	1.86-2.10	None	$ 423
Others	Directors and related management (4)	80,114	74,754	74,754	-	Real estate	1.68-2.67	None	1,416
	Silks Place Taroko	10,000			-	Real estate	1.63	None	15
		$114,410	$ 90,938	$ 90,938					$ 1,854

Employee deposits and loans have interest rates that are better than ordinary rates but within regulated limits, while other related party transactions have similar terms as non-related party transactions.

Under the provisions of Articles 32 and 33 of the Banking Act, the Bank shall not make unsecured loans to related party, except for consumer loans under certain limits and government loans. Secured loans to a related party should be fully guaranteed, and the relevant terms should not be superior to other similar credit clients.

c. Compensation of directors, supervisors and management personnel

The compensation of key management personnel for the year ended December 31, 2018 and 2017 was as follows:

	For the Year Ended December 31	
	2018	**2017**
Salaries and other short-term employment benefits	$ 97,639	$ 96,001
Bonuses of employees	69,120	71,842
Remuneration of directors and supervisors	92,371	88,876
Retirement benefits	13,594	13,749
	$272,724	$270,468

36. PLEDGED ASSETS

Under the Central Bank's clearing system of Real-Time Gross Settlement (RTGS), on December 31, 2018, and 2017, the assets listed below had been provided as collateral for day-term overdrafts with the pledged amount adjustable at any time.

	December 31		
	2018	**2017**	**Guaranty Purpose**
Financial assets at amortized cost	$ 15,000,000	$ -	Day-term overdraft with the pledge
Held-to-maturity financial assets	-	15,000,000	Day-term overdraft with the pledge

On December 31, 2018 and 2017, the assets listed below were provided as refundable deposits for operating guarantees and for executing legal proceedings against defaulting borrowers as required by the court.

	December 31		
	2018	**2017**	**Guaranty Purpose**
Financial assets at FVTOCI	$ 323,074	$ -	Operating guarantee
Held-to-maturity financial assets	-	43,590	Operating guarantee
Available-for-sale financial assets	-	261,448	Operating guarantee

37. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. In addition to those disclosed in other notes, significant commitments and contingencies of the Bank as of December 31, 2018 and 2017 were as follows:

	December 31	
	2018	**2017**

Receivables under custody	$ 23,479,365	$ 27,196,931
Consigned travelers' checks	192,808	234,878
Guarantee notes payable	132,530,055	91,904,226
Assets under trust	164,268,973	141,528,949
Securities in custody	14,013,060	13,275,911
Government bonds in brokerage accounts	39,161,200	23,499,500
Short-term bills in brokerage accounts	974,600	1,312,500

b. Operational risk and legal risk

Item	Reason and Amount	
	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Chief director and staff indicted by prosecutor for breaking law in the conduct of operational activities in recent year	None	None
Violating the law and being punished by authorities in recent year	None	1. Fined $1 million by the Banking Bureau on its letter dated October 25, 2017 (Ref. No. 10620004740) for violating anti-money laundering rules. 2. Fined $2 million by the Banking Bureau's on its letter dated October 25, 2017 (Ref. No. 10620004740) for violating banking transaction operations due to the actions of a teller in receipt of fraudulent instructions via the phone application LINE.
Deficiency corrected by authorities in the recent year	None	None
Punished by authorities according to Bank Law No. 61-1 in recent year	None	The Banking Bureau's letter dated October 25, 2017 (Ref. No. 10620004741) in response to the staff of Yuanlin branch illegally keeping the application documents of the customer's stamped deposit withdrawal slip.
Single or whole security events due to fraudulence, accident or against "Outlines Governing the Security Maintenance and Administration of Financial Institutions" which caused losses amounting to $50 million in the recent year.	None	None

Others	None	None

38. FINANCIAL INSTRUMENTS

a. Fair value information - financial instruments not measured at fair value

1) Financial assets and liabilities with significant differences between carrying amounts and fair values.

Except as detailed in the following table, the Bank's management considers that the carrying amounts of financial instruments not measured at fair values are approximates of their fair values or the fair values could not otherwise be reliably measured:

	December 31, 2018		December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Financial assets measured at amortized cost	$ 96,596,605	$ 96,576,374	$ -	$ -
Held-to-maturity financial assets	-	-	103,444,933	103,504,650
Financial liabilities				
Bank debentures	$ 57,150,000	$ 57,478,175	$ 45,150,000	$ 45,073,224

2) Fair value level

	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Financial assets				
Debt in investment instrument measured at amortized cost	$ 96,576,374	$ 3,973,784	$ 92,602,590	$ -
Financial liabilities				
Bank debentures	57,478,175	-	57,478,175	-

	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity financial assets	$ 103,504,650	$ 941,624	$ 102,563,026	$ -
Financial liabilities				
Bank debentures	45,073,224	-	45,073,224	-

3) The evaluation method and assumptions used in measuring fair value.

The fair value of financial assets and liabilities are determined as follows:

a) The fair value of financial assets with standard clauses and terms is quoted market price.

b) The fair value of financial instruments other than the above is determined by the discounted cash flow analysis or other generally accepted pricing models.

b. Fair value information – Financial instrument measured at fair value under repetitive basis

1) Fair value level

Information of the financial instruments measured at fair value categorized by level is as follows:

Financial Instruments Measured at Fair Value	December 31, 2018			
	Total	Level 1	Level 2	Level 3

Financial Instruments Measured at Fair Value	Total	Level 1	Level 2	Level 3
Non-derivative instruments				
Assets				
Financial assets measured at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Shares	$ 789,294	$ 789,294	$ -	$ -
Bonds	1,101,474	113,450	-	988,024
Others	2,630,217	2,630,217	-	-
Financial assets measured at FVTOCI				
Equity instruments	2,632,822	1,128,228	-	1,504,594
Debt instruments	184,965,299	53,174,069	131,024,517	766,713
	$ 192,119,106	$ 57,835,258	$ 131,024,517	$ 3,259,331
Liabilities				
Financial liabilities measured at FVTPL	$ 2,242,521	$ -	$ 2,242,521	$ -
Derivative instruments				
Assets				
Financial assets measured at FVTPL	$ 531,842	$ 35,606	$ 356,036	$ 140,200
Liabilities				
Financial liabilities measured at FVTPL	$ 338,830	$ 6,980	$ 294,021	$ 37,829

Financial Instruments Measured at Fair Value	**December 31, 2017**			
	Total	**Level 1**	**Level 2**	**Level 3**
Non-derivative instruments				
Assets				
Financial assets at FVTPL				
Held-for-trading financial assets				
Shares	$ 4,050	$ 4,050	$ -	$ -
Financial assets designated at FVTPL	705,418	-	-	705,418
Available-for-sale financial assets				
Shares	3,566,742	1,746,407	-	1,820,335
Bonds	118,498,646	51,089,823	66,485,712	923,111
Others	31,346,887	3,608,765	27,738,122	-
	$ 154,121,743	$ 56,449,045	$ 94,223,834	$ 3,448,864
Derivative instruments				
Assets				
Financial assets at FVTPL	$ 544,040	$ 15,946	$ 497,349	$ 30,745
Liabilities				
Financial liabilities at FVTPL	$ 323,964	$ -	$ 291,701	$ 32,263

There were no transfers of financial instruments between Level 1 and Level 2 fair value measurement in the current and prior periods.

2) Reconciliation of Level 3 fair value measurement

For the year ended December 31, 2018

Item	Beginning Balance	Amount of Valuation Gain or Loss		Addition		Reduction		Ending Balance
		Included in Profit or Loss	Included in Other Comprehensive Income	Buy or Issue	Transferred In	Sell Out, Disposal or Settlement	Transferred Out from Third Level	
Assets								
Financial assets at FVTPL								
Financial assets mandatorily classified as at FVTPL	$ 736,163	$ 138,200	$ -	$ 632,069	$ -	$ (227,714)	$ (150,494)	$ 1,128,224
Financial assets at FVTOCI	2,743,446	-	(266,708)	4,599	-	(34,951)	(175,079)	2,271,307
Liabilities								
Financial liabilities at FVTPL								
Held-for-trading financial liabilities	32,263	20,261	-	-	-	(8,512)	(6,183)	37,829

For the year ended December 31, 2017

Item	Beginning Balance	Amount of Valuation Gain or Loss		Addition		Reduction		Ending Balance
		Included in Profit or Loss	Included in Other Comprehensive Income	Buy or Issue	Transferred In	Sell Out, Disposal or Settlement	Transferred Out from Third Level	
Assets								
Financial assets at FVTPL								
Held-for-trading financial assets	$ 29,305	$ (1,026)	$ -	$ 8,102	$ -	$ (5,636)	$ -	$ 30,745
Financial assets designated as at fair value	768,160	(70,112)	-	581,160	-	(573,790)	-	705,418
Available-for-sale financial assets financial assets	2,461,136	-	63,600	494,442	-	(275,732)	-	2,743,446
Liabilities								

Item	Beginning Balance	Amount of Valuation Gain or Loss		Addition		Reduction		Ending Balance
		Included in Profit or Loss	Included in Other Comprehensive Income	Buy or Issue	Transferred In	Sell Out, Disposal or Settlement	Transferred Out from Third Level	
Financial liabilities at FVTPL Held-for-trading financial liabilities	23,181	7,848	-	4,051	-	(2,817)	-	32,263

3) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Bonds	Valuation was based on observable market prices or assessed by cash-flow method through observable elements.
Derivatives	Valuation was based on widely-adapted pricing techniques. The inputs were assessed by observable elements in the market.
Others	Valuation was based on observable market prices or assessed by cash-flow method through observable elements.

4) Valuation techniques and inputs applied for Level 3 fair value measurement

Fair value evaluation of financial instruments classified as Level 3 included but was not limited to instruments classified as at FVTPL (bonds), derivatives, and available-for-sale (equity securities).

Most financial instruments with fair value measurements categorized as Level 3 only possess single, unobservable inputs. Non-active market debt instruments possess unobservable inputs. The non-active market equity instruments are independent and, thus, are irrelevant to each other. The tabled quantified information of significant unobservable inputs is tabled as follows:

	Fair Value December 31, 2018	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Notes
Non-derivative financial assets					
Financial assets measured at FVTPL					
Bonds	$ 988,024	Counterparty quote and check with other quotations	Discount lack of market liquidity	0%-10%	The higher of the discount lack of liquidity and the lower the fair value.
Financial assets measured at FVTOCI					
Shares	1,504,594	1.Market approach	1.Market liquidity reduction	1.10%-19%	1.The higher the liquidity reduction and the lower of the fair value.
		2.Net asset value method	2.Market liquidity reduction	2.10%-19%	2.The higher the liquidity reduction and the lower of the fair value.
Bonds	766,713	1.Counterparty quote 2.Discounted cash flow method	Discount rate	0%-10%	The higher of the discount rate, and the lower of the fair value.
Derivative financial assets					
Financial assets measured at FVTPL					
Interest rate exchange	140,200	Discounted cash flow method	Discount rate	0%-10%	The higher of the discount rate, and the lower of the fair value.
Derivative financial liabilities					

Financial liabilities measured at FVTPL Sell options	37,829	Black-Scholes Model	Volatility	0%-15%	The higher of the volatility and the higher of the fair value.

5) Sensitivity analysis of alternative assumptions of Level 3 fair value measurements

The Bank reasonably measured the fair values of its financial instruments; however, using different valuation models, evaluation methods and underlying assumptions may lead to different results. For financial instruments classified as having Level 3 fair value measurements, if the parameters were to go up 1%, the influence on net income or other comprehensive income would be as follows:

December 31, 2018

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflected in Other Comprehensive Income	
	Favorable	**Unfavorable**	**Favorable**	**Unfavorable**
Assets				
Financial assets measured at FVTPL				
Financial assets mandatorily classified as at FVTPL	$ -	$ (3,920)	$ -	$ -
Financial assets measured at FVTOCI	-	-	15,046	(24,821)

December 31, 2017

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflected in Other Comprehensive Income	
	Favorable	**Unfavorable**	**Favorable**	**Unfavorable**
Assets				
Financial assets measured at FVTPL				
Held-for-trading financial assets	$ 19,351	$ (3,902)	$ -	$ -
Financial assets designated as at fair value	-	(1,530)	-	-
Available-for-sale financial assets	-	-	18,139	(29,708)
Liabilities				
Financial liabilities measured at FVTPL				
Held-for-trading financial liabilities	42	(19,351)	-	-

For financial instruments classified as having Level 3 fair value measurements, if the parameters were to go down 1%, the influence of net income or other comprehensive income would be as follows:

December 31, 2018

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflected in Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
Assets				
Financial assets measured at FVTPL				
Financial assets mandatorily classified as at FVTPL	$ 3,920	$ -	$ -	$ -
Financial assets measured at FVTOCI	-	-	24,821	(15,046)

December 31, 2017

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflected in Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
Assets				
Financial assets measured at FVTPL				
Held-for-trading financial assets	$ 17,772	$ (5,767)	$ -	$ -
Financial assets designated as at fair value	1,530	-	-	-
Available-for-sale financial assets	-	-	31,777	(18,139)
Liabilities				
Financial liabilities measured at FVTPL				
Held-for-trading financial liabilities	1,987	(17,772)	-	-

c. Financial risk management

1) Risk management

The Bank’s objective in risk management is to establish a risk control mechanism weighing the entire risk of the Bank, restrictions from laws and regulations, to diversify, transfer, and avoid risk, and to pursue the maximum benefits of the Bank’s customers, shareholders, and employees. The Bank’s major risks include credit risk, market risk (interest rate, exchange rate and equity securities), operational risk, liquidity risk and so on.

The Bank established written risk management policies and procedures that are considered and approved by the board of directors to identify, measure, monitor, and control the credit risk, market risk, operation risk and liquidity risk.

The Bank’s risk management department performs the Bank’s risk management activities pursuant to the policies approve by the board of directors. Risk management department works with other business departments in order to identify, evaluate, and avoid any financial risks. The board of directors formulates the written policies for risk management; the policy included specific exposures such as currency risk, interest rate risk, credit risk, derivative and non-derivative financial instruments. In addition, the department of internal audit is responsible for independent review of risk management and control environment.

2) Credit risks

Credit risk is the risk of counterparties' failure to fulfill their contractual obligations causing the Bank's financial losses. Both in-balance-sheet and off-balance-sheet items are exposed to credit risks. For the Bank's credit exposures, in-balance-sheet items mainly consisted of discounts and loans, credit card business, due from and call loans to banks, debt investments, and derivative instruments. Off-balance sheet items mainly consisted of financial guarantee, acceptances, letters of credit, loan commitments, and other services which also generate credit exposure.

To ensure that the credit risk is controlled within a tolerable range, the Bank established an internal standard for credit risk. In that standard, all transactions are analyzed whether in the banking book or in the trading book, and either in-balance-sheet or off-balance-sheet, to identify the inherent and potential risks. The Bank examines and confirms credit risk in accordance with the rules before launching new products and business. Furthermore, the Bank also establishes a risk management system for complicated credit business such as factoring, credit derivative financial instruments and so on.

The Bank's foreign operation units adopt policies and standards same as above to assess their asset quality and provision for contingent loss, and also include policies that comply with the regulations of the local financial supervisory commission.

a) Procedures of credit risk management

The major procedures and methods for credit risk management are as follows:

i. Credit business (including loan commitments and guarantees)

2018

a. The credit risk has increased significantly after original recognition

The Bank assesses the change in the risk of default over the expected duration of each type of credit asset on each reporting date in order to determine whether the credit risk has increased significantly since original recognition. For this assessment, the Bank's considerations (including forward-looking information) show that the credit risk has increased significantly since original recognition and can be corroborated. The main considerations include:

- Changes in internal and external credit ratings from the significant increase in credit risk.
- Information of overdue status (e.g. if the payment is overdue for more than 30 days).
- Unfavorable changes in current or projected operating, financial or economic conditions that are expected to result in significant changes in the ability of the debtor to perform its debt obligations.
- Significant changes in actual or expected results of the debtor's operations.
- The credit risk of other financial instruments of the same debtor has increased significantly.

b. The definition of default and credit impairment on financial assets

The Bank's definition of default on financial assets is the same as the judgment of credit impairment on financial assets. If one or more of the following conditions are met, the Bank determines that the financial assets have defaulted and have credit impairment:

- Changes in internal and external credit ratings from the significant increase in credit risk.

- Information of overdue status (e.g. if the payment is overdue for more than 90 days).

- The debtor has become bankrupt or may file for bankruptcy or financial restructuring.

- The debtor has died or been dissolved.

- Contracts of other debt instruments of the debtor have defaulted.

- The active market of the financial assets disappeared due to financial difficulties.

- The debtor's creditor gives the borrower a concession that would not have been considered due to economic or contractual reasons related to the debtor's financial difficulties.

- There is a purchase or initiation of financial assets at a significant discount reflecting that credit losses have occurred.

The aforementioned default and credit impairment definitions apply to all financial assets held by the Bank and are consistent with the definitions used for the internal credit risk management purposes of the financial assets and are applied to the relevant impairment assessment model.

c. Measurement of expected credit loss

For the objective of assessing expected credit loss, credit assets are classified according to the credit risk characteristics (such as the purpose of the borrowing, the nature of the industry, the type of collateral and the state of the borrowing) into two categories: corporate finance and personal finance. Further to this, the credit risk characteristics are divided according to each category.

The 12-month expected credit loss amounts of the Bank's financial instruments whose credit risk has not significantly increased since original recognition are used to measure the allowance loss of the financial instruments; for financial instruments whose credit risk has increased significantly or which have had credit impairment since original recognition, such financial instruments are measured at the amount of full-lifetime expected credit losses.

The estimation method and significant assumptions used to assess expected credit losses have not changed significantly since December 31, 2018.

d. Forward-looking information considerations

When measuring the expected credit losses, the Bank uses forward-looking economic factors that affect credit risk and takes such forward-looking information regarding expected credit losses into consideration. Based on professional economic judgment, the Bank uses statistical analysis results of GDP growth rate to provide forecast information of economic factors on a quarterly basis and re-evaluates such data on each financial reporting date.

2017

The classification of credit assets and credit quality levels are as follows:

a. Classification of credit assets

Credit assets are divided into accounts which are classified as normal accounts, accounts with notices, accounts with warnings, difficult accounts and uncollectible accounts according to the conditions of the credit assets and the length of time for which the accounts were overdue. The Bank compiles with the "Regulations Governing the Producers for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" and "Credit Asset Valuation Guidelines" to manage credit issues related to non-performing loans.

b. Credit quality rating

The Bank establishes a credit quality rating guide (either using internal rating models or credit rating table) based on the business characteristics, scale and other factors and uses it in its risk management.

In order to assess the corporate clients' credit risk, the Bank develops a credit rating model by using statistical methods or professional judgments and by considering clients' information. The model is reviewed regularly to determine whether the computation agrees to the actual situation, and makes adjustments to each parameter to optimize the calculation results.

For individual personal clients' credit loans and mortgage loans, internal credit rating model is used in the credit evaluation; other credits are assessed on a case by case basis.

The clients are assessed and ranked annually. In addition, to ensure the rationality of the credit rating system, the design, process and associated risk factors are reviewed and the models are evaluated based on the actual defaults on an annual basis.

ii. Due from and call loans to bank

The Bank assesses the credit position of counterparties and consults a credit rating agency for credit rating information and sets limits to the credit facilities.

iii. Debt investments and derivative financial instruments

For the credit risk management of debt investments, the Bank identifies credit risk by using information from external institutions about credit ratings, quality of debts, region, and the risk of counterparties.

Most of the Bank's counterparties in derivative transactions are assessed at higher than investment grade, and the Bank controls the investments according to counterparties' facilities (including call loans); counterparties that do not have credit ratings or are not assessed at investment grade are reviewed case by case. Counterparties which are non-financial or non-banking clients are assessed according to the general procedures for the approval of credit facilities and control of credit exposure situations of the counterparties.

b) Policies of credit risk hedging or mitigation

i. Collateral

The Bank applies series of policies to decrease credit risks in its lending business. Among those policies is to request collateral from creditors. To secure the creditor's rights, the Bank has established procedures for pledges, valuations, management, and disposals of collateral. The contracts between the Bank and the borrowers clearly state the protocols, including but not limited to the security of credit, procedures for collateral and for offsets. To further decrease credit risks, the contracts also proclaim that the Bank may decrease the credit facilities at its discretion, accelerate the maturity of the borrowings, demand immediate payback, or offset borrowers' assets in the Bank against the borrowings.

ii. Limitation of credit risk and credit concentration management

The credit policies of the Bank regulate the credit limitations, as applied to a single counterparty or group, to avoid excessive credit concentration. The Bank further implements concentration policies, which monitor and manage the credit limitation and concentration in one single counterparty, different enterprises, related parties, industries, and countries. The policies are based on individual criteria in different categories including but not limited to industries, enterprises, and share-pledge related loans.

iii. Other mechanisms for credit risk management

The contracts between the Bank and the borrowers clearly state the protocols, including but not limited to the security of the credit, procedures for collateral and setoff. To further decrease credit risks, the contracts also proclaim that the Bank may decrease the balances, shorten the maturity period, demand immediate payback, or use borrowers' assets in the Bank to offset their liabilities.

In most circumstances, the Bank applies gross settlement with counterparties. However, to further decrease credit risks, the Bank applies net settlement or even terminates transactions with certain counterparties when default may occur.

The table below analyzes the collateral held as security and other credit enhancements, and their financial effects in respect of the financial assets recognized in the Bank's balance sheet:

December 31, 2018

		Maximum Exposure to Credit Risk Mitigated by			
Financial instruments subject to IFRS 9 impairment requirements and credit impairment	Book Value	Collateral	Master Netting Arrangement	Other Credit Enhancement	Total
Receivables	$ 549,876	$ 1,008,403	$ -	$ 372,945	$ 1,381,348
Discounts and loans	2,187,356	475,288,449	-	60,280,795	535,569,244

December 31, 2017

	Maximum Exposure to Credit Risk Mitigated by			
	Collateral	Master Netting Arrangement	Other Credit Enhancements	Total
Receivables	$ 1,001,320	$ -	$ 325,008	$ 1,326,328
Discounts and loans	430,443,329	-	67,827,337	498,270,666
Held-for-trading financial assets - short-term securities	-	-	4,885,811	4,885,811
Available-for-sale financial assets - bonds	-	-	699,996	699,996

c) Credit risk exposures

The maximum exposure of the Bank's assets in the balance sheet is equivalent to the book value, while the pledged assets and other credit instruments are not considered. The off-balance sheet items related to the maximum credit exposure (without considering collateral or other credit enhancements and irrevocable maximum exposure) are as follows:

	December 31	
	2018	**2017**
Developed and non-cancelable loan commitments	$ 11,153,260	$ 13,858,240
Non-cancelable credit card commitments	706,663	723,940
Issued but unused letters of credit	6,455,777	8,100,576
Other guarantees	50,735,948	43,779,152

The Bank assessed that it could continually control and minimize credit risk exposure of off-balance sheet items because it adopts stricter procedures and regularly audits credit accounts.

The table of the total carrying amounts of the financial assets with the largest credit risk exposure in the Bank is as follows:

	December 31, 2018			
	12-Month ECLs	**Lifetime ECLs - Unimpaired**	**Lifetime ECLs - Impaired**	**Total**
Discounts and loans				
Consumer banking				
-Residential mortgage loans	$ 207,105,869	$ 2,361,531	$ 702,222	$ 210,169,622
-Small scale credit loans	1,395,565	10,306	17,516	1,423,387
-Others	24,558,709	137,867	121,047	24,817,623
Corporate banking				
-Secured	260,734,823	4,234,631	818,653	265,788,107
-Unsecured	184,959,698	3,837,886	527,918	189,325,502
Total	$ 678,754,664	$ 10,582,221	$ 2,187,356	$ 691,524,241
Accounts receivable (including non-performing credit card receivables)				
Credit cards	$ 1,812,520	$ 56,397	$ 67,133	$ 1,936,050
Others	6,563,957	189,980	482,743	7,236,680
Total	$ 8,376,477	$ 246,377	$ 549,876	$ 9,172,730
Debt instruments measured at fair value through other comprehensive income	$ 185,994,201	$ -	$ -	$ 185,994,201
Debt instruments investment measured at amortized cost	$ 96,598,293	$ -	$ -	$ 96,598,293

d) Information on concentration of credit risk

Concentration of credit risk exists if transaction counterparties are significantly concentrated on same individuals or groups engaged in activities with similar economic characteristics, which may lead their ability to fulfill contractual obligations being affected by similar changes in economic or other conditions.

Concentration of credit risk can be on assets, liabilities or off-balance sheet items and can arise in the course of the enforcement and implementation of transactions (regardless of products or service) or in the combination of exposures across categories, including credit, due from and call loans to banks, marketable securities, receivables and derivatives, etc. The Bank maintains a diversified loan portfolio to mitigate the credit risk concentration to same customers; total discounts and loans transactions with same customers and non-performing loans are not material. The Bank's most significant concentrations of credit risk of discounts and loans and non-performing loans by industry, region, and collateral were summarized as follows:

i. Industry

Sector	December 31 2018 Amount	2018 % to Total	2017 Amount	2017 % to Total
Private sector	$ 402,457,744	58	$ 397,144,365	62
Consumer	269,301,864	39	232,958,879	36
Financial institution	15,202,674	2	3,780,626	1
Others	4,561,959	1	5,566,414	1
	$ 691,524,241	100	$ 639,450,284	100

ii. Region

Region	December 31 2018 Amount	2018 % to Total	2017 Amount	2017 % to Total
Taiwan	$ 586,900,101	85	$ 540,073,011	84
Asia Pacific except Taiwan	90,530,536	13	86,884,052	14
Others	14,093,604	2	12,493,221	2
	$ 691,524,241	100	$ 639,450,284	100

iii. Collateral

Collaterals Assumed	December 31 2018 Amount	2018 % to Total	2017 Amount	2017 % to Total
Unsecured	$ 150,614,006	22	$ 143,999,487	23
Secured				
Properties	433,709,678	62	386,510,976	60
Guarantee	57,973,177	8	65,653,220	10
Financial collateral	25,350,156	4	21,152,050	3
Movable properties	4,820,936	1	5,083,199	1
Other collaterals	19,056,288	3	17,051,352	3
	$ 691,524,241	100	$ 639,450,284	100

e) Information on credit risk quality

Part of the financial assets held by the Bank, cash and cash equivalents, financial assets at fair value through profit or loss, investments in bills and bonds with resale agreements, guarantee deposits paid, security businesses, clearing and settlement funds, etc. are assessed to have very low credit risk because the counterparties have good credit ratings.

In addition to the above, the credit analysis of the remaining financial assets is as follows:

i. Credit quality analysis of discounts and loans and receivables

December 31, 2017	Neither Past Due Nor Impaired				Overdue but Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Allowance for Impairment (D)		Net Amount (A)+(B)+(C)-(D)
	Strong	Moderate	Special Mention	Subtotal (A)				Objective Evidence of Impairment	No Objective Evidence of Impairment	
Receivables										
Credit cards	$ 1,138,410	$ 590,339	$ 68,632	$ 1,797,381	$ 43,898	$ 61,895	$ 1,903,174	$ 54,761	$ 153,871	$ 1,694,542
Others	2,646,780	2,834,591	54,729	5,536,100	25,604	172,461	5,734,165	94,985	141,565	5,497,615
Discounts and loans	399,724,446	171,189,472	54,047,553	624,961,471	7,328,708	7,160,105	639,450,284	2,231,706	6,961,871	630,256,707

ii. Credit quality analysis of discounts and loans that are neither past due nor impaired

December 31, 2017	Neither Past Due Nor Impaired			
	Strong	Moderate	Special Mentioned	Total
Consumer banking				
Housing mortgages	$ 170,702,780	$ 4,684,742	$ 55,095	$ 175,442,617
Credit loans	1,027,455	85,683	1,753	1,114,891
Others	21,014,231	666,962	1,947	21,683,140
Corporate banking				
Secured	95,742,767	114,509,786	38,355,788	248,608,341
Unsecured	111,237,213	51,242,299	15,632,970	178,112,482
Total	$ 399,724,446	$ 171,189,472	$ 54,047,553	$ 624,961,471

iii. The delay in the borrowers' processing and other administrative reasons may result in the past due but not impaired financial assets. According to the Bank's internal risk management standards, financial assets that are overdue for 90 days are generally not considered to be impaired unless there is other evidence indicating that this is not the case.

The aging analysis of past due but not impaired financial assets is as follows:

Items	December 31, 2017		
	Overdue less than one Month	Overdue 1-3 Month	Total
Receivables			
Credit cards	$ 40,542	$ 3,356	$ 43,898
Others	19,676	5,928	25,604
Discounts and loans			
Consumer banking			
Housing mortgages	1,799,140	1,044,229	2,843,369
Credit loans	8,429	5,906	14,335
Others	82,106	118,582	200,688
Corporate banking			
Secured	1,787,503	1,277,217	3,064,720
Unsecured	703,021	502,575	1,205,596

iv. Credit quality analysis of security investment

December 31, 2017	Neither Past Due Nor Impaired						Past Due but Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Allowance for Impairment (D)	Net Amount (A)+(B)+ (C)-(D)
	Excellent	Good	Moderate	Substandard	Unrated	Subtotal (A)					
Available-for-sale financial assets											
Bonds	$ 47,220,435	$ 20,579,999	$ 36,765,613	$ 12,404,846	$ 1,527,753	$ 118,498,646	$ -	$ -	$ 118,498,646	$ -	$ 118,498,646
Shares	4,071	-	-	-	3,562,671	3,566,742	-	-	3,566,742	-	3,566,742
Bills	2,987,553	-	24,773,729	-	-	27,761,282	-	-	27,761,282	-	27,761,282
Others	-	-	-	-	3,585,605	3,585,605	-	-	3,585,605	-	3,585,605
Held-to-maturity financial assets											
Bonds	3,004,646	1,375,887	264,400	-	-	4,644,933	-	-	4,644,933	-	4,644,933
Bills	98,800,000	-	-	-	-	98,800,000	-	-	98,800,000	-	98,800,000
Financial assets at FVTPL											
Bonds	-	-	260,218	-	445,200	705,418	-	-	705,418	-	705,418

3) Market risk

a) The sources and definition of market risk

Market risk is the risk resulting from changes in fair value and future cash flows of on- and off-balance-sheet financial instruments caused by changes in market prices, interest rates, foreign exchange rate, including equity securities price and commodity price. Changes in above risk elements can cause risks to shift the net profit of the Bank or its investment structures.

The Bank's financial instruments are exposed to price, interest rate and foreign exchange rate risks. Major market price risk positions of equity securities include domestic listed shares and funds. Major interest risks include bonds and interest rate derivative instruments such as fixed and floating interest rate swap and bond options whereas the major foreign exchange risks include foreign currency positions held by the Bank.

b) Market risk management policies

The Bank monitors its market risk and tolerable loss according to the risk management objectives and limits approved by the board of directors.

The Bank also builds a market risk information system, which enables the Bank to effectively monitor the management of the investment limits, assessment of gains and losses, and analysis of sensitivity factors. The results of the monitoring, assessment and analysis are reported to the board of directors in risk control meetings and serve as references for the decision making of the management.

The Bank splits market risk exposures into trading and held-for-fixed-income portfolios which are controlled by both the Bank's operation and risk management section. Routine control reports are reviewed by the board of directors and relevant committees.

c) Market risk management process

i. Recognition and measurement

The Bank's operation and risk management sections both identify market risk factors of exposure positions, which are used to measure market risks. Market risk factors include interest rates, foreign exchange rates and market price of equity securities, and exposures, gains and losses and sensitivity (PVO1, Delta, Beta) etc. Measurement of investment portfolio is affected by interest rate risk, foreign exchange risk and price of equity securities.

ii. Monitoring and reporting

The Bank's risk management department regularly reviews market risk management objective, positions and control of gains and losses, sensitivity analysis and pressure test and reports to the board of directors. Therefore, the board of directors could well understand market risk control. The Bank has established explicit notification process, the limit and stop-loss regulation for various transactions. Stop-loss order must be taken when the limit is reached, otherwise the trading department's reasons and plans must be approved by the management, and the department should report to relevant committee regularly.

d) Interest rate management policies

i. Definition of interest rate risk

Interest rate risk represents risks of changes in fair value of investment portfolio and loss in earnings resulting from changes in interest rates. Major products include interest rate-related financial securities and derivative instruments.

ii. Purpose of interest risk management

Interest rate risk management enhances the Bank's ability to deal with a contingency, to measure, manage and avoid negative influence on earnings and economic values of balance sheet items affected by the changes in interest rates. In addition, it enhances the efficiency of capital and the business management.

iii. Procedures of interest risk management

The Bank carefully chooses investment target through conducting research about issuers' credit, financial status, country risks and interest rate trend. The Bank also establishes trading amount limit and stop-loss limit including limit for trading department, trading personnel and trading commodity, etc. which are approved by top management and the board of directors.

The Bank identifies re-pricing risk of interest rate and yield curve risk and measures possible effects on the Bank's earnings and economic values of changes in interest rate. On a monthly basis, the Bank reports the analysis and monitoring of limit on interest rate risk position and various interest rate management objectives to the Strategy Management Committee and the board of directors.

Report to the Strategy Management Committee is required when certain risk management objective has exceeded limit in order to resolve response action.

iv. Measurement methods

The Bank measures risks of price reset periods gap from difference in maturity date and price reset date of assets, liabilities, and off-balance sheet items. The Bank also established interest rate sensitivity monitoring index for major periods in order to maintain long-term profitability and business growth. Such interest rate indexes and results of pressure test are reviewed by management personnel regularly. In addition, the Bank regularly uses DV01 to measure portfolio affected by interest rate.

e) Foreign exchange rate risk management

i. Definition of foreign exchange risk

Foreign exchange risk means losses resulting from currencies exchange at different times. The Bank's foreign exchange rate risk results mainly from spot and forward foreign exchange. The Bank's foreign exchange rate risk is relatively insignificant due to the fact that transactions are basically settled immediately on transaction date.

ii. Policies, procedures and measurement method for foreign exchange rate risk management

In order to control foreign exchange rate risk within tolerable range, the Bank has established trading limit, stop-loss limit and maximum loss for trading department and trading personnel and the risk is controlled within the tolerable range.

The Bank undertakes pressure test on a seasonal basis and uses 3% fluctuation in major foreign exchange rate (USD) as the sensitivity threshold and reports test results to the board of directors.

f) Equity securities price risk management

i. Definition of equity securities price risk

The market risk of equity securities held by the Bank includes individual and general risk from price fluctuations of both individual equity security and the entire equity security market.

ii. Purpose of equity security price risk management

The main purpose of equity security price risk management is to prevent financial status from deteriorating and to avoid decrease in earnings due to violent fluctuation in equity security prices, and to enhance capital efficiency and strengthen operation.

iii. Procedures of equity security price risk management

The Bank regularly uses β value to measure the degree of influence on investment portfolio system risk. Stop-loss point is set according to the policy approved by the Assets and Liabilities Management Committee. Stop-loss action must be taken when limit is reached, otherwise the investment department must submit request to top management personnel for approval.

iv. Measurement method

The Bank's control of security price risk is based on risk values.

g) Market valuation technique

The Bank assesses its exposures to market risk and the anticipated loss under market pressures by using assumptions on changes in several market conditions. Limits of various financial instruments are set by the board of directors and monitored by its risk management department. The Bank also establishes sensitivity analysis based on major risk factors of various financial products in order to monitor the changes in various market risk factors of financial products.

i. Sensitivity analysis

i) Interest rate risk

The Bank has assessed the possible impact on income if global yield curve moves between -1 to +1 base points simultaneously on December 31, 2018 and 2017.

ii) Foreign exchange rate risk

The Bank assesses the possible impact on income when exchange rates of NTD against various currencies fluctuate between -1% and +1% while other factors remain unchanged.

iii) Equity securities price risk

The Bank has assessed the possible impact on income when equity security prices on December 31, 2018 and 2017 rise or fall by 1% while other factors remain unchanged.

The analysis assumed that the trends of equity instruments are consistent with historical data.

ii. Sensitivity analysis is summarized as follows:

December 31,2018			
Major Risk	Fluctuation Range	Amount	
		Equity	Profit or Loss
Foreign exchange risk	Foreign currency appreciated 1% against NTD	$ 656,270	$ 2,292
	Foreign currency depreciated 1% against NTD	(656,270)	(2,292)
Interest rate risk	Interest rate curve edged up by 1bp	(39,504)	(16)
	Interest rate curve edged down by 1bp	39,504	16
Equity price risk	Equity price appreciated 1%	11,450	11,874
	Equity price depreciated 1%	(11,450)	(11,874)

December 31,2017			
Major Risk	Fluctuation Range	Amount	
		Equity	Profit or Loss
Foreign exchange risk	Foreign currency appreciated 1% against NTD	$ 586,018	$ 9,901
	Foreign currency depreciated 1% 1against NTD	(586,018)	(9,901)
Interest rate risk	Interest rate curve edged up by 1bp	(32,030)	(340)
	Interest rate curve edged down by 1bp	32,030	340
Equity price risk	Equity price appreciated 1%	28,014	18
	Equity price depreciated 1%	(28,014)	(18)

4) Liquidity risk

a) The sources and definition of liquidity risk

Liquidity risk is the possibility that the Bank is unable to liquidate assets or obtain financing to fulfill matured financial liabilities which may result in financial loss. Liquidity risk may be present when, for example, deposits are withdrawn in advance of the original date of settlement, the market becomes worse and borrowing from other banks becomes difficult, the clients' credit deteriorates leading to the occurrence of defaults, liquidation of financial instruments becomes difficult, early redemption of interest-sensitive instruments happens, etc. The aforementioned factors may reduce cash balance to be used in the areas of loans, trading, and investment. In some extreme circumstances, the lack of liquidity may lead to the decrease in the overall assets and liabilities, and the need to liquidate the Bank's assets and the possibility of being unable to fulfill loan commitments. Liquidity risks include inherent risks that may be affected by some specific industry events or overall market condition. These events include but are not limited to credit, merger and acquisitions, systemic breakdown and natural disasters.

b) The management policies are as follows:

The management procedures are monitored by the independent department of risk management; the procedures are as follows:

i. Regular financing and monitoring of cash flows to ensure the fulfillment of the requirements in the future.

ii. Maintaining appropriate position of high liquidity assets which are easily realizable.

iii. Monitoring of liquidity ratios of the balance sheet accounts according to the internal management purposes and external monitoring rules.

iv. Managing the maturity date of debt instruments.

The procedures for monitoring and reporting liquidity risk are applied and measured based on the estimated cash flows (the time gap is based on how the Bank manages the liquidity risk) of 1 day, 10 days, and 1 month. Estimates of future cash flows are based on the maturity analysis of financial assets and liabilities. The risk management department also monitors the use of loan commitment, discount facilities, guarantee letters, and other types of contingent liabilities, and furthermore reports the related information to the risk management committee and the board of directors regularly.

The Bank holds certain position of highly liquid interest bearing assets to fulfill its obligation and for future needs. To manage the liquidity risk, the Bank holds the following assets: Cash and cash equivalents, due from the Central Bank and banks, and financial assets at fair value through profit or loss, etc.

c) Maturity analysis

The Bank analyzed cash outflows of non-derivative financial liabilities according to the remaining terms from date of the balance sheet to maturity date of the contract. The disclosure of cash outflows of non-derivative financial liabilities is based on the cash flows of contracts so that the items could not correspond with all items in the balance sheet.

December 31, 2018	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Due to the Central Bank and banks	$ 7,722,132	$ 6,656,971	$ 919,329	$ 1,175,322	$ -	$ 16,473,754
Financial liabilities measured at FVTPL	-	-	-	-	2,250,590	2,250,590
Securities sold under repurchase agreements	10,835,957	3,010,998	219,247	563,328	-	14,629,530
Payables	21,535,768	241,050	291,180	117,850	18,535	22,204,383
Deposits and remittances	485,753,542	158,107,177	94,327,102	166,555,038	7,121,071	911,863,930
Bank debentures	-	-	5,000,000	5,300,000	46,850,000	57,150,000
Other financial liabilities	2,188,907	-	1,504,200	-	-	3,693,107

December 31, 2017	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Due to the Central Bank and banks	$ 2,512,294	$ 3,200,893	$ 780,019	$ 1,838,630	$ -	$ 8,331,836
Securities sold under repurchase agreements	23,183,519	6,461,947	135,398	11,203	-	29,792,067
Payables	20,084,266	180,692	222,513	73,886	89	20,561,446
Deposits and remittances	491,859,956	170,933,202	79,488,589	100,356,686	7,516,668	850,155,101
Bank debentures	-	-	-	-	45,150,000	45,150,000
Other financial liabilities	2,077,200	-	971,217	-	-	3,048,417

The Bank evaluated the contractual maturity date to comprehend all derivative financial instruments on the balance sheet. Because the maturity analysis of derivative financial liabilities is based on the contractual cash flows, the amounts would not correspond with related items on the balance sheet. Maturity analysis of derivative financial liabilities is as follows:

i. Derivative financial liabilities in net settlement

December 31, 2018	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial liabilities measured at FVTPL						
Foreign exchange derivatives	$ 18,491	$ 15,649	$ 13,939	$ 22,881	$ 745	$ 71,705
Rate derivatives	20	-	28,638		9,191	37,849
Equity securities derivatives	116	-	-	-	-	116

December 31, 2017	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives	$ 65,149	$ 38,509	$ 21,863	$ 14,572	$ -	$ 140,093
Rate derivatives	2,781	1,115	-	1,411	21,888	27,195

ii. Derivative financial liabilities in total settlement

December 31, 2018	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial liabilities measure at FVTPL						
Foreign exchange derivatives						
Cash inflow	$ 11,578,268	$ 14,000,994	$ 7,170,326	$ 2,750,125	$ -	$ 35,499,713
Cash outflow	11,773,264	14,258,079	7,480,181	2,857,210	-	36,368,734

December 31, 2017	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial liabilities at FVTPL						
Foreign exchange derivatives						
Cash inflow	$ 11,574,994	$ 2,175,167	$ 767,805	$ 1,285,641	$ -	$ 15,803,607
Cash outflow	11,775,128	2,204,761	782,456	1,341,156	-	16,103,501

The analysis of cash outflows of off-balance-sheet items is illustrated according to the remaining terms from date of the balance sheet to maturity date of the contract. For financial guarantee contracts, the largest amount is categorized under the nearest time-zone of being asked to fulfill the guarantees. The disclosure of cash outflows of off-balance-sheet items is based on the cash flows of contracts so that part items could not correspond with all items in the balance sheet.

December 31, 2018	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Developed and non-cancelable loan commitments	$ 465,281	$ 223,918	$ 507,914	$ 1,285,234	$ 8,670,913	$ 11,153,260
Non-cancelable credit card commitments	68,122	136,174	204,296	298,071	-	706,663
Issued but unused letters of credit	2,864,716	3,012,705	442,615	118,119	17,622	6,455,777
Other guarantees	11,584,484	9,746,310	4,974,115	10,331,534	14,099,505	50,735,948

December 31, 2017	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Developed and non-cancelable loan commitments	$ 462,269	$ 545,745	$ 785,050	$ 1,160,470	$ 10,904,706	$ 13,858,240
Non-cancelable credit card commitments	69,788	139,503	209,291	305,358	-	723,940
Issued but unused letters of credit	3,104,447	3,923,988	715,471	271,530	85,140	8,100,576
Other guarantees	5,004,188	8,793,636	5,794,198	8,510,093	15,677,037	43,779,152

d. Transfer of financial assets

In the daily transactions of the Bank, most of the transferred financial assets not eligible for full derecognition are repurchase notes and bonds. The cash flows of the transactions have been transferred to outsiders and the liabilities for repurchasing the transferred financial assets in a fixed amount have been recognized; the Bank may repurchase the transferred financial assets in the future. The Bank is not eligible to conduct, sell, or pledge the transferred financial assets during the effective period prior to derecognition. However, the Bank is still exposed to the interest risks and credit risks. As a result, the transferred financial assets are not derecognized. The following tables show the transferred financial assets do not qualified for derecognition and related financial liabilities.

December 31, 2018

Type of Financial Assets	The Book Value of Financial Assets Transferred	The Book Value of Related Financial Liabilities	The Fair Value of Financial Assets Transferred	The Fair Value of Related Financial Liabilities	Net Amount
Available-for-sale financial assets - purchased call options	$ 14,605,863	$ 14,629,530	$ 14,605,863	$ 14,629,530	$ (23,667)

December 31, 2017

Type of Financial Assets	The Book Value of Financial Assets Transferred	The Book Value of Related Financial Liabilities	The Fair Value of Financial Assets Transferred	The Fair Value of Related Financial Liabilities	Net Amount
Available-for-sale financial assets - purchased call options	$ 29,738,732	$ 29,792,067	$ 29,738,732	$ 29,792,067	$ (53,335)

39. AVERAGE AMOUNT AND AVERAGE INTEREST RATE OF INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES

Average amount and average interest rate of interest-earning assets and interest-bearing liabilities that are affected by interest rate fluctuations were as follows:

Average balances were calculated by the daily average balances of interest-earning assets and interest-bearing liabilities.

a. The Bank

	For Year Ended December 31, 2018	
	Average Balance	Average Rate (%)
Interest-earning assets		
Cash and cash equivalents - due from other banks	$ 15,967,582	1.11
Due from the Central Bank and call loans to banks	96,912,415	1.09
Financial assets measured at FVTPL	20,971	0.94
Securities purchased under resale agreements	149,578	1.17
Credit card revolving balances	671,432	13.67
Discounts and loans (excluding non-performing loans)	662,857,612	2.37
Financial assets measured at FVTOCI – debt instrument investment	172,775,047	1.57
Financial assets measured at amortized cost	97,018,014	0.58
Bills purchased	2,276	2.00
Other financial assets – due from other banks (time deposits with an original maturity date of more than three months)	2,461,140	1.12
Interest-bearing liabilities		
Due to the Central Bank and banks	$ 17,614,950	1.78
Financial liabilities measured at FVTPL	376,596	4.89
Securities sold under repurchase agreements	28,753,372	0.36
Negotiable certificates of deposits	13,735,056	0.55
Demand deposits	210,324,230	0.23
Savings deposits	134,649,679	0.31
Time deposits	374,292,689	1.10
Time-savings	136,213,709	1.03
Bank debentures	48,165,233	1.63
Structured deposit instruments principal	2,876,124	2.42

	For Year Ended December 31, 2017	
	Average Balance	Average Rate (%)
Interest-earning assets		
Cash and cash equivalents - due from other banks	$ 14,197,759	0.39
Due from the Central Bank and call loans to banks	86,322,902	0.94
Financial assets measured at FVTPL	2,390,672	1.60
Securities purchased under resale agreements	94,808	0.32
Credit card revolving balances	692,383	12.83
Discounts and loans (excluding non-performing loans)	611,856,214	2.23
Available-for-sale financial assets	157,259,879	1.56
Held-to-maturity financial assets	80,709,990	0.56
Bills purchased	3,901	2.44
Interest-bearing liabilities		
Due to the Central Bank and banks	12,435,877	1.67
Securities sold under repurchase agreements	24,878,497	0.34
Negotiable certificates of deposits	6,277,153	0.48

	For Year Ended December 31, 2017	
	Average Balance	Average Rate (%)
Demand deposits	222,297,456	0.14
Savings deposits	130,647,358	0.31
Time deposits	312,626,818	0.88
Time-savings	134,171,025	1.03
Bank debentures	40,991,398	1.64
Structured deposit instruments principal	1,894,661	1.41

40. CAPITAL MANAGEMENT

All the Bank's risks were included in the scope of assessment of capital adequacy according to "Regulations Governing the Capital Adequacy". The business objectives and project budget are approved by the board of directors, and furthermore the Bank considered the development strategy, capital adequacy, debt ratio, and dividend policy in its assessments. The contents are included in stress test, estimate of capital adequacy ratio to ensure achieving the objective of capital adequacy and strengthening of the capital structure.

The Banking Act and related measures stipulate that in order to improve the financial foundation of a bank, the ratio of the Bank's own capital to the risky assets shall not be less than 9.25% in 2017 and not less than 9.875% in 2018; where the actual ratio is lower than the prescribed standard, the authorities may impose limit on its capital surplus distribution.

The following table which lists the equity capital, risk-weighted assets, and risk exposure is prepared according to the "Regulations Governing the Capital Adequacy and Capital Category of Banks" that was modified by the Financial Supervisory Commission of the ROC (Taiwan) (Ref. No. 10200362920) on January 9, 2014.

The Bank conformed to the regulation on capital management as of December 31, 2018 and 2017.

	December 31	
	2018	2017
Analysis items		
Eligible capital		
Common equity	$ 108,950,004	$ 96,267,310
Other Tier I capital	-	-
Tier II capital	6,428,641	9,416,196
Eligible capital	$ 115,378,645	$105,683,506
Risk-weighted assets		
Credit risk		
Standardized approach	$ 735,843,008	$684,131,737
Credit valuation adjustment	44,419	52,918
Internal rating based approach	N/A	N/A
Synthetic securitization	109,717	128,727
Operational risk		
Basic indicator approach	39,612,469	37,712,634
Standardized approach /alternative standardized approach	N/A	N/A

	December 31	
	2018	2017

Advanced measurement approach	N/A	N/A
Market risk		
Standardized approach	$ 25,188,620	$ 24,654,615
Internal models approach	N/A	N/A
Total risk-weighted assets	$ 800,798,233	$746,680,631
Capital adequacy ratio	14.41%	14.15%
Ratio of common equity to risk-weighted assets	13.61%	12.89%
Ratio of Tier I capital to risk-weighted assets	13.61%	12.89%
Leverage ratio	8.95%	8.49%

Note 1: Eligible capital and risk-weighted assets are calculated under the "Regulations Governing the Capital Adequacy Ratio of Banks" and "Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks".

Note 2: Formulas used were as follows:

1) Eligible capital = Ordinary equity + Other Tier I capital + Tier II capital.

2) Total risk-weighted assets = Risk-weighted assets for credit risk + Capital requirements for operational risk and market risk × 12.5.

3) Capital adequacy ratio = Eligible capital ÷ Total risk-weighted assets.

4) Ratio of ordinary equity to risk-weighted assets = Ordinary equity ÷ Total risk-weighted assets.

5) Ratio of Tier I capital to risk-weighted assets = (Ordinary equity + Other Tier I capital) ÷ Total risk-weighted assets.

6) Leverage ratio = Net value of tier I capital ÷ Net value of exposure measurement

41. ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND MATURITY ANALYSIS OF ASSETS AND LIABILITIES

a. Assets quality: As stated in Table 1

b. Concentration of credit risks

Top 10 credit extensions information of head office was as below:

Ranking (Note 1)	December 31, 2018		
	Categorized by Sector (Note 2)	Credit Amount (Note 3)	Ratio of Credit Amount (%)
1	A Group (real-estate selling and leasing)	5,733,267	4.37%
2	B Group (general management agency)	5,385,673	4.11%
3	C Group (chemical material and wholesale of chemical products)	5,298,681	4.04%
4	D Group (computer manufacturing)	4,666,708	3.56%
5	E Group (metallic furniture manufacturing)	4,599,252	3.51%
6	F Group (computer manufacturing)	4,343,939	3.31%
7	G Group (wiring and cable system manufacturing)	4,138,604	3.16%
8	H Group (apparel manufacturing)	3,697,879	2.82%
9	I Group (integrated circuit manufacturing)	3,510,792	2.68%
10	J Group (retail industry via e-shopping and mail order)	3,104,632	2.37%

Ranking (Note 1)	December 31, 2017		
	Categorized by Sector (Note 2)	Credit Amount (Note 3)	Ratio of Credit Amount (%)
1	A Group (real-estate activities for sale and rental with own or leased property)	6,984,188	5.71%
2	B Group (general management agency)	6,047,732	4.94%
3	H Group (apparel manufacturing)	4,384,764	3.58%
4	F Group (computer manufacturing)	4,197,543	3.43%
5	E Group (metallic furniture manufacturing)	3,892,169	3.18%
6	C Group (chemical material and wholesale of chemical products)	3,510,810	2.87%
7	D Group (computer manufacturing)	3,507,761	2.87%
8	K Group (television program design and broadcasting)	3,329,000	2.72%
9	G Group (wiring and cable system manufacturing)	3,305,735	2.70%
10	L Group (packaging and testing of semi-conductors)	3,000,000	2.45%

Note 1: The top 10 credit extensions ranking is made by total credit balance, which excluded government-owned or state-run enterprises. If the borrower is an affiliate of a group enterprise, the credit balance of the borrower is then aggregated to the Bank enterprise's credit balance. The borrower is marked by specific codes as well as its major industry. The major industry of a borrower is determined by its maximum exposures by industries. The classification of industry should be in line with the Standard Industrial Classification System of the Republic of China published by the Directorate-general of Budget, Accounting and Statistics under the Executive Yuan.

Note 2: "Group Enterprise" conforms to the definition of Article 6 in "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings."

Note 3: Credit balance includes each item of loan (including import bill negotiated, export bill negotiated, discounts, overdrafts, short-term loans, short-term secured loans, marginal receivables, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans and non-performing loans), exchange bills negotiated, accounts receivable - without recourse factoring, acceptances receivable and grantees issued.

b. Interest rate sensitivity information

Interest Rate Sensitivity Analysis
December 31, 2018

(In NT$ Thousands)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate sensitive assets	$ 658,897,092	$ 10,687,289	$ 21,063,226	$ 73,929,131	$ 764,576,738
Interest rate sensitive liabilities	268,452,452	269,005,348	110,353,743	50,524,038	698,335,581
Interest rate sensitivity gap	390,444,640	(258,318,059)	(89,290,517)	23,405,093	66,241,157
Net equity					131,155,947
Ratio of interest rate sensitive assets to liabilities					109.49%
Ratio of interest rate sensitivity gap to net equity					50.51%

Interest Rate Sensitivity Analysis
December 31, 2017

(In NT$ Thousands)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to 1 Year (Included)	Over 1 Year	Total
Interest rate sensitive assets	$ 627,377,467	$ 14,326,046	$ 11,897,066	$ 54,654,693	$ 708,255,272
Interest rate sensitive liabilities	291,462,340	246,518,755	53,969,888	49,696,224	641,647,207
Interest rate sensitivity gap	335,915,127	(232,192,709)	(42,072,822)	4,958,469	66,608,065
Net equity					122,409,799
Ratio of interest rate sensitive assets to liabilities					110.38%
Ratio of interest rate sensitivity gap to net equity					54.41%

Note 1: The tables above refer only to the financial assets/liabilities denominated in N.T. dollars held by the whole bank, contingent assets and liabilities excluded.

Note 2: Interest rate-sensitive assets/liabilities refer to financial assets/liabilities which returns are driven by interest rate fluctuations.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities. (The interest rate-sensitive assets and liabilities are in New Taiwan dollars).

Interest Rate Sensitivity Analysis
December 31, 2018

(In US$ Thousands)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate sensitive assets	$ 5,539,454	$ 88,961	$ 78,232	$ 1,571,322	$ 7,277,969
Interest rate sensitive liabilities	2,707,616	3,976,449	687,813	70,530	7,442,408
Interest rate sensitivity gap	2,831,838	(3,887,488)	(609,581)	1,500,792	(164,439)
Net equity					4,266,899
Ratio of Interest rate sensitive assets to liabilities					97.79%
Ratio of interest rate sensitivity gap to net equity					(3.85%)

Interest Rate Sensitivity Analysis
December 31, 2017

(In US$ Thousands)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate sensitive assets	$ 5,801,590	$ 87,900	$ 84,393	$ 1,479,082	$ 7,452,965
Interest rate sensitive liabilities	2,279,237	4,695,896	508,088	37	7,483,258
Interest rate sensitivity gap	3,522,353	(4,607,996)	(423,695)	1,479,045	(30,293)
Net equity					4,124,319
Ratio of Interest rate sensitive assets to liabilities					99.60%
Ratio of interest rate sensitivity gap to net equity					(0.73%)

Note 1: The tables above refer only to the financial assets/liabilities denominated in U.S. dollars held by the whole bank, contingent assets and liabilities excluded.

Note 2: Interest rate-sensitive assets/liabilities refer to financial assets/liabilities which returns are driven by interest rate fluctuations.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities. (The interest rate-sensitive assets and liabilities are in U.S. dollars).

d. Profitability

Items		December 31, 2018	December 31, 2017
Return on total assets	Before income tax	1.39%	1.37%
	After income tax	1.21%	1.18%
Return on equity	Before income tax	12.41%	11.88%
	After income tax	10.82%	10.21%
Profit margin		59.35%	57.40%

Note 1: Return on total assets = Income before (after) income tax ÷ Average total assets.

Note 2: Return on equity = Income before (after) income tax ÷ Average equity.

Note 3: Profit margin = Income after income tax ÷ Total net revenue.

Note 4: Income before (after) income tax represents income for the year.

e. Maturity analysis of assets and liabilities

1) New Taiwan dollars (thousands)

	Total	December 31, 2018 by remaining period to maturity date					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow at maturity	$ 805,209,799	$ 59,741,653	$ 82,353,990	$ 73,963,411	$ 64,700,918	$ 120,714,817	$ 403,735,010
Major cash outflow at maturity	1,025,382,416	41,194,433	80,712,801	165,681,308	139,229,021	261,357,144	337,207,709
Gap	(220,172,617)	18,547,220	1,641,189	(91,717,897)	(74,528,103)	(140,642,327)	66,527,301

	Total	December 31, 2017 by remaining period to maturity date					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow at maturity	$ 751,174,401	$ 114,610,130	$ 66,158,634	$ 49,422,567	$ 64,503,870	$ 96,215,751	$ 360,263,449
Major cash outflow at maturity	959,707,096	58,321,271	96,136,710	177,362,153	122,944,382	188,435,899	316,506,681
Gap	(208,532,695)	56,288,859	(29,978,076)	(127,939,586)	(58,440,512)	(92,220,148)	43,756,768

Note: This table includes only financial assets/liabilities denominated in New Taiwan dollars held by the head office and domestic branches.

2) U.S. dollars (thousands)

	Total	December 31, 2018 by remaining period to maturity date				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow at maturity	$ 19,753,818	$ 1,671,324	$ 888,960	$ 969,044	$ 5,444,378	$ 10,780,112
Major cash outflow at maturity	23,053,481	2,132,552	1,573,116	2,199,215	4,426,529	12,722,069
Gap	(3,299,663)	(461,228)	(684,156)	(1,230,171)	1,017,849	(1,941,957)

	Total	December 31, 2017 by remaining period to maturity date				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow at maturity	$ 9,725,056	$ 1,317,963	$ 1,076,952	$ 1,028,980	$ 1,017,016	$ 5,284,145
Major cash outflow at maturity	12,733,460	2,145,987	1,840,395	1,602,570	2,383,892	4,760,616
Gap	(3,008,404)	(828,024)	(763,443)	(573,590)	(1,366,876)	523,529

Note: This table includes only financial assets/liabilities denominated in U.S. dollars held by the head office, domestic branches and OBU.

42. THE CONTENTS AND AMOUNTS OF TRUST ACTIVITIES BY PROCESSING TRUST ENTERPRISE ACT

The trust account balance sheets, income statements and the details of trust assets are as follows:

Balance Sheet of Trust Account

Trust Assets	December 31, 2018	December 31, 2017	Trust Liabilities	December 31, 2018	December 31, 2017
Bank deposit	$ 2,674,179	$ 1,941,919	Account payables	$ 196	$ 201
Short-term investments	81,749,855	76,465,160	Depository of security payable	57,599,477	47,209,686
Net asset value of collective investment trust fund	2,854,520	2,061,025	Trust capital	106,676,741	110,708,014
Account receivable	1,966	13,974	Accumulated loss and equity	(420)	(16,386,744)
Land	18,269,878	12,314,494			
Buildings and improvement, net	210,482	177,267			
Construction in progress	861,566	1,286,794			
Depository of security	57,599,477	47,209,686			
Other assets	54,071	60,838			
Total trust assets	$ 164,275,994	$ 141,531,157	Total trust liabilities	$ 164,275,994	$ 141,531,157

Trust Asset Lists

	December 31 2018	December 31 2017
Cash in banks	$ 2,674,179	$ 1,941,919
Short-term investment		
Funds	60,062,308	57,319,104
Bonds	18,904,978	16,283,109
Common stocks	2,513,566	2,522,050
Principals of structured instruments	269,003	340,897
Net asset value of collective trust accounts	2,854,520	2,061,025
Receivable	1,966	13,974
Land	18,269,878	12,314,494
Buildings and improvement, net	210,482	177,267
Construction in progress	861,566	1,286,794
Depository of securities	57,599,477	47,209,686
Other assets- Principal deferred expense	54,071	60,838
Total	$ 164,275,994	$ 141,531,157

Income Statements of Trust Account

For the Year Ended

	December 31	
	2018	2017
Trust income		
Cash dividends revenue	$ 83,787	$ 100,616
Interest revenue	11,365	7,703
Donation revenue	1,517	2,144
Realized investment gains	2,571	4,350
Unrealized investment gains	102,252	96,258
Other revenue	4,189	1,516
	205,681	212,587
Trust expenses		
Tax expenditures	14,950	7,567
Management fees	3,145	3,333
Service fees	3,948	1,519
Realized investment losses	137	892
Unrealized investment losses	80,010	2,990
Donation expenses	1,933	-
Other expenses	25	21
	104,148	16,322
Income (loss) before income tax	101,533	196,265
Income tax expense	-	-
Net income (loss)	$ 101,533	$ 196,265

43. EXCHANGE RATE INFORMATION FOR FOREIGN FINANCIAL ASSETS AND LIABILITIES

The information regarding financial assets/liabilities denominated in significant foreign currencies held by the Bank was as follows:

a. The Bank

	December 31					
	2018			2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Finance assets						
Monetary items						
Cash and cash equivalents						
USD	$ 86,998	30.7380	$ 2,674,145	$ 149,419	29.6800	$ 4,434,756
JPY	9,475,621	0.2776	2,630,432	23,858,401	0.2632	6,279,531
CNY	576,705	4.4748	2,580,640	1,809,507	4.5498	8,232,895
Due from the Central Bank and call loans to banks						
USD	611,964	30.7380	18,810,549	594,049	29.6800	17,631,374
CNY	2,747,600	4.4748	12,294,960	1,023,300	4.5498	4,655,810
CAD	79,000	21.6549	1,710,737	11,000	23.1326	254,459
Receivables						
USD	379,719	30.7380	11,671,803	36,079	29.6800	1,070,825
ZAR	1,103,239	2.1208	2,339,749	17,255	2.392	41,274
JPY	4,191,823	0.2776	1,163,650	2,126,413	0.2632	559,672
Discounts and loans						
USD	4,747,030	30.7380	145,914,208	4,974,317	29.6800	147,637,729
HKD	3,642,937	3.9238	14,294,156	2,634,690	3.7963	10,002,074
EUR	249,512	35.1889	8,780,053	187,457	35.4453	6,644,470
Financial assets at FVTOCI						
USD	1,695,157	30.7380	52,105,736	-	-	-
CNY	1,161,447	4.4748	5,197,243	-	-	-
AUD	125,471	21.6549	2,717,062	-	-	-
Available for sale financial assets						
USD	-	-	-	1,653,716	29.6800	49,082,291
AUD	-	-	-	181,849	23.1326	4,206,640
CNY	-	-	-	820,434	4.5498	3,732,811
Financial assets measured at amortized cost						
USD	49,602	30.7380	1,524,666	-	-	-
SGD	47,480	22.4398	1,065,442	-	-	-
AUD	15,004	21.6549	324,910	-	-	-

	December 31					
	2018			2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Held to maturity financial assets						
USD	-	-	-	19,985	29.6800	593,155
AUD	-	-	-	15,006	23.1326	347,128
Financial assets at FVTPL						
USD	59,055	30.7380	1,815,233	34,357	29.6800	1,019,716
EUR	1,525	35.1889	53,663	92	35.4453	3,261
HKD	1,564	3.9238	6,137	3,090	3.7963	11,731
Other financial assets						
CNY	550,000	4.4748	2,461,140	-	-	-
Nonmonetary items						
Structured corporate bonds contracts						
USD	-	-	-	23,767	29.6800	705,405
Equity investments under the equity method						
USD	2,208,320	30.7380	67,879,340	1,967,774	29.6800	58,403,532
HKD	74,718	3.9238	293,178	98,324	3.7963	373,267
Financial liabilities						
Monetary items						
Payables						
USD	252,902	30.7380	7,773,702	83,571	29.6800	2,480,387
HKD	950,916	3.9238	3,731,204	18,650	3.7963	70,801
EUR	55,700	35.1889	1,960,022	3,421	35.4453	121,258
Due to the Central Bank and banks						
USD	418,733	30.7380	12,871,015	249,843	29.6800	7,415,340
HKD	306,003	3.9238	1,200,695	60,000	3.7963	227,778
VND	405,000,000	0.0013	526,500	353,000,000	0.0013	458,900
Deposits and remittances						
USD	$ 7,066,331	30.7380	$217,204,882	$ 7,375,340	29.6800	$218,900,091
CNY	5,712,780	4.4748	25,563,548	4,265,705	4.5498	19,408,105
EUR	328,192	35.1889	11,548,715	375,405	35.4453	13,306,343
Financial liabilities at FVTPL						
USD	79,475	30.7380	2,442,903	9,884	29.6800	293,357
EUR	373	35.1889	13,125	125	35.4453	4,431
CAD	55	22.5683	1,241	2	23.6249	47

44. ADDITIONAL DISCLOSURES

Information of significant transaction items a. and other business investment b. are in follows:

1) Financing provided: The Bank - not applicable; investees - Table 2.

2) Endorsement/guarantee provided: The Bank - not applicable; investees - not applicable or none.

3) Marketable securities held: The Bank - not applicable; investees - Table 3.

4) Marketable securities (for investees) or investee investment (for the Bank) acquired and disposed of, at costs or prices of at least NT$300 million or 10% of the issued capital, see Table 4.

5) Acquisition of individual real estate at costs of at least $300 million or 10% of the issued capital: None.

6) Disposal of individual real estate at prices of at least $300 million or 10% of the issued capital: None

7) Allowance for service fees to related-parties amounting to more than $5 million: None.

8) Receivables from related parties amounting to at least $300 million or 10% of the issued capital: None

9) Sale of non-performing loans: None.

10) Application for approval of securitization product types and information according to Financial Asset Securitization Clause of the Real State Securitization Act: None.

11) Other significant transactions which may have effects on decision making of financial statement users: None.

12) Names, locations, and other information of investees on which the Bank exercises significant influence: Table 5.

13) Derivative financial transactions: Note 8 on which the Bank exercises significant influence has no such transactions.

c. Investments in mainland China:

1) Name of the investees in mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in mainland China: Table 6.

2) Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss: Not applicable.

45. SEGMENT INFORMATION

According to the Article 23 of “Regulations Governing the Preparation of Financial Reports by Public Banks”, the Bank does not prepare the segment information of IFRS 8.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

OVERDUE LOANS AND RECEIVABLE
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, %)

Date			December 31, 2018					December 31, 2017				
Business			Non-performing Loans (Note 1)	Loans	Ratio of Non-performing Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Non-performing Loans (Note 1)	Loans	Ratio of Non-performing Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		554,999	239,654,163	0.23	2,981,948	537.29	744,556	$ 229,504,975	0.32	3,100,576	416.43
	Unsecured		339,234	183,056,416	0.19	2,188,385	645.10	210,116	177,557,033	0.12	1,980,668	942.65
Consumer banking	Housing mortgage (Note 4)		521,811	138,622,287	0.38	2,627,125	503.46	731,647	113,749,849	0.64	2,516,175	343.91
	Cash cards		-	-	-	-	-	-	-	-	-	-
	Small credit loans (Note 5)		5,817	564,768	1.03	11,783	202.56	7,854	549,833	1.43	14,365	182.90
	Others (Note 6)	Secured	327,497	122,458,132	0.27	1,570,020	479.40	364,301	112,508,318	0.32	1,519,175	417.01
		Unsecured	4,812	7,168,475	0.07	76,760	1,595.18	6,927	5,580,276	0.12	62,618	903.97
Total			1,754,170	691,524,241	0.25	9,456,021	539.06	2,065,401	639,450,284	0.32	9,193,577	445.12
			Non-performing Receivables (Note 1)	Accounts Receivable	Ratio of Non-performing Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Non-performing Receivables (Note 1)	Accounts Receivable	Ratio of Non-performing Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Credit cards			10,293	2,008,135	0.51	86,839	843.67	11,526	1,958,995	0.59	81,941	710.92
Accounts receivable factored without recourse (Note 7)			-	811,314	-	8,113	-	-	648,656	-	6,493	-

Note 1: Non-performing loans represent the amounts of non-performing loans reported to the authorities and disclosed to the public, as required by the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrued Loans.”
Non-performing credit card receivables represent the amounts of non-performing receivables reported to the authorities and disclosed to the public, as required by the Banking Bureau’s letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of non-performing loans: Non-performing loans ÷ Outstanding loan balance.
Ratio of non-performing credit cards receivables: Non-performing credit cards receivables ÷ Outstanding credit cards receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses on loans ÷ Non-performing loans.
Coverage ratio of credit cards receivable: Allowance for possible losses on credit cards receivable ÷ Non-performing credit cards receivable.

Note 4: Housing mortgage is fully secured by house, which is purchased (owned) by the borrower, the spouse or the minor children of the borrower and the rights on mortgage are pledged to the financial institution, for the purpose of purchasing or decorating house.

Note 5: Small scale credit loans, as categorized in accordance with the Banking Bureau’s letter dated December 19, 2005 (Ref. No. 09440010950), are unsecured loans with small amounts exclusive of credit cards and cash cards.

Note 6: Other loans of consumer banking refer to secured or unsecured loans exclusive of housing mortgage, cash card, small scale credit loans and credit card.

Note 7: As required by the Banking Bureau’s letter dated July 19, 2005 (Ref. No. 0945000494), factoring without recourse is disclosed as non-performing receivables in three months after the factors or insurance companies reject indemnification.

TABLE 1-1

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

OVERDUE LOANS AND RECEIVABLE
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	December 31, 2018		December 31, 2017	
	Excluded NPL	Excluded Overdue Receivables	Excluded NPL	Excluded Overdue Receivables
As a result of debt consultation and loan agreements (Note 1)	-	-	-	-
As a result of consumer debt clearance (Note 2)	-	35,447	-	36,589

Note 1: The disclosure of excluded NPLs and excluded overdue receivables resulting from debt consultation and loan agreements is based on the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

Note 2: The disclosure of excluded NPLs and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau's requirement dated September 15, 2008 (Ref. No. 09700318940) and September 20, 2016 (Ref. No. 10500134790).

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

LOANS AND OTHER INFORMATION
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Information of lenders borrowers and others

No (Note 1)	Lender	Borrower	Corresponding Account	Related Parties	The Highest Period Balance	Ending Balance	Actual Amount	Interest Rate Range	Capital Loan (Note 2)	Business Dealing Amount	Reasons of Short-term Financing	Allowance	Collateral		Individual Fund Loan and Limit (Note 3)	Total Loan Limit (Note 3)
													Name	Value		
1	SCSB Leasing (China) Co., Ltd.	A Co., Ltd.	Entrusted loan receivables	N/A	$ 111,870	$ 111,870	$ 111,870	6%-11%	1	$ 111,870	Operating turnover	$ 2,237	Real estate	$ 269,830	$ 357,516	$ 893,790
1	SCSB Leasing (China) Co., Ltd.	B Co., Ltd.	Entrusted loan receivables	N/A	134,244	89,496	89,496	6%-11%	1	89,496	Operating turnover	2,685	Real estate	1,162,978	357,516	893,790

Note 1: The numbers refer to the following:
A. Issuer is 0.
B. Investees are numbered sequentially starting from 1.

Note 2: The nature of capital loans correspond to the following values:
A. 1 for business dealing.
B. 2 for reasons of short-term financing facility.

Note 3: The amounts and calculation of the loan limit are as follows:

A. Individual fund loans and limits

a. For an enterprise or organization that has no business relationship with the lender but has short-term financing facility, the loan amount to the single enterprise or organization shall not exceed 40% of the net value as presented in the latest financial statements of the lender as audited by the accountant.
b. For an enterprise or organization that has no business dealings with the lender but has short-term financing facility, the loan amount to the single enterprise or organization shall not exceed 20% of the net value as presented in the latest financial statements of the lender as audited by the accountant.

B. Capital loans and total loan limits

a. For an enterprise or organization that has no business dealings with the lender but has short-term financing facility, the total accumulated loan balance of the single enterprise or organization shall not exceed 40% of the net value as presented in the latest financial statements of the lender as audited by the accountant.

TABLE 3

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars)

Holding Company Name	Name	Security Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares (Thousands)	Carrying Amount (Note 1)	Percentage of Ownership (%)	Market Value or Net Asset Value	
Shancom Reconstruction Inc.	Empresa Inversiones Generales, S.A.	Indirect subsidiary	Investments in subsidiaries	1	$ 1,741,564	100.00	$ 1,741,564	
	Krinein Company	Indirect subsidiary	Investments in subsidiaries	2	504,711	100.00	504,711	
	Safehaven Investment Corporation	Indirect subsidiary	Investments in subsidiaries	1	49,123	100.00	49,123	
Wresqueue Limitada	Prosperity Realty Inc.	Indirect subsidiary	Investments in subsidiaries	4	9,759	100.00	9,759	
China Travel Service (Taiwan)	Silks Place Taroko	-	Equity investments under the equity method	20,372	213,849	45.00	213,849	
	CTS Travel International Ltd.	Indirect subsidiary	Investments in subsidiaries	600	6,973	100.00	6,973	
	Joy Tour Service Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income	100	1,000	10.00	1,000	
	Shanghai Commercial & Savings Bank, Ltd.	The Bank	Financial assets measured at fair value through other comprehensive income	28	1,118	-	1,118	
SCSB Asset Management Ltd.	SCSB Leasing (China) Co., Ltd.	Indirect subsidiary	Investments in subsidiaries	N/A	934,291	100.00	934,291	
Krinein Company	Shanghai Commercial Bank (HK)	Indirect subsidiary	Investments in subsidiaries	1,920	10,484,075	9.60	10,484,075	
Empresa Inversiones Generales, S.A.	Shanghai Commercial Bank (HK)	Indirect subsidiary	Investments in subsidiaries	9,600	52,420,376	48.00	52,420,376	

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

MARKETABLE SECURITIES (FOR INVESTEES) OR INVESTEE INVESTMENT (FOR THE BANK) ACQUIRED AND DISPOSED OF, AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE ISSUED CAPITAL
December 31, 2018
(Amounts in Thousands of New Taiwan Dollars and U.S. Dollars)

Trading company	Name	Financial Statement Account	Counterparty	Relationship	Beginning		Buy		Sell				Ending	
					Shares	Amount	Shares	Amount	Shares	Price	Book Value	Dispose of profit and loss	Shares	Amount (Note 3)
The Shanghai Commercial & Savings Bank, Ltd.	AMK Microfinance Institution Plc.	Equity Investments under the equity method	Agora and others	None	-	$ -	3,850,954	$ 2,515,083 USD 81,399 (Note 1)	-	$ -	$ -	$ -	3,850,954	$ 2,515,083 USD 81,399 (Note 1)

Note 1：It includes an acquisition cost of NT$2,457,470 thousand dollars (or US$80,103 thousand), a share of the interests of subsidiaries recognized by the equity method of NT$42,059 thousand dollars (or US$1,296 thousand) and a net increase of NT$15,554 thousand dollars in other equity of owner's equity attributable to the parent company.

TABLE 5

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

RELATED INFORMATION OF INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars) (Share in Thousands)

Investee Company	Location	Main Businesses and Products	Percentage of Ownership (%)	Carrying Amount	Investment Income (Loss) Recognized	Consolidated Investment (Note 2)				Note
						Shares (In Thousands)	Shares (Pro forma)	Shares (In Thousands)	Percentage of Ownership (%)	
Equity investments under the equity method										
Financial business										
SCSB Asset Management Ltd.	Taiwan	Purchase and management of creditor's rights of financial institutions	100.00	$ 1,589,390	$ 34,640	160,000	-	160,000	100.00	
SCSB Life Insurance Agency SCSB	Taiwan	Insurance	100.00	139,993	32,639	5,000	-	5,000	100.00	
Property Insurance Agency SCSB	Taiwan	Insurance	100.00	58,869	2,122	5,000	-	5,000	100.00	
Marketing Ltd.	Taiwan	Marketing	100.00	8,142	1,612	500	-	500	100.00	
Paofoong Insurance Company Ltd.	Hong Kong	Insurance	40.00	293,178	14,079	500	-	500	100.00	
Shanghai Commercial Bank	Hong Kong	Banking and financial	57.60	63,087,281	6,294,649	11,520	-	11,520	57.60	
(HK) SCSB Leasing (China) Co., Ltd.	China	Leasing operation	100.00	934,291	41,868	N/A	-	N/A	100.00	
AMK Microfinance Institution Plc.	Cambodia	Microfinance Institution	80.01	2,515,083	42,059	3,851		3,851	80.01	
Non-financial business										
China Travel Service (Taiwan) Kuo	Taiwan	Travel services	99.99	345,234	27,898	38,943	-	38,943	99.99	
Hai Real Estate Management Shancom	Taiwan	Building material distribution	34.69	-	-	3,000	-	3,000	34.69	
Reconstruction Inc. Wresqueue	Liberia	Securities investment	100.00	65,068,986	6,296,417	5	-	5	100.00	
Limitada	Liberia	Securities investment	100.00	334,493	10,747	176	-	176	100.00	
Empresa Inversiones Generales, S.A.	Panama	Securities investment	100.00	1,741,564	1,749,410	1	-	1	100.00	
Krinein Company	Cayman Islands	Securities investment	100.00	504,711	354,436	2	-	2	100.00	
Safehaven Investment Corporation	Liberia	Securities investment	100.00	49,123	361	1	-	1	100.00	
Prosperity Realty Inc.	America	Real estate services	100.00	9,759	9,232	4	-	4	100.00	
Silks Place Taroko	Taiwan	Travel services	45.00	213,849	27,834	20,372	-	20,372	45.00	
CTS Travel International Ltd.	Taiwan	Travel services	100.00	6,973	20	600	-	600	100.00	

Note 1: Investees are categorized into financial business and non-financial business.

Note 2: The Bank, board chairman, supervisors, managing directors, and the shares of investee companies invested in by related parties which comply with corporation law are considered.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

INVESTMENT IN MAINLAND CHINA
DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars and U.S. Dollars)

1.Investee company name, main business and products, total amount of paid-in capital, investment type, investment outflows and inflows, % ownership, investment gain (loss), carrying amount as of December 31, 2013 and inward remittance of earnings:

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment as of December 31, 2017	Investment Flows		Accumulated Outflow of Investment as of December 31, 2018	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018 (Note 3)	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow					
SCSB Leasing (China) Co., Ltd.	Leasing operation	US$ 30,000	c	US$ 30,000	US$ -	US$ -	US$ 30,000	100%	$ 41,868 US$ 1,391	$ 934,291 US$ 30,395	$ -
Bank of Shanghai	Approved by local government	US$ 1,590,899	Note 4	US$ 73,848	US$ 38,895	US$ -	US$ 112,743	3%	-	16,374,430 US$ 532,710	-
Shanghai Commercial Bank Ltd. - Shenzhen Branch	Approved by local government	US$ 101,852	Note 4	US$ 36,339	US$ 27,554	US$ -	US$ 63,893	100%	344,298 US$ 11,439	2,935,229 US$ 95,492	-
Shanghai Commercial Bank Ltd. - Shanghai Branch	Approved by local government	US$ 108,765	Note 4	US$ 64,717	US$ -	US$ -	US$ 64,717	100%	125,704 US$ 4,176	3,428,878 US$ 111,552	-

2. Upper limit on investments in mainland China:

Accumulated Investment in Mainland China as of December 31, 2018 (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA (Note 3)	Upper Limit on Investment Authorized by Investment Commission MOEA
$8,340,849 (US$271,353)	$8,577,716 (US$279,059)	$106,813,156

Note 1: Routes of investment in mainland China are listed below:

a. Directly invest.
b. Invest indirectly via a third company.
c. Others.

Note 2: Financial report audited by international accounting firm associated with accounting firm in ROC(Taiwan).

Note 3: Calculated using the exchange rate on December 31, 2018.

Note 4: To invest via sub-subsidiary of the Bank, "Shanghai Commercial Bank (HK)".