Stock code: 5876
Taiwan Stock Exchange

The Shanghai Commercial & Savings Bank, Ltd.

Financial Statements for the Years Ended December 31, 2019 and 2018 and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
The Shanghai Commercial & Savings Bank, Ltd.
Taipei, Taiwan

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, 2019 and 2018, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, its financial performance and its cash flows for the years ended December 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms.

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 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 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.

Emphasis of Matter

As stated in Note 1 and Note 44 to the financial statements, the Bank merged SCSB Life Insurance Agency and SCSB Property Insurance Agency on May 6, 2019, which were both 100% owned by the Bank. This merger was in accordance with the IFRS Frequently Asked Questions (FAQ) set and related correspondence published by Accounting Research and Development Foundation. While preparing the comparative financial statements, the Bank had regarded this merger from the beginning and restated the previous year's financial statements. We did not change our audit opinion in respect of this matter..

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, 2019. 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 of the Bank's financial statements as of and for the year ended December 31, 2019 is described as follows:

Allowance for Impairment Losses on Discounts and Loans

The Bank primarily engages in the loan business. As of December 31, 2019, the balance of the Bank's discounts and loans amounted to NT$732,452,518 thousand, which was significant to the accompanying financial statements. Starting from January 1, 2019, the Bank assessed its discounts and loans for impairment in accordance with the requirement of International Financial Reporting Standard No. 9 as well as other related regulations. The Bank's management applied the expected credit loss model in the impairment assessment of discounts and loans. The Bank assessed whether the credit risk had increased significantly since initial recognition by taking into consideration factors like the amount of impairment loss based on past experience, current market situation and perceptiveness. In addition, credit-impaired loans were also evaluated for the prospect of future recovery. Refer to Notes 4, 5, 14 and 38 to the financial statements for disclosures related to the impairment of loan portfolios. As the cash flow forecasts involved management's critical judgments in accounting estimates and assumptions, we determined the impairment assessment of loan portfolios as a key audit matter.

In response to the abovementioned key audit matter, our key audit procedures performed included the following:

1. We understood and tested the Bank's internal control on loans and discounts and performed relevant substantive procedures in assessing loan impairment.

2. We tested the accuracy of the method and important parameters (default rate, default loss rate, default exposure amount and forward-looking information) adopted in the expected credit loss model in accordance with the actual situations and also calculated the amount of impairment losses.

3. We reviewed the loan accounts in which credit impairments had occurred and assessed the reasonableness of the estimated future cash flows and the value of collateral held.

4. We tested the classification of credit assets to assess that the allowance for impairment met the requirements of competent authorities' 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 the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms 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 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 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 Bank 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, 2019 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 Chun-Hung Chen, and Tzu-Jung Kuo.

Deloitte & Touche
Taipei, Taiwan

March 21, 2020

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 Taiwan and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in 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 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, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

Codes	ASSETS	December 31, 2019 Amount	%	December 31, 2018 (restated) Amount	%
11000	Cash and cash equivalents (Note 6)	$ 22,497,324	2	$ 20,028,202	2
11500	Due from the Central Bank and call loans to banks (Note 7)	112,615,345	9	82,203,377	7
12000	Financial assets measured at fair value through profit or loss (Note 8)	3,171,234	-	5,052,827	1
12100	Financial assets measured at fair value through other comprehensive income (Notes 9, 11 and 36)	207,965,724	16	187,598,121	16
12200	Debt instrument investments measured at amortized cost (Notes 10, 11 and 36)	99,749,266	8	96,596,605	8
12500	Securities purchased under resell agreements (Note 12)	1,899,574	-	438,017	-
13000	Receivables, net (Notes 13 and 35)	7,932,983	1	8,713,604	1
13200	Current income tax assets (Note 33)	37,830	-	37,655	-
13500	Discounts and loans, net (Notes 14 and 35)	722,895,002	57	682,776,179	58
15000	Investments under the equity method, net (Note 15)	75,261,305	6	70,154,506	6
15500	Other financial assets, net (Note 16)	5,284,234	-	2,461,333	-
18500	Properties, net (Note 17)	11,968,217	1	12,094,497	1
18600	Right-of-use assets, net (Note 18)	788,251	-	-	-
19000	Intangible assets, net (Note 19)	100,332	-	112,377	-
19300	Deferred income tax assets (Note 32)	622,133	-	797,096	-
19500	Other assets, net (Note 20)	2,816,729	-	2,709,751	-
10000	Total assets	$ 1,275,605,483	100	$ 1,171,774,147	100

Codes	LIABILITIES AND EQUITY	December 31, 2019 Amount	%	December 31, 2018 (restated) Amount	%
21000	Due to the Central Bank and banks (Note 21)	$ 25,743,767	2	$ 16,473,754	2
22000	Financial liabilities measured at fair value through profit or loss (Note 8)	2,710,483	-	2,581,351	-
22500	Securities sold under repurchase agreements (Note 22)	11,060,621	1	14,629,530	1
23000	Payables (Notes 23 and 35)	20,012,828	2	22,210,581	2
23200	Current income tax liabilities (Note 32)	611,581	-	790,372	-
23500	Deposits and remittances (Notes 24 and 35)	988,279,059	78	911,646,479	78
24000	Bank debentures (Note 25)	56,850,000	4	57,150,000	5
25500	Other financial liabilities (Note 26)	3,591,874	-	3,693,107	-
25600	Provisions (Note 27 and 29)	1,500,049	-	1,341,663	-
26000	Lease liabilities (Note 18)	790,378	-	-	-
29300	Deferred income tax liabilities (Note 32)	9,643,656	1	9,235,350	1
29500	Other liabilities (Notes 28 and 35)	1,243,568	-	866,013	-
20000	Total liabilities	1,122,037,864	88	1,040,618,200	89
	Equity (Note 30)				
31101	Ordinary shares	44,816,031	3	41,016,031	4
31500	Capital surplus	16,432,561	1	5,893,238	-
	Retained earnings				
32001	Legal reserve	51,946,585	4	47,832,994	4
32003	Special reserve	7,669,374	1	7,600,814	1
32005	Unappropriated earnings	25,566,273	2	23,499,036	2
32000	Total retained earnings	85,182,232	7	78,932,844	7
32500	Other equity	7,219,939	1	5,396,978	-
32600	Treasury shares	(83,144)	-	(83,144)	-
30000	Total equity	153,567,619	12	131,155,947	11
	Total liabilities and equity	$ 1,275,605,483	100	$ 1,171,774,147	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, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, except Earnings Per Share)

		2019		2018 (restated)		Change
Codes		**Amount**	**%**	**Amount**	**%**	**(%)**
41000	Interest income	$ 22,420,443	90	$ 20,507,106	89	9
51000	Interest expenses	9,493,144	38	7,619,083	33	25
49010	Net interest (Notes 31 and 35)	12,927,299	52	12,888,023	56	-
	Non-interest income					
49100	Service fee income, net (Notes 31 and 35)	3,151,821	13	2,633,391	11	20
49200	Gain(loss) on financial assets and liabilities measured at fair value through profit or loss (Note 31)	769,770	3	(80,713)	-	1,054
49310	Realized gain on financial assets measured at fair value through other comprehensive income (Note 31)	482,493	2	417,285	2	16
49450	Gain(loss) on derecognition of financial assets measured at amortized cost	(231)	-	(1,824)	-	(87)
49600	Foreign exchange gain, net	290,326	1	829,580	3	(65)
49700	Impairment gain(loss) on assets (Note 11)	4,441	-	(15,720)	-	128
49750	Proportionate share of profit of subsidiaries, associates and joint ventures under the equity method (Note15 and 31)	7,174,434	29	6,427,452	28	12
49800	Other non-interest revenue (Note 31 and 35)	49,247	-	64,332	-	(23)
49020	Total non-interest revenue	11,922,301	48	10,273,783	44	16
4xxxx	Net revenue	24,849,600	100	23,161,806	100	7
58200	Provisions for bad-debt expense, commitment and guarantee liability (Note 14)	599,728	2	499,993	2	20
	Operating expenses					
58500	Employee benefits (Notes 29, 31,34 and 35)	4,570,509	18	3,984,297	17	15
59000	Depreciation and amortization (Note 31)	725,079	3	385,741	2	88
59500	Other general and administrative	2,390,379	10	2,552,658	11	(6)
58400	Total operating expenses	7,685,967	31	6,922,696	30	11
61001	Profit before income tax	16,563,905	67	15,739,117	68	5
61003	Income tax expense (Note 32)	(1,902,794)	(8)	(2,027,146)	(9)	(6)
64000	Net income	14,661,111	59	13,711,971	59	7
	Other comprehensive income (loss)					
	Items that will not be reclassified subsequently to profit or loss:					
65201	Remeasurement of defined benefit plans	(95,729)	-	(102,625)	-	(7)
65204	Gain(loss) on investments in equity instruments measured at fair value through other comprehensive income	(4,985)	-	(452,078)	(2)	(99)
65205	Financial liabilities designated at FVTPL which the amount of change derived from credit risk (Note 8)	(45,419)	-	-	-	-

(Continued)

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.
Statements of Comprehensive Income
For the Years Ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, except Earnings Per Share)

Codes		2019 Amount	2019 %	2018 (restated) Amount	2018 (restated) %	Change (%)
65207	Proportionate share of other comprehensive income of associates and joint ventures under the equity method	$ 747,481	3	$ 1,280,452	5	(42)
65220	Income tax relating to items that may not be reclassified subsequently to profit or loss (Note 32)	18,856	-	31,368	-	(40)
65200	Subtotal of items that will not be reclassified subsequently to profit or loss	620,204	3	757,117	3	(18)
	Items that may be reclassified subsequently to profit or loss:					
65301	Exchange differences on translating foreign operations	(2,017,728)	(8)	2,298,372	10	(188)
65307	Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	622,222	2	(469,430)	(2)	233
65309	Gain(loss) on debt instruments measured at fair value through other comprehensive income	2,481,981	10	(1,221,107)	(5)	303
65310	Gain(loss) allowance on debt instruments measured at fair value through other comprehensive income (Note 11)	(4,171)	-	15,387	-	(127)
65320	Income tax relating to items that may be reclassified subsequently to profit or loss (Note 32)	(65,267)	-	(87,194)	-	(25)
65300	Subtotal of items that may be reclassified subsequently to profit or loss	1,017,037	4	536,028	3	90
65000	Other comprehensive income for the period, net of income tax	1,637,241	7	1,293,145	6	27
66000	Total comprehensive income for the period	$ 16,298,352	66	$ 15,005,116	65	9
	Earnings per share (Note 33)					
67500	Basic	$3.50		$3.37		
67700	Diluted	$3.50		$3.37		

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, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

		Equity Attributable to Owners of the Bank (Note 30)										
		Share Capital		Retained Earnings			Other Equity					
Codes		Ordinary Shares	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 FVTOCI	Change in Credit Risk From Financial Liabilities Designated at FVTPL	Treasury Shares	Total Equity Attributable to Owners of the Bank
A1	Balance at January 1, 2018	$ 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)	-	-	-	-	-	-
B3	Special reserve	-	-	-	61,926	(61,926)	-	-	-	-	-	-
B5	Cash dividends	-	-	-	-	(7,342,386)	-	-	-	-	-	(7,342,386)
C7	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 (loss) 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 (loss) for the year ended December 31, 2018	-	-	-	-	13,641,771	1,398,760	-	(35,415)	-	-	15,005,116
E1	Issue of ordinary shares for capital increase by cash	225,000	533,797	-	-	-	-	-	-	-	-	758,797
N1	Share-based payment transaction	-	7,775	-	-	-	-	-	-	-	-	7,775
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
A3	Effect of retrospective application and retrospective restatement	-	-	-	-	(22,797)	-	-	-	-	-	(22,797)
A5	Balance at January 1, 2019 as restated	41,016,031	5,893,238	47,832,994	7,600,814	23,476,239	(165,709)	-	5,562,687	-	(83,144)	131,133,150
	Appropriation of 2018 earnings											
B1	Legal reserve	-	-	4,113,591	-	(4,113,591)	-	-	-	-	-	-
B3	Special reserve	-	-	-	68,560	(68,560)	-	-	-	-	-	-
B5	Cash dividends	-	-	-	-	(8,203,206)	-	-	-	-	-	(8,203,206)
C7	Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	10,534	-	-	-	-	-	-	-	-	10,534
C17	Dividends not yet collected	-	200,523	-	-	-	-	-	-	-	-	200,523
M7	Changes in equity of subsidiaries	-	85,518	-	-	-	-	-	-	-	-	85,518
D1	Net profit for the year ended December 31, 2019	-	-	-	-	14,661,111	-	-	-	-	-	14,661,111
D3	Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	(75,633)	(1,739,772)	-	3,498,065	(45,419)	-	1,637,241
D5	Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	14,585,478	(1,739,772)	-	3,498,065	(45,419)	-	16,298,352
E1	Issue of ordinary shares for capital increase by cash	3,800,000	9,880,000	-	-	-	-	-	-	-	-	13,680,000
N1	Share-based payment transaction	-	362,748	-	-	-	-	-	-	-	-	362,748
Q1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	(110,087)	-	-	110,087	-	-	-
Z1	Balance at December 31, 2019	$ 44,816,031	$ 16,432,561	$ 51,946,585	$ 7,669,374	$ 25,566,273	$ (1,905,481)	$ -	$ 9,170,839	$ (45,419)	$ (83,144)	$ 153,567,619

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, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

Codes		2019	2018 (restated)
	Cash flows from operating activities		
A00010	Net profit before income tax	$ 16,563,905	$ 15,739,117
A20010	Adjustments for:		
A20100	Depreciation expenses	568,570	185,077
A20200	Amortization expenses	156,509	200,664
A20300	Bad debt expense, commitment and guarantee liability provisions	599,728	499,993
A20400	(Gain) loss on financial assets and liabilities at fair value through profit or loss	(322,888)	426,224
A20900	Interest expenses	9,493,144	7,619,083
A21200	Interest income	(22,420,443)	(20,507,106)
A21300	Dividend income	(314,114)	(357,812)
A21900	Share-based payment transaction	362,748	7,775
A22400	Proportionate share of profit of associates and joint ventures	(7,174,434)	(6,427,452)
A22500	Loss(gain) on disposal of properties and equipment, net	20,484	(2,178)
A23500	Expected credit impairment(gain) loss	(4,441)	15,720
A29900	Other adjustments	673,213	(135,941)
A40000	Changes in operating assets and liabilities		
A41110	Increase in due from the Central Bank and call loans to banks	(22,591,067)	(10,005,786)
A41120	Decrease in financial assets measured at fair value through profit or loss	2,165,544	291,582
A41123	Increase in financial assets measured at fair value through other comprehensive income	(18,693,879)	(39,944,944)
A41125	(Increase) decrease in debt instrument investments measured at amortized cost	(3,159,609)	6,327,868
A41150	Decrease (increase) in receivables	872,207	(896,664)
A41160	Increase in discounts and loans	(40,821,075)	(52,482,631)
A41190	Increase in other financial assets	(2,822,901)	(2,460,706)
A42110	Increase in due to the Central Bank and banks	9,270,013	8,141,919
A42120	Increase(decrease) in financial liabilities at fair value through profit or loss	122,650	(101,984)
A42140	Decrease in securities sold under repurchase agreements	(3,568,909)	(15,162,537)
A42150	(Decrease) increase in payables	(2,086,711)	1,859,381
A42160	Increase in deposits and remittances	76,632,580	61,766,349
A42170	(Decrease) increase in other financial liabilities	(101,233)	644,690
A42180	(Decrease) increase in employee benefit provisions	(5,933)	131,952
A42990	(Decrease) increase in other liabilities	(4,859)	48,114
A33000	Cash used in operations	(6,591,201)	(44,580,233)
A33100	Interest received	22,701,113	20,241,778
A33200	Dividends received	2,492,389	2,464,768
A33300	Interest paid	(9,692,365)	(7,142,906)
A33500	Income tax paid	(1,540,199)	(1,498,130)
AAAA	Net cash generated from (used in) operating activities	7,369,737	(30,514,723)

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THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.
Statements of Cash Flows
For the Year Ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

Codes		2019	2018 (restated)
	Cash flows from investing activities		
B01800	Equity investments under the equity method	(475,065)	(2,457,470)
B02700	Acquisition of properties	(206,777)	(154,211)
B02800	Proceeds from disposal of properties	449	4,318
B03700	Decrease in refundable deposits	25,295	17,374
B04500	Acquisition of intangible assets	(60,317)	(73,530)
B06800	Decrease(increase) in other assets	81,140	(497,270)
BBBB	Net cash used in investing activities	(635,275)	(3,160,789)
	Cash flows from financing activities		
C01400	Issuance of financial bonds	10,000,000	14,155,462
C01500	Payments for financial bonds	(10,300,000)	-
C03100	Increase in guarantee deposits received	382,342	67,284
C04020	Payments for principals of lease liabilities	(239,798)	-
C04500	Payment of cash dividend	(8,203,206)	(7,342,386)
C04600	Cash capital increase	13,680,000	758,797
CCCC	Net cash generated from financing activities	5,319,338	7,639,157
DDDD	Effects of exchange rate changes on the balance of cash held in foreign currencies	(302,220)	199,340
EEEE	Net increase (decrease) in cash and cash equivalents	11,751,580	(25,837,015)
E00100	Cash and cash equivalents at the beginning of the period	60,487,611	86,324,626
E00200	Cash and cash equivalents at the end of the period	$ 72,239,191	$ 60,487,611

(Concluded)

Reconciliation of the cash and cash equivalents amounts in the statements of cash flows with the equivalent item reported in the balance sheets as of December 31, 2019 and 2018:

Codes		2019	2018
E00210	Cash and cash equivalents in balance sheets	$ 22,497,324	$ 20,028,202
E00220	Due from the Central Bank and call loans to banks which fall within the definition of cash and cash equivalents under IAS 7	47,842,293	40,021,392
E00230	Securities purchased under resell agreements which fall within the definition of cash and cash equivalents under IAS 7	1,899,574	438,017
E00200	Cash and cash equivalents in statements of cash flows	$ 72,239,191	$ 60,487,611

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

1. ORGANIZATION AND OPERATIONS

The Bank is incorporated in Taiwan and engages in commercial banking businesses under related laws and regulations.

The Bank has a head office in Taipei, 71 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, the New Taiwan dollar.

In order to integrate the use of resources and achieve the operating synergy, the Bank merged SCSB Life Insurance Agency and SCSB Property Insurance Agency on May 6, 2019, which were both 100% owned by the Bank, and the shareholders' equity would not be after the merger, refer to Note 44.

2. AUTHORIZATION OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors and authorized for issue on March 21, 2020.

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

3.1 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), IFRIC Interpretations(IFRIC), and SIC Interpretations (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 Governing the Preparation of Financial Reports by Public Banks and the IFRSs approved and issued by the FSC will not result in significant changes to the Bank's accounting policies:

IFRS 16 “Lease”

IFRS 16 sets out the identification of lease agreements and the accounting standards for lessor and lessee that supersede IAS 17 and a number of related interpretations. For the related accounting policy, see Note 4.

Definition of Lease

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

The individual 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 individual 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 individual cash flow statements. Contracts classified as finance leases are recognized in the individual 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.

In accordance with the agreement of IAS 17 for operating leases, the measurement of lease liabilities on January 1, 2019 has been discounted by the remaining lease payments at the incremental borrowing rate of the lessee at that date. All right-of-use assets are 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 was the same as those on December 31, 2018.

The Bank as lessor

No adjustments were made to the lessor's lease during the transition and IFRS 16 was applied from January 1, 2019.

The adjustments of assets, liabilities and equities accounts that applied IFRS 16 for the first time are summarized as follows:

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Investments accounted for using equity method	$ 70,154,506	$ (28,496)	$ 70,126,010
Right-of-use assets	-	508,700	508,700
Total effect on assets	$ 70,154,506	$ 480,204	$ 70,634,710
Lease liabilities	$ 9,235,350	$ (5,699)	$ 9,229,651
Deferred income tax liabilities	-	508,700	508,700
Total effect on liabilities	$ 9,235,350	$ 503,001	$ 9,738,351
Retained earnings	$ 78,932,844	$ (22,797)	$ 78,910,047
Total effect on equities	$ 78,932,844	$ (22,797)	$ 78,910,047

3.2 IFRSs approved by the FSC for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS39 and IFRS 7 "Inter Bank Offered Rate Change"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: 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 2: The Bank shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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.

3.3 New IFRSs in issue by IASB but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
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 IFRS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

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

4.1 Statement of Compliance

These interim financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

4.2 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:

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

4.2.2. Level 2 inputs are observable parameters other than quoted prices included within Level 1, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

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

When the Bank prepared the financial statements, its investments in subsidiaries and associates were accounted for using the equity method. To make the current loss and profit as well as the other comprehensive income and equity equal to the current loss and profit and the other comprehensive income and equity which are attributable to the owners of the Bank in the financial statements, equity investments under the equity method, the share of profit or loss of subsidiaries, associates and joint ventures, and the share of the other comprehensive income of subsidiaries, associates and joint ventures" were adjusted.

4.3 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

4.4 Foreign Currencies

In preparing the financial statements, 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.

4.5 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 initial 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.

4.5.1 Financial assets

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

(1) Measurement

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 fair value through other comprehensive income (FVTOCI) and investments in equity instruments at FVTOCI.

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:

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

b. 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:

a. 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
b. 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:

a. 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

b. 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.

(2) Impairment of financial assets

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, assets that 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%.

Debts that are determined to be uncollectible are written off after being reported 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.

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. 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.

4.5.2 Equity instruments

Debt and equity instruments issued by a Bank entity 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 a Bank entity are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Bank'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 Bank's own equity instruments.

4.5.3 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:

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

b. The financial liability 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 Banking is provided internally on that basis; or

c. 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

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.

(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.

4.5.4 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.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 “Financial Instrument” 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.

4.6 Investment in Subsidiaries

Investments in subsidiaries are accounted for by using the equity method.

Subsidiaries are the entities over which the Bank has controlling interest.

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.

4.7 Non-performing Loans

Under the guidelines of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans", 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.

4.8 Securities Purchased/Sold Under Resell/Repurchase Agreements

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

4.9 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.

To reconstruct the head office building, the original building is expected to be demolished in January, 2020. Based on the actual situation, the Bank re-evaluates the durability of the building on account for "Properties-Buildings and improvements" and intends to change its estimated life. This matter received a letter of approval from the authority on October 17, 2019, and would be applicable after approval. The book value of NT $ 159,069 thousands had been amortized before the end of 2019.

4.10 Intangible Assets

Acquired separately

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 lives, 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.

Acquisition by business combination

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.

Derecognition

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.

4.11 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.

4.12 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.

4.13 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.

4.14 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.

4.15 Leasing

2019

The Bank assesses whether the contract is (or includes) the lease on the contract establishment date. For contracts that include the lease and non-lease components, the Bank distributes the consideration in the contract on a relatively separate price basis and deals with them separately.

(1) The Bank as lessor

When the lease terms transfer almost all the risks and rewards attached to the ownership of the assets to the lessee, they are classified as finance leases. All other leases are classified as operating leases.

Under finance leases, lease payments include fixed payments, substantially fixed payments, variable lease payments which depend on an index or a rate, guaranteed residual values, and the exercise price of the purchase option that is reasonably certain to be exercised, and the rental termination penalties reflected in the lease term, less the incentives for the lease to be paid. The net amount of the leased investment is measured as the sum of the present value of both the lease receivable and the unguaranteed residual value plus the original direct costs and expressed as a finance lease receivable. The financing income is apportioned to each accounting period so as to reflect a periodic fixed rate of return that the Bank's unexpired net lease investment is available for each period. Under operating leases, the lease payments deducted from the lease incentives are recognized as income on a straight-line basis over the relevant lease periods. The original direct costs incurred in obtaining the operating leases are added to the carrying amount of the underlying assets and recognized as an expense on a straight-line basis over the lease terms.

(2) The Bank as lessee

The Bank recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight line basis over the lease terms. Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line basis from the commencement dates of the lease to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, substantially fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Bank is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Bank uses the lessee’s incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Bank remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use asset has been reduced to zero, the remaining amount of remeasurement is recognized in profit or loss. Lease liabilities are presented separately in the balance sheets.

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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.

(1) The Bank as lessor

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

(2) The Bank as lessee

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

4.16 Employee Benefits

4.16.1 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.

4.16.2 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.

4.16.3 Employee preferential deposits

The Bank provides current and retired employees preferential interest 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.

4.16.4 Other long-term employee benefits

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.

4.17 Share-based payment arrangements

The fair value at the acquisition 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 Bank applies for cash capital increase to reserve employee subscriptions, and the acquisition date is based on the day when the number of shares subscribed by employees is confirmed.

4.18 Taxation

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

4.18.1 Current tax

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

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

4.18.2 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.

4.18.3 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.

5.1 Estimated Impairment of Financial Assets

Estimates of impairment on loans and receivables, investments in debt instrument and financial guarantee contracts are based on the Bank’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. For the important assumptions and input values used, see Note 38. If the actual cash flows in the future are less than expected, significant impairment losses may occur.

5.2 Taxation

The Bank estimates that income tax will depend on a significant assessment. The Bank's decision on the final amount of tax has to go through many transactions and calculations. If there is a discrepancy between the final tax and the originally recognized amount, the discrepancy will affect the recognition of current income tax and deferred income tax.

The realizability of deferred income tax assets mainly depends on whether there can be sufficient profits in the future or taxable temporary differences. If the actual profits generated in the future are less than expected, significant deferred income tax assets may be transferred, which are recognized as profit or loss in the year in which they occur.

6. CASH AND CASH EQUIVALENTS

	December 31, 2019	December 31, 2018
Cash on hand and working fund	$ 9,419,398	$ 6,146,952
Checks for clearance	701,644	3,105,616
Due from banks - domestic	951,981	3,183,525
Due from banks - foreign	11,424,301	7,592,109
	$ 22,497,324	$ 20,028,202

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

	December 31, 2019	December 31, 2018
Call loans to banks	$ 85,457,981	$ 56,567,771
Deposit reserves - I	6,259,957	5,825,635
Deposit reserves - II	20,732,422	19,651,176
Deposit reserves - foreign	164,985	158,795
	$ 112,615,345	$ 82,203,377

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.

8. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2019	December 31, 2018
Financial assets at fair value through profit or loss		
Financial assets measured at fair value through profit or loss		
Shares	$ 880,449	$ 789,294
Beneficiary certificates	863,054	2,630,217
Corporate bonds	713,906	1,101,474
Interest rate swap contracts	275,096	140,200
Forward contracts	253,218	235,151
Foreign exchange contract	50,529	55,729
Government bonds	49,843	-
Option contracts	46,129	65,156
Others	39,010	35,606
	$ 3,171,234	$ 5,052,827
Financial liabilities at fair value through profit or loss		
Held-for-trading financial liabilities		
Forward contracts	$ 172,605	$ 190,861
Option contracts	99,743	99,793
Currency swap contracts	39,047	45,141
Others	4,259	3,035
	315,654	338,830
Financial liabilities designated at fair value through profit or loss		
Bank debentures	2,394,829	2,242,521
	$ 2,710,483	$ 2,581,351

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, 2019	December 31, 2018
Forward contracts	$ 44,625,980	$ 19,762,077
Option contracts	20,872,188	13,276,237
Currency swap contracts	19,759,208	19,892,282
Interest rate swap contracts	2,637,988	2,258,760
Asset swap contracts	539,856	1,014,354
Futures contracts	11,441	54,209

Information for financial liabilities designated by the Bank at FVTPL is as follows:

	December 31, 2019	December 31, 2018
The difference between the fair value and the maturity value		
－Fair value	$ 2,394,829	$ 2,242,521
－Maturity value	2,405,361	2,250,590
	$ (10,532)	$ (8,069)

	Effects of changes in credit risk
Current change amount From January 1, 2019 to December 31 , 2019	($ 45,519)
Cumulative change amount Up to December 31, 2019	($ 45,519)

The financial liabilities designated by the Bank at FVTPL were the second issuance of unsecured debentures amounting to US$70,000 thousand with a 30-year maturity and a zero interest rate 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 will be 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 for consistencies.

The amount of change in the fair value of financial bonds and the combination of financial assets attributable to the changes in the fair value of financial liabilities and the combination of the fair value of financial assets is calculated as the difference between the changes in the fair value of market risk factor. The amount of change in fair value attributable to the market risk factor is calculated using the benchmark yield curve at the balance sheet date. Fair value of financial bonds and combined commodities is based on the benchmark yield curve on the balance sheet date and the estimated credit risk spread by the creditor's interest rate quote on the similar maturity date of the combined company, such that the estimated future cash flow is discounted.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31, 2019	December 31, 2018
Financial assets at fair value through other comprehensive income		
Investments in equity instruments measured at FVTOCI		
Shares	$ 3,924,394	$ 2,632,822
Investments in debt instruments measured at FVTOCI		
Government bonds	70,333,625	50,861,134
Corporate bonds	52,642,009	48,533,201
Commercial paper	39,559,030	43,122,083
Bank debentures	37,345,577	40,182,857
Asset backed securities	2,174,260	274,292
Treasury bonds	1,986,829	1,991,732
	204,041,330	184,965,299
	$ 207,965,724	$ 187,598,121

The Bank invests in ordinary shares 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.

For the information on credit risk management and impairment assessment of investments in debt instruments at FVTOCI, refer to Note 11.

Parts of the aforementioned financial assets at FVTOCI were sold under repurchase agreements as of December 31, 2019 and 2018. The par value of bonds and commercial papers sold under repurchase agreements were $10,213,392 thousand and $14,450,800 thousand, respectively.

For the information on financial assets pledged at FVTOCI, refer to Note 36.

10. DEBT INSTRUMENT INVESTMENTS MEASURED AT AMORTIZED COST

	December 31, 2019	December 31, 2018
Negotiable certificates of deposit	$ 93,430,000	$ 88,165,000
Corporate bonds	2,980,648	3,148,504
Government bonds	2,424,389	3,213,562
Bank debentures	915,721	1, 075,256
Treasury bonds	-	995,971
Less: Loss allowance	(1,492)	(1,688)
	$ 99,749,266	$ 96,596,605

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

For more information on the related financial assets at amortized cost pledged as collateral, see Note 36.

11. CREDIT RISK MANAGEMENT OF INVESTMENTS IN DEBT INSTRUMENTS

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

December 31, 2019

	At FVTOCI	At Amortized Cost	Total
Total carrying amount	$ 202,709,173	$ 99,750,758	$ 302,459,931
Loss allowance	(61,604)	(1,492)	(62,556)
Amortized cost	202,648,109	$ 99,749,266	302,397,375
Fair value adjustment	1,393,221		1,393,221
	$ 204,041,330		$ 303,790,596

December 31, 2018

	At FVTOCI	At Amortized Cost	Total
Total carrying amount	$ 185,994,201	$ 96,598,293	$ 282,592,494
Loss allowance	(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 Bank implements a policy of only investing in debt instruments with investment grade and have low credit risk for the purpose of impairment assessment. The Bank continues to track external rating information and monitor changes in credit risk of the investments of 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:

December 31, 2019

Credit Rating	Definitions	Expected Credit Loss Recognition Base	Expected Credit Loss Rate	December 31, 2019 Total Carrying Amount
Stage 1	The debtor has a low credit risk and is fully capable of paying off contractual cash flows	12-month expected credit loss	0.000%~0.088%	$ 302,289,307
Stage 2	Credit risk has increased significantly since the initial recognition	Expected credit loss during the period of existence (no credit impairment)	2.240%~8.521%	170,624

December 31, 2018

Credit Rating	Definitions	Expected Credit Loss Recognition Base	Expected Credit Loss Rate	December 31, 2018 Total Carrying Amount
Stage 1	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%	$ 282,471,618
Stage 2	Credit risk has increased significantly since the initial recognition	Expected credit loss during the period of existence (no credit impairment)	2.859%~9.960%	120,876

Information on changes in allowance for loss under the credit risk rating assessment of investments in debt instruments at FVTOCI and at amortized cost is summarized as follows:

Investments in debt instruments at FVTOCI

	Credit Risk Rating		
	Stage 1 (12-Month ECLs)	Stage 2 (Lifetime ECLs - Unimpaired)	Total
Balance at January 1, 2019	$ 56,217	$ 9,018	$ 65,235
Purchase of new debt instruments	26,702	6,536	33,238
Derecognition	(23,680)	(4,151)	(27,831)
Model/risk parameter changes	(5,705)	(3,965)	(9,670)
Exchange rate and other changes	65	27	92
Balance at December 31, 2019	$ 53,599	$ 7,465	$ 61,064
Balance on January 1, 2018 (IAS 39)	$ -	$ -	$ -
Retrospective application of the impact of IFRS 9	49,848	-	49,848
Balance at January 1, 2018 (IFRS 9)	49,848	-	49,848
Purchase of new debt instruments	19,128	9,994	29,122
Derecognition	(12,797)	(984)	(13,781)
Exchange rate and other changes	38	8	46
Balance at December 31, 2018	$ 56,217	$ 9,018	$ 65,235

Investments in debt instruments at amortized cost

	Credit Risk Rating		
	Stage 1 (12-Month ECLs)	Stage 2 (Lifetime ECLs - Unimpaired)	Total
Balance at January 1, 2019	$ 1,688	$ -	$ 1,688
Purchase of new debt instruments	319	-	319
Derecognition	(467)	-	(467)
Model/risk parameter changes	(30)	-	(30)
Exchange rate and other changes	(18)	-	(18)
Balance at December 31, 2019	$ 1,492	$ -	$ 1,492
Balance on January 1, 2018 (IAS 39)	$ -	$ -	$ -
Retrospective application of the impact of IFRS 9	1,390	-	1,390
Balance at January 1, 2018 (IFRS 9)	1,390	-	1,390
Purchase of new debt instruments	1,002	-	1,002
Derecognition	(623)	-	(623)
Exchange rate and other changes	(81)	-	(81)
Balance at December 31, 2018	$ 1,688	$ -	$ 1,688

12. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

Securities purchased under resell agreements as of December 31, 2019 and 2018 were $1,899,574 thousand and $438,017 thousand, respectively. The aforementioned securities will be bought back one after another before January 15, 2020 and January 14, 2019 at $1,902,974 thousand and $439,091 thousand, respectively.

13. RECEIVABLES, NET

	December 31, 2019	December 31, 2018
Accrued interest	$ 2,650,753	$ 2,642,761
Credit cards receivables	2,498,727	2,002,459
Acceptances	1,559,350	2,944,806
Accounts receivable - factoring	835,039	811,314
Advances by guarantees	258,086	265,099
Accounts receivable due from sales of securities	3,534	4,323
Others	423,357	480,222
	8,228,846	9,150,984
Less allowance for credit losses	(295,863)	(437,380)
	$ 7,932,983	$ 8,713,604

The changes in total carrying amount and the allowance of receivables and other financial assets for the years ended December 31, 2019 and 2018(including collections not included in loans and purchase of remittance, refer to Note 16) are as follows:

For the Year Ended December 31, 2019

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Non-Purchase or Original Credit Impairment on Financial Assets)	Total
Receivables and other financial assets				
Beginning on January 1, 2019	$ 8,358,096	$ 246,377	$ 549,876	$ 9,154,349
Changes due to financial assets recognized at the beginning of the period:				
Transfer to lifetime ECLs	(38,290)	16,653	(465)	(22,102)
Transfer to ECLs on financial assets	(23,321)	(10,064)	36,425	3,040
Transfer to 12-month ECLs	7,234	(255,339)	(76,475)	(294,580)
Financial assets derecognized in the current period	(2,661,231)	(62,231)	(143,502)	(2,866,964)
Purchased or originated financial assets	2,126,876	111,363	7,900	2,246,139
Write-offs	(2,570)	(15,395)	(41,277)	(59,242)
Exchange rate and other changes	63,177	7,376	-	70,553
Balance on December 31, 2019	$ 7,829,971	$ 68,740	$ 332,482	$ 8,231,193

	12-Month Expected Credit Loss	Lifetime ECLs (Collectively)	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, 2019	$ 27,948	$ 47,499	$ 334,242	$ 409,689	$ 30,863	$ 440,552
Changes due to financial assets recognized at the beginning of the period:						
Transfer to lifetime ECLs	(423)	9,096	(370)	8,303	-	8,303
Transfer to ECLs on financial assets	(346)	(2,197)	2,801	258	-	258
Transfer to 12-month ECLs	2,525	(806)	(17,029)	(15,310)	-	(15,310)
Financial assets derecognized in the current period	(10,539)	(9,706)	(1,313)	(21,558)	-	(21,558)
Purchased or originated financial assets	10,613	14,178	4,787	29,578	-	29,578
The difference of impairment under the decree regulation	-	-	-	-	(3,410)	(3,410)
Write-offs	(2,570)	(15,395)	(41,277)	(59,242)	-	(59,242)
Recoveries after write-off	-	-	29,905	29,905	-	29,905
Exchange rate and other changes	41,448	(13,669)	(138,676)	(110,897)	-	(110,897)
Balance on December 31, 2019	$ 68,656	$ 29,000	$ 173,070	$ 270,726	$ 27,453	$ 298,179

For the Year Ended December 31, 2018

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Non-Purchase or Original Credit Impairment on Financial Assets)	Total
Receivables and other financial assets				
Beginning on January 1, 2018	$ 6,767,717	$ 415,806	$ 466,555	$ 7,650,078
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	227,680	(121,287)	(2,355)	104,038
Financial assets derecognized in the current period	(969,503)	(140,655)	(53,732)	(1,163,890)
Purchased or originated 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	$ 8,358,096	$ 246,377	$ 549,876	$ 9,154,349

	12-Month Expected Credit Loss	Lifetime ECLs (Collectively)	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 originated 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
Balance on December 31, 2018	$ 27,948	$ 47,499	$ 334,242	$ 409,689	$ 30,863	$ 440,552

14. DISCOUNTS AND LOANS, NET

	December 31, 2019	December 31, 2018
Loans	$725,936,642	$ 681,411,060
Inward/outward documentary bills	4,680,791	8,483,067
Non-performing loans	1,208,800	1,630,114
	731,826,233	691,524,241
Discount and premium adjustments	626,285	707,959
Allowance for credit losses	(9,557,516)	(9,456,021)
	$ 722,895,002	$ 682,776,179

The Bank discontinues accruing interest when loans are deemed non-performing. For the years ended December 31, 2019 and 2018, the unrecognized interest revenue on the non-performing loans amounted to $22,174 thousand and $33,868 thousand, respectively.

For the years ended December 31, 2019 and 2018, 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 for the years ended December 31, 2019 and 2018 are as follows:

For the Year Ended December 31, 2019

	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, 2019	$ 678,754,664	$ 6,065,213	$ 4,517,008	$ 2,187,356	$ 691,524,241
Changes due to financial assets recognized at the beginning of the period:					
Transfer to lifetime ECLs	(3,489,502)	959,952	1,954,434	(48)	(575,164)
Transfer to ECLs on financial assets	(957,595)	(598,434)	-	1,507,240	(48,789)
Transfer to 12-month ECLs	5,934,534	(890,937)	(3,083,702)	(327,166)	1,632,729
Financial assets derecognized in the current period	(153,646,638)	(1,323,964)	(1,433,306)	(1,216,606)	(157,620,514)
Purchased or originated financial assets	198,462,490	685,464	99,800	29,447	199,277,201
Write-offs	(33,476)	(225,558)	-	(416,923)	(675,957)
Exchange rate and other changes	(1,674,056)	(5,354)	-	(8,104)	(1,687,514)
Balance at December 31,2019	$ 723,350,421	$ 4,666,382	$ 2,054,234	$ 1,755,196	$ 731,826,233

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchase or Original Credit Impairment on Financial Assets)	Lifetime ECLs (Purchase or Original Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	Total
Allowance							
January 1, 2019	$ 838,527	$ 596,466	$ 548,386	$ 789,627	$ 2,773,006	$ 6,683,015	$ 9,456,021
Changes due to financial assets recognized at the beginning of the period:							
Transfer to lifetime ECLs	(4,685)	329,436	61,951	(8)	386,694	-	386,694
Transfer to ECLs on financial assets	(1,858)	(129,587)	-	244,355	112,910	-	112,910
Transfer to 12-month ECLs	74,015	(75,080)	(418,176)	(165,087)	(584,328)	-	(584,328)
Financial assets derecognized in the current period	(305,508)	(67,799)	(130,210)	(433,281)	(936,798)	-	(936,798)
Purchased or original financial assets	217,347	57,199	3,838	5,428	283,812	-	283,812
The difference of impairment under the decree regulation	-	-	-	-	-	1,285,869	1,285,869
Write-offs	(33,476)	(225,558)	-	(416,923)	(675,957)	-	(675,957)
Recoveries after write-off	-	-	-	291,514	291,514	-	291,514
Exchange rate and other changes	(35,915)	(12,231)	-	(14,075)	(62,220)	-	(62,221)
Balance at December 31,2019	$ 787,447	$ 472,846	$ 65,789	$ 301,550	$ 1,588,633	$ 7,968,884	$ 9,557,516

For the Year Ended December 31, 2018

	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	$ 8,032,342	$ 10,462,855	$ 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)	1,745,231	4,117,414	(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	(1,106,351)	(8,631,604)	(203,660)	(7,846,603)
Financial assets derecognized in the current period	(133,775,233)	(2,521,669)	(1,831,252)	(195,310)	(138,323,464)
Purchased or originated financial assets	197,032,140	779,186	399,594	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	$ 6,065,214	$ 4,517,007	$ 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	$ 613,591	$ 1,075,772	$ 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)	309,333	414,474	(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	(79,729)	(979,240)	(35,091)	(1,048,586)	-	(1,048,586)
Financial assets derecognized in the current period	(143,620)	(157,115)	(96,532)	(18,465)	(415,732)	-	(415,732)
Purchased or original financial assets	234,408	63,902	133,912	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	$ 596,466	$ 548,386	$ 789,627	$ 2,773,006	$ 6,683,015	$ 9,456,021

The details of bad debt expense, commitment and guarantee liability provisions for the years ended December 31, 2019 and 2018 are listed below:

Items	December 31 2019	December 31 2018
Provisions for loans and discounts	$ 548,159	$ 409,932
Provisions for reserve for possible losses on guarantees	53,708	74,458
Provisions (reversal) for receivables	(2,139)	15,603
Total	$ 599,728	$ 499,993

15. INVESTMENTS UNDER THE EQUITY METHOD

Equity Method	December 31, 2019 Carrying Amount	December 31, 2019 % of Ownership	December 31, 2018 Carrying Amount	December 31, 2018 % of Ownership
Investment in subsidiaries				
Domestic investments				
SCSB Asset Management Ltd.	$ 1,597,190	100.00	$ 1,589,390	100.00
China Travel Service (Taiwan)	381,184	99.99	345,234	99.99
SCSB Marketing Ltd.	8,570	100.00	8,142	100.00
	1,986,944		1,942,766	
Foreign investments				
Shancom Reconstruction Inc.	69,487,897	100.00	65,068,986	100.00
Wresqueue Limitada	336,979	100.00	334,493	100.00
Paofoong Insurance Company Ltd.	308,872	40.00	293,178	40.00
AMK Microfinance Institution Plc. （AMK）	3,140,613	84.89	2,515,083	80.01
	73,274,361		68,211,740	
Total	$ 75,261,305		$ 70,154,506	

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.

The Bank recognized investments losses on Kuo Hai Construction over the years because of the investee's continuing operating losses. The carrying value of Kuo Hai Construction was reduced to zero in 2002.

On September 18, 2017, the Bank's board of directors passed a resolution to purchase 80.01% 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 Bank 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 from the date of acquisition, refer to Note 37. In addition, on November 10, 2018, the Bank's board of directors approved to purchase 1,554 thousand shares of AMK by cash. The capital increase was US$15,300 thousand, and the shares were all subscribed by the Bank. When the capital increase is completed, the Bank's shareholding ratio will increase to 84.89%. The case was approved by the FSC on January 19, 2019. As of the date of publication of this financial statements, the case has yet to be approved by the Cambodian authorities.

The proportionate shares of profit of subsidiaries, associates and joint ventures accounted for under the equity method account for the years ended on 2019 and 2018 were calculated according to the audited financial statements of subsidiaries for the same period.

16. OTHER FINANCIAL ASSETS, NET

	December 31, 2019	December 31, 2018
Fixed deposit with original maturity of more than three months	$5,284,203	$2,461,140
Non-performing receivables	2,308	3,164
Purchase of remittance	39	201
	5,286,550	2,464,505
Allowance for non-performing credit card receivables	(2,316)	(3,172)
	$5,284,234	$2,461,333

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 balances of credit card receivables which were reported as non-performing amounted to $2,308 thousand and $3,164 thousand as of December 31, 2019 and 2018, respectively. The unrecognized interest revenue on the receivables amounted to $47 thousand and $33 thousand for the years ended December 31, 2019 and 2018, respectively.

17. PROPERTIES, NET

	December 31, 2019	December 31, 2018
Land	$ 9,641,501	$ 9,641,501
Buildings and improvements	1,862,037	2,100,372
Office equipment	266,508	198,528
Transportation equipment	11,520	14,301
Miscellaneous equipment	108,983	110,267
Construction-in-progress and prepayments	77,668	29,528
	$ 11,968,217	$ 12,094,497

	December 31, 2019				
Items	Balance at January 1, 2019	Additions	Disposals	Effects of Exchange Rate Changes, Net	Balance at December 31, 2019
Cost					
Land	$ 9,641,501	$ -	$ -	$ -	$ 9,641,501
Buildings and improvements	4,243,658	-	-	-	4,243,658
Office equipment	1,098,355	132,131	(175,522)	(790)	1,054,174
Transportation equipment	57,694	824	(2,236)	-	56,282
Miscellaneous equipment	549,602	25,682	(35,490)	(236)	539,558
	15,590,810	$ 158,637	$ (213,248)	$ (1,026)	15,535,173
Accumulated depreciation					
Buildings and improvements	2,143,286	$ 238,335	$ -	$ -	2,381,621
Office equipment	899,827	47,286	(158,822)	(625)	787,666
Transportation equipment	43,393	3,461	(2,092)	-	44,762
Miscellaneous equipment	439,335	22,823	(31,401)	(182)	430,575
	3,525,841	$ 311,905	$ (192,315)	$ (807)	3,644,624
Construction in progress and prepayments	29,528	$ 48,140	$ -	$ -	77,668
Net amount	$12,094,497				$11,968,217

Items	December 31, 2018 Balance at January 1, 2018	Additions	Disposals	Effects 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	1,055,476	45,195	(3,382)	1,066	1,098,355
Transportation equipment	57,017	4,985	(4,308)	-	57,694
Miscellaneous equipment	542,950	10,238	(3,963)	377	549,602
	15,459,221	$ 142,432	$ (12,286)	$ 1,443	15,590,810
Accumulated depreciation					
Buildings and improvements	2,050,161	$ 93,203	$ (78)	$ -	2,143,286
Office equipment	844,734	56,978	(2,690)	805	899,827
Transportation equipment	43,062	4,335	(4,004)	-	43,393
Miscellaneous equipment	411,904	30,561	(3,374)	244	439,335
	3,349,861	$ 185,077	$ (10,146)	$ 1,049	3,525,841
Construction-in-progress and prepayments	17,655	$ 11,873	$ -	$ -	29,528
Net amount	$ 12,127,015				$ 12,094,497

The Bank did not have any impairment losses on the properties for the years ended December 31, 2019 and 2018.

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

Buildings and improvements	
Branches offices	43-55 years
Air conditioner and improvements	9 years
Office equipment	3-8 years
Transportation equipment	5-10 years
Miscellaneous equipment	5-20 years

18. LEASE ARRANGEMENTS-2019

18.1 Right-of-use assets

	December 31, 2019
Carrying amount of right-of-use assets	
Buildings and improvements	$ 735,898
Office equipment	24,051
Transportation equipment	28,302
	$ 788,251

	For the Year Ended December 31, 2019
Increase in right-of-use assets	$ 535,850
Depreciation expenses of right-of-use assets	
Buildings and improvements	$ 233,789
Office equipment	12,277
Transportation equipment	10,599
	$ 256,665

18.2 Lease liabilities

	December 31, 2019
Carrying amount of lease liabilities	$ 790,378

The discount rate intervals for lease liabilities are as follows:

	December 31, 2019
Buildings and improvements	1.25%
Office equipment	1.25%
Transportation equipment	1.25%

18.3 Other lease information

	For the Year Ended December 31, 2019
Short-term lease expenses	$ 23,381
Leases of low value assets	$ 1,653
Variable lease payments which are not included in lease liabilities measurements	$ 3,233
Total cash outflow for leases	$ 290,876

The Bank chose to apply recognition exemption to buildings, office equipments, transportation equipment that meet the standard of short-term lease and computer equipment rental which qualify as low value assets, and did not recognize those as related right-of-use assets and lease liabilities.

19. INTANGIBLE ASSETS, NET

	For the Year Ended December 31, 2019				
	Balance at January 1, 2019	Additions	Disposals	Effects of Exchange Rate Changes, Net	Balance at December 31, 2019
Cost					
Computer software	$ 306,064	$ 60,317	$ (70,251)	$ (537)	$ 295,593
Less: Accumulated depreciation					
Computer software	193,687	72,165	$ (70,172)	$ (419)	195,261
Net amount	$ 112,377				$ 100,332

	For the Year Ended December 31, 2018				
	Balance at January 1, 2018	Additions	Disposals	Effects of Exchange Rate Changes, Net	Balance at December 31, 2019
Cost					
Computer software	$ 276,011	$ 73,530	$ (44,300)	$ 823	$ 306,064
Less: Accumulated depreciation					
Computer software	158,326	79,341	$ (44,300)	$ 320	193,687
Net amount	$ 117,685				$ 112,377

Amortization expense of intangible assets is computed using the straight-line method over the useful lives as follows:

Computer software	3-5 years

20. OTHER ASSETS, NET

	December 31, 2019	December 31, 2018
Prepaid expenses	$ 1,866,721	$ 1,800,465
Refundable deposits	563,223	591,918
Deferred charges	240,133	150,173
Temporary payments and suspension	140,354	160,742
Others	6,298	6,453
	$ 2,816,729	$ 2,709,751

21. DUE TO THE CENTRAL BANK AND BANKS

	December 31, 2019	December 31, 2018
Call loans from banks	$ 22,570,871	$ 10,815,103
Deposit from Chunghwa Post Co., Ltd.	1,839,203	2,325,303
Overdraft on banks	750,052	1,766,489
Due to banks	583,641	644,719
Call loans from the Central Bank	-	922,140
	$ 25,743,767	$ 16,473,754

22. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold under repurchase agreements as of December 31, 2019 and 2018 were $11,060,621 thousand and $14,629,530 thousand, respectively. The aforementioned securities will be bought back by September 15, 2020 and September 19, 2019 at $11,066,235 thousand and $14,636,445 thousand, respectively.

23. PAYABLES

	December 31, 2019	December 31, 2018
Dividends payable	$ 13,079,522	$ 12,162,073
Accounts payable	1,627,783	3,780,923
Liabilities on bank acceptances	1,629,713	2,995,542
Interest payable	1,834,819	1,745,327
Expenses payable	1,157,055	1,051,215
Other accounts payable	227,634	104,378
Others	456,302	371,123
	$ 20,012,828	$ 22,210,581

24. DEPOSITS AND REMITTANCES

	December 31, 2019	December 31, 2018
Time deposits	$ 414,019,156	$ 387,233,786
Savings deposits	299,613,334	278,418,010
Demand deposits	238,610,948	212,575,425
Checking deposits	10,060,583	11,064,576
Negotiable certificates of deposit	25,581,000	21,550,500
Remittances	394,038	804,182
	$ 988,279,059	$ 911,646,479

25. BANK DEBENTURES

	December 31, 2019	December 31, 2018
The subordinated bank debenture - 7 years maturity; first issued in 2012; maturity date is on April 2019	$ -	$ 4,000,000
The subordinate bank debenture - 7 years maturity; second issued in 2012; maturity date is on May 2019	-	1,000,000
The subordinated bank debenture - 7-10 years maturity, third issued in 2012; maturity date is from November 2019 to November 2022.	4,000,000	5,000,000
The subordinated bank debenture - 7-10 years maturity, fourth issued in 2012; maturity date is from December 2019 to December 2022.	5,700,000	10,000,000
The subordinated bank debenture - 7-10 years maturity, first issued in 2014; maturity date is from March 2021 to March 2024	6,700,000	6,700,000
The subordinated bank debenture - 7 years maturity, second issued in 2014; maturity date is on November 2021	3,300,000	3,300,000
The subordinated bank debenture - 7 years maturity; first issued in 2015; maturity date is on June 2022	2,150,000	2,150,000
The subordinate bank debenture - 8.5 years maturity; second issued in 2015; maturity date is on June 2024	3,000,000	3,000,000
The subordinated bank debenture - 7-10 years maturity; first issued in 2017; maturity date is from June 2024 to 2027	5,000,000	5,000,000
The subordinated bank debenture - 7-10 years maturity; second issued in 2017; maturity date is from December 2024 to December 2027	5,000,000	5,000,000
The subordinated bank debenture - 7-10 years maturity; first issued in 2018; maturity date is from June 2025 to 2028	5,000,000	5,000,000
The subordinated bank; third issued in 2018; no maturity date	7,000,000	7,000,000
The subordinated bank debenture - 5 years maturity; first issued in 2019; maturity date is on September 2024	6,900,000	-
The subordinated bank debenture - 3 years maturity; first issued in 2019; maturity date is on September 2022	3,100,000	-
	$ 56,850,000	$ 57,150,000

The first issuance of the 2012 subordinated bank debenture had 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 had 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 was classified into two types, Types A and B, in accordance with the issued terms. Their terms and methods of interest accrual were as follows: Type A, seven-year of subordinated 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%. The interests were paid annually with the repayment of principals at maturity.

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

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

The second issuance of the 2014 subordinated bank debenture had 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 had 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 had 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 was classified into two types, Types A and B, in accordance with the issued terms. Their terms and methods of interest accrual were as follows: Type A, seven-year subordinated bank debenture at a fixed annual interest rate of 1.50%; Type B, ten-year subordinated bank debenture at a fixed annual interest rate of 1.85%. The interests were paid annually with the repayment of principals at maturity.

The second issuance of the 2017 bank debenture was 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 were as follows: Type A, seven-year subordinated bank debenture at a fixed annual interest rate of 1.30%; Type B, ten-year subordinated bank debenture at a fixed annual interest rate of 1.55%. Their interests were paid annually with repayment of principals at maturity.

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

The third issuance of the 2018 subordinated bank debenture was at a fixed annual interest rate of 2.15% with the interest paid annually.

The first issuance of the 2019 bank debenture was classified into two types in accordance with the issued terms and the methods of interest accrual: Types A and B. Their terms were as follows: Type A, three-year subordinated bank debenture at a fixed annual interest rate of 0.65%; Type B, five-year subordinated bank debenture at a fixed annual interest rate of 0.69%. Their interests were paid annually with repayment of principals at maturity.

26. OTHER FINANCIAL LIABILITIES

	December 31, 2019	December 31, 2018
Principals of structured instruments	$ 1,779,450	$ 2,188,908
Appropriated loan funds	1,812,424	1,504,199
	$ 3,591,874	$ 3,693,107

27. PROVISIONS

	December 31, 2019	December 31, 2018
Reserve for guarantees liabilities	$ 768,550	$ 600,372
Reserve for employment benefits (Note 29)	655,711	661,644
Reserve for financing commitment	69,441	73,229
Others	6,347	6,418
	$ 1,500,049	$ 1,341,663

Changes in financing commitment and guarantee liability provisions of the Bank for the year ended December 31, 2019 and 2018 were as follows:

For the Year Ended December 31, 2019

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Non-Purchased or Original Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The difference of impairment under the regulations	Total
Commitment and guarantee liability provisions						
January 1, 2019	$ 102,373	$ 115,497	$ -	$ 217,870	$ 455,731	$ 673,601
Changes due to financial assets recognized at the beginning of the period:						
Transfer to duration expected credit losses	(110)	12,736	-	12,626	-	12,626
Transfer to credit impairment financial assets	(5)	-	864	859	-	859
Transfer to 12-month ECLs	913	-	-	913	-	913
Financial assets derecognized in the current period	(94,747)	(101,842)	-	(196,589)	-	(196,589)
Purchased or originated financial assets	50,036	12,182	811	63,029	-	63,029
The difference of impairment under the decree regulation	-	-	-	-	172,870	172,870
Exchange rate and other changes	95,985	14,697	-	110,682	-	110,682
December 31, 2019	$ 154,445	$ 53,270	$ 1,675	$ 209,390	$ 628,601	$ 837,991

For the Year Ended December 31, 2018

	12-Month ECLs	Lifetime ECLs (Collectively)	Impairment Under the Guidelines of IFRS 9	The difference of impairment under the regulations	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 originated 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

28. OTHER LIABILITIES

	December 31, 2019	December 31, 2018
Guarantee deposits received	$ 798,610	$ 415,874
Interest received in advance	170,160	130,968
Deferred revenue	152,466	143,929
Temporary credit	15,241	67,235
Others	107,091	108,007
	$ 1,243,568	$ 866,013

29. PENSION PLAN

(1) 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 2019 and 2018 were $76,515 thousand and $70,012 thousand, respectively.

(2) Defined benefit plans

The defined benefit plans adopted by the Bank in accordance with the Labor Standards Law is operated by the government of 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, 2019	December 31, 2018
Present value of defined benefit obligation	$ 2,960,095	$ 2,766,265
Fair value of plan assets	(2,732,294)	(2,491,348)
Net defined benefit liabilities	$ 227,801	$ 274,917

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, 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 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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Assets
Balance at January 1, 2019	$ 2,766,265	$ (2,491,348)	$ 274,917
Service cost			
Current service cost	183,211	-	183,211
Interest expense (income)	41,075	(38,300)	2,775
Recognized in profit or loss	224,286	(38,300)	185,986
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(48,613)	(48,613)
Actuarial (gain) loss			
Changes in demographic assumptions	3,811	-	3,811
Changes in financial assumptions	91,531	-	91,531
Experience adjustments	27,672	-	27,672
Recognized in other comprehensive income	123,014	(48,613)	74,401
Contributions from the employer	-	(307,503)	(307,503)
Benefits paid	(153,470)	153,470	-
Balance at December 31, 2019	$ 2,960,095	$ (2,732,294)	$ 227,801

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

A. 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.

B. 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.

C. 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, 2019	December 31, 2018
Discount rate	1.25%	1.55%
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, 2019	December 31, 2018
Discount rate		
0.25% increase	$ (76,555)	$ (74,366)
0.25% decrease	$ 79,369	$ 77,202
Expected rate of salary increase		
0.25% increase	$ 76,832	$ 74,932
0.25% decrease	$ (74,507)	$ (72,562)

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, 2019	**December 31, 2018**
Average duration of the defined benefit obligation	10.8 years	11.1 years
Expected contributions to the plans for the next year	$ 315,959	$ 191,724

(3) Employee discount 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, 2019	**December 31, 2018**
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, 2019	**December 31, 2018**
Retired employees' preferential deposit liabilities, net	$ 419,114	$ 379,288

The amounts classified as retired employees' preferential deposit in the statements of profit or loss in 2019 and 2018 were $62,354 thousand and $64,989 thousand, respectively; and in the other comprehensive losses in 2019 and 2018 were $21,328 thousand and $19,670 thousand, respectively

(4) 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, 2019	**December 31, 2018**
Other long-term employee benefit liabilities, net	$ 8,796	$ 7,439

The Bank has recognized employee benefits for pensions as a benefit cost of $1,358 thousand and $1,212 thousand in the statement of profit or loss in 2019 and 2018, respectively..

(5) Employee benefit liabilities provisions includes:

	December 31, 2019	December 31, 2018
Retired employees' preferential deposit liabilities	$ 419,114	$ 379,288
Defined benefit liabilities	227,801	274,917
Other long-term employee benefit liabilities	8,796	7,439
	$ 655,711	$ 661,644

30. EQUITY

30.1 Share capital

	December 31, 2019	December 31, 2018
Ordinary shares		
Authorized shares (in thousands)	6,000,000	6,000,000
Authorized capital	$ 60,000,000	$ 60,000,000
Issued and paid shares (in thousands)	4,481,603	4,101,603
Issued capital	$ 44,816,031	$ 41,016,031

The issued ordinary shares have par value of $10. Each shareholder is entitled with the right to vote and to receive dividends.

With the application of Initial Public Offering (IPO) on the Taiwan Stock Exchange ("TWSE"), the board of directors approved to issue 22,500 thousand 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 new shares included public subscription, employee subscription and auction of 4,000 thousand shares, 2,500 thousand shares and 16,000 thousand shares, respectively. The public subscription and employee subscription were issued at a premium of $32.28 per share. The auction was issued at a premium to the average weighted average price of $34.31 per share. The net capital addition was $755,797 thousand after collecting the share proceeds and deducting relevant commission expense on October 17, 2018.

The board of directors approved to issue 380,000 thousand of new shares in additional capital on June 14, 2019. It was issued at a premium of $36 per share and the paid-up share capital was $44,816,031 thousand after the capital increase. The cash capital increase was approved by the SEC on August 7, 2019 and resolved by the board of directors. The base date for capital increase was on October 15, 2019. The total balance was $13,675,000 thousand after the full payment of the shares and deduction of relevant commission fees on October 7, 2019. The change of registration was completed on November 8, 2019.

30.2 Capital surplus

	December 31, 2019	December 31, 2018
Share premium	$ 13,431,903	$ 3,189,155
Treasury shares transaction	2,026,768	2,016,234
Dividends not yet collected	887,154	686,631
Recognition of changes in equity of subsidiaries	85,518	-
Proportionate share in investee's surplus from donated assets under the equity-method	1,218	1,218
	$ 16,432,561	$ 5,893,238

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 ordinary shares, conversion of bonds and treasury share transactions) and donations may be capitalized from capital surplus into share capital, which is limited to a certain percentage of the Bank's paid-in capital. In addition, the capital surpluses generated by the issuance of employee stock options were $2,971,968 thousand and $2,609,220 thousand on December 31, 2019 and 2018, respectively, which are limited to offset losses.

The capital surplus from investments accounted for using the equity method and dividends yet to be collected by shareholder are limited to offset losses.

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 $10,534 thousand and $9,480 thousand in 2019 and 2018, respectively.

When the equity of the Bank is not actually obtained or processed, the impact of the equity transaction recognized due to changes in the Bank's equity or the Bank's recognition of the adjustment to the capital reserve of the subsidiary identified using the equity method was $85,518 thousand in 2019.

30.3 Retained earnings and dividend policy

The Bank passed a resolution to amend the regulations on June 14, 2019, and authorized the board of directors to decide stipulate the Bank's surplus distribution or loss, which focused on special dividends and dividends distributed in cash and the reported to the shareholders' meeting.

According to the Bank's revised earnings distribution policy, if the Bank's annual final accounts have a surplus, it should first complete the tax payment and make up for the accumulated losses. According to the law, 30% of the statutory surplus reserve is required. However, when the statutory surplus reserve has reached the total paid-in capital of the Bank, it is not limited to this. Then appropriate or reverse the special surplus reserve from the balance and distribute the special dividend. If there is still a surplus, which balance and the accumulated undistributed surplus in the previous year includes the special surplus reserve will be an available surplus. The board of directors drafted a surplus allocation case and proposed to be recognized at the shareholders' meeting. The distribution of dividends or bonuses is depending on the attendance of more than two-thirds of the directors of the board of directors and the resolution of more than half of the directors. All or one of the dividends or bonuses to be distributed in cash and reported to the shareholders' meeting.

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 corrected into capital (share capital) or distributed in cash. However, under the Banking Law, if legal reserve is less than its paid-in capital, the Bank is allowed to distribute cash earnings only up to 15% of its capital. For the basis of the employees' compensation and directors' remuneration estimates, refer to employee benefits expense in Note 31 (g).

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 Bank held the board of directors and the shareholders' meeting on June 14, 2019 and June 15, 2018, respectively. The proposals and resolutions for the appropriations of earnings and dividends per share for 2018 and 2017 were as follows:

	Appropriation of Earnings		Dividends Per Share (In NT Dollars)	
	2018	**2017**	**2018**	**2017**
Legal reserve	$ 4,113,591	$ 3,715,568		
Special reserve	68,560	61,926		
Cash dividends - ordinary shares	8,203,206	7,342,386	$ 2.00	$ 1.80
	$ 12,385,357	$ 11,119,880	$ 2.00	$ 1.80

The appropriations of earnings and dividends per share for 2019 are scheduled to be approved in the shareholders' meeting on March 21, 2020 and are detailed as follows:

	Appropriation of Earnings	Dividends Per Share (In NT Dollar)
	2019	**2019**
Legal reserve	$ 4,398,333	
Cash dividends - ordinary shares	9,187,286	$ 2.05
	$ 13,585,619	

The appropriation of earnings for 2019 will be resolved in the shareholders' meeting in June 2020.

30.4 Special reserve

The Bank made a special reserve due to the transfer of $1,256,859 thousand 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 year ended December 31, 2019.

According to Rule No. 10510001510 issued by the FSC on May 25, 2016, public banks shall appropriate a special reserve for 0.5% to 1.0% of net profit when making appropriations of earnings from 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 made a special reserve in the amounts of $68,560 thousand and $61,926 thousand from earnings of 2018 and 2017 proposed by the Bank's board of directors on June 14, 2019 and June 15, 2018, respectively. The Bank made a special reserve in the amount of $189,228 thousand according to the rule for the year ended December 31, 2019.

30.5 Treasury shares

On December 31, 2019 and 2018, Shancom Reconstruction Inc. and China Travel Service (Taiwan) held 11,370 thousand shares and 27 thousand shares of the Bank, respectively.

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 new shares of capital increase by cash. 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, except for participating in the Bank's cash addition and voting rights, the rest is the same as the general shareholder's rights. In addition, the treasury stocks held by the Bank shall not be pledged, nor shall they have the rights of dividend distribution and voting rights under the Securities and Exchange Act.

31. DETAILS OF COMPREHENSIVE INCOME STATEMENT ITEMS

31.1 Interest revenue, net

	For the Year Ended December 31	
	2019	**2018**
Interest revenue		
Discounts and loans	$ 16,803,305	$ 15,750,595
Securities investments	3,655,088	3,276,972
Due from banks	1,714,378	1,260,073
Credit and revolving balance	94,866	91,781
Others	152,806	127,685
	22,420,443	20,507,106
Interest expense		
Deposits	7,740,219	6,299,947
Bank debentures	1,028,356	805,250
Due to banks	582,534	312,956
Securities sold under repurchase agreements	67,246	104,648
Structured bond instruments	39,890	69,717
Leased liability	8,976	-
Others	25,923	26,565
	9,493,144	7,619,083
	$ 12,927,299	$ 12,888,023

31.2 Service fee income, net

	For the Year Ended December 31	
	2019	2018
Service fee income		
Trust and custody services	$ 1,051,673	$ 877,095
Commission income	608,213	488,022
Loan service fees	385,222	309,865
Guarantees	450,724	272,734
Credit card related fees	348,692	257,811
Remittance related fees	180,546	156,191
Exchange related fees	142,080	153,034
Others	598,371	583,343
	3,765,521	3,098,095
Service charge		
Credit card service charge	$ 244,461	$ 147,123
Nominee and brokerage service charge	84,596	80,931
Interbank service charge	61,305	62,741
Custody service charge	45,451	36,870
Others	177,887	137,039
	613,700	464,704
	$ 3,151,821	$ 2,633,391

31.3 Gain (loss) on financial assets and liabilities at FVTPL

	For the Year Ended December 31, 2019		
	Realized (Loss) Gain	Unrealized (Loss) Gain	Total
Financial assets mandatorily classified as at FVTPL	$ 3,495,762	$ 283,951	$ 3,779,713
Held-for-trading financial liabilities	(3,048,880)	198,046	(2,850,834)
Financial liabilities designated as at FVTPL	-	(159,109)	(159,109)
	$ 446,882	$ 322,888	$ 769,770

	For the Year Ended December 31, 2018		
	Realized (Loss) Gain	Unrealized (Loss) 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)

31.4 Realized gain or loss on financial assets at FVTOCI

	For the Year Ended December 31	
	2019	2018
Disposal of debt instruments investment	$ 201,205	$ 107,266
Dividend revenue	281,288	310,019
	$ 482,493	$ 417,285

31.5 Share of Profit of Associates Accounted for Using Equity Method

	For the Year Ended December 31	
	2019	2018
SCSB Asset Management Ltd.	$ 68,587	$ 34,640
China Travel Service(Taiwan)	34,944	27,898
SCSB Marketing Ltd.	1,828	1,612
Shancom Reconstruction Inc.	6,881,287	6,296,417
Wresqueue Limitada	10,942	10,747
Paofoong Insurance Company Ltd.	21,323	14,079
AMK Microfinance Institution Plc.(AMK)	155,523	42,059
	$ 7,174,434	$ 6,427,452

31.6 Other non-interest revenue

	For the Year Ended December 31	
	2019	2018
Leased revenue	$ 43,167	$ 46,928
Others	6,080	17,404
	$ 49,247	$ 64,332

31.7 Employment benefits expense

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	$ 3,958,347	$ 3,393,345
Retirement benefits		
Defined contribution plan	76,515	70,012
Defined benefit plan	185,986	189,366
Other employee benefits	349,661	331,574
	$ 4,570,509	$ 3,984,297

31.8 Employees' compensation and remuneration of directors

The amendments stipulate the distribution of employees' compensation and remuneration of directors at the rates of no less than 1‰ and no higher than 6‰, respectively, of net profit before income tax, employees' compensation and directors' remuneration.

The employees' compensation and the remuneration of directors for 2019 and 2018 as approved in the board meetings on March 21, 2020 and March 23, 2019, respectively, were as follows:

	For the Year Ended December 31			
	2019		2018	
	Cash	Shares	Cash	Shares
Employees' compensation	$ 60,000	$ -	$ 38,000	$ -
Remuneration of directors	58,000	-	58,000	-

If there are changes in actual employees' compensation and directors' remuneration after the release date of financial reports, they will be treated as the changes of 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, 2018 and 2017.

Information of the employees' compensation and remuneration of directors for 2019 and 2018 resolved by the Bank's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

31.9 Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
Depreciation expense	$ 568,570	$ 185,077
Amortization expense	156,509	200,664
	$ 725,079	$ 385,741

32. INCOME TAX

32.1 Income tax expense recognized in profit or loss

The major components of tax expenses were as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	$ 1,352,969	$ 1,483,057
In respect of prior periods	12,966	22,136
	1,365,935	1,505,193
Deferred tax		
In respect of the current year	565,770	250,769
Adjustments from previous year	(28,911)	25,510
Effect of change in tax rate	-	245,674
	536,859	521,953
Income tax expense recognized in profit or loss	$ 1,902,794	$ 2,027,146

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

	For the Year Ended December 31	
	2019	2018
Profit before tax from continuing operations	$ 16,563,905	$ 15,739,117
Income tax expense calculated at the statutory rate	$ 3,312,781	$ 3,147,823
Add (deduct) tax effect of：		
Tax-exempt cash dividend	(59,559)	(71,562)
Permanent difference- investment income	(492,837)	(698,864)
Tax-exempt (gain) loss on security transactions	(45,492)	9,117
Tax-exempt income from offshore banking unit (OBU)	(791,415)	(789,676)
Tax-exempt gain on sale of land	-	(5)
Others	(53,880)	18,648
	1,869,598	1,615,481
Tax on unappropriated earnings	49,141	118,354
Adjustments for prior years' current tax	12,966	22,136
Adjustments for prior years' deferred tax	(28,911)	25,510
Effect of tax rate changes	-	245,674
Income tax expense recognized in profit or loss	$ 1,902,794	$ 2,027,146

In 2018, The Income Tax Act in Taiwan was amended. Starting from 2018, the corporate income tax rate was adjusted from 17% to 20%. In addition, the unappropriated tax earnings had been reduced from 10% to 5%.

In July 2019, Taiwan announced the amendment of the Industrial Innovation Regulations by the President, which explicitly stipulates that the construction or purchase of specific assets or technologies based on unappropriated earnings from the year of 2018 may be used as a deduction for calculating unappropriated earnings. In calculating the unappropriated earnings tax in 2019, the Bank has deducted the amount of capital expenditure reinvested by the unappropriated earnings of 2018.

32.2 Income tax expense recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
Deferred income tax expense		
Changes in tax rate	$ -	$ 12,900
Arising on income and expenses recognized in other comprehensive income		
Translation adjustments for foreign operations	380,931	(325,893)
Unrealized gain or loss on financial assets measured at FVTOCI	(446,488)	236,642
Defined benefit plans remeasurement	19,146	20,525
Deferred income tax expense (benefit) recognized in other comprehensive income	$ (46,411)	$ (55,826)

32.3 Income tax assessments

	December 31	
	2019	2018
Current tax assets		
Tax refund receivable	$ 37,830	$ 37,655
Current tax liabilities		
Income tax payable	$ 611,581	$ 790,372

32.4 Deferred tax assets and liabilities

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

For the Year Ended December 31, 2019

Deferred Tax Assets	Opening Balance	Effects of Adopting IFRS16	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Temporary differences					
Doubtful debts	$ 386,736	$ -	$ (5,240)	$ -	$ 381,496
Impairment loss on financial assets at FVTOCI	8,349	-	(910)	-	7,439
Unrealized loss on financial instruments	201,384	-	26,103	(227,487)	-
Investment loss of domestic subsidiaries recognized under equity method	28,423	-	(6,989)	-	21,434
Unrealized foreign exchange loss	5,103	-	34,364	-	39,467
Employee benefits plan	165,895	-	(16,244)	19,146	168,797
Others	1,206	-	2,294	-	3,500
	$ 797,096	$ -	$ 33,378	$ (208,341)	$ 622,133
Temporary differences					
Unrealized gain on financial instruments	$ -	$ -	$ (71,845)	$ (219,001)	$ (290,846)
Investment gain of domestic subsidiaries recognized under equity method	(9,234,991)	5,699	(504,091)	380,932	(9,352,451)
Others	(359)	-	-	-	(359)
	$ (9,235,350)	$ 5,699	$ (575,936)	$ 161,931	$ (9,643,656)

For the Year Ended December 31, 2018

			Change in Tax Rate				
Deferred Tax Assets	Opening Balance	Effects of Adopting IFRS9	Recognized in Profit or Loss	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
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)

32.5 Income tax assessments

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	
	2019	**2018**
Basic earnings per share	$ 3.50	$ 3.37
Diluted earnings per share	$ 3.50	$ 3.37

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

Net Profit for the Period

	For the Year Ended December 31	
	2019	**2018**
Earnings used in the computation of basic and diluted earnings per share	$ 14,661,111	$ 13,711,971

Weighted Average Number of Ordinary Shares Outstanding (In Thousand Shares)

	For the Year Ended December 31	
	2019	2018
Weighted average number of ordinary shares in computation of basic earnings per share	4,187,513	4,072,267
Effect of potentially dilutive ordinary shares:		
Employees' compensation	1,458	1,750
Weighted average number of ordinary shares used in the computation of diluted earnings per share	4,188,971	4,074,017

Since the Bank offered to settle compensation paid to employees in cash or shares, the Bank 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 approved the issuance of new shares on June 14, 2019 and August 18, 2018 and resolved to allocate 15% and 11.11% of the new shares for subscription by its employees according to the Company Law, respectively. According to IFRS 2 "share-based payment", the employee's share options should be measured at fair value, and the related compensation costs were $362,748 thousand and $7,775 thousand respectively. The relevant information of employee share options is as follows:

	For the Year Ended December 31	
	2019	2018
Employee Share Option	Unit (thousand share)	Unit (thousand share)
Options granted	57,000	2,500
Options exercised	55,507	2,473
Options expired	1,493	27
Fair value of options granted (NT$/per share)	$ 6.36	$ 3.11

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

	For the Year Ended December 31	
	2019	2018
Acquisition date share price (NT$/per share)	42.29	35.39
Exercise price (NT$/per share)	36	32.28
Expected volatility	25.00%	19.93%
Option life (in days)	33	12
Dividend yield	-	-
Risk-free interest rate	0.45%	0.36%

The expected volatility is based on the historical stock price volatility calculated by peers.

35. RELATED-PARTY TRANSACTIONS

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

35.1 The Bank's related parties

Related Party	Relationship with the Bank
China Travel Service (Taiwan)	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 and managers are the relatives of the Bank's directors and managers

35.2 Significant transactions between parties

35.2.1 Due from foreign banks

	December 31, 2019	December 31, 2018
Shanghai Commercial Bank (HK)	$ 125,513	$ 431,071

The interest income arising from the above transactions were $95 thousand and $249 thousand for the year ended December 31, 2019 and 2018, respectively.

35.2.2 Due to banks

	December 31, 2018	December 31, 2018
Shanghai Commercial Bank (HK)	$ 18,012	$ 6

35.2.3 Guarantees

	Maximum Balance	Ending Balance	Reserve for Possible Losses on Guarantees	Interest Rate (%)	Collateral
December 31, 2019 China Travel Service (Taiwan)	$ 7,000	$ 4,000	$ -	1.00	Real estate
December 31, 2018 China Travel Service (Taiwan)	$ 7,000	$ 7,000	$ -	1.00	Real estate

35.2.4 Deposits

	December 31, 2019			For the Year Ended December 31, 2019
	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Expense
Empresa	$ 2,522,014	$ 807,393	1.05-2.85	$ 21,678
Krinein	803,450	464,360	1.05-2.85	11,902
Directors and related management	632,652	223,171	0.00-4.90	1,603
Employees	620,966	135,489	0.00-9.97	4,224
The SCSB Cultural & Educational Foundation	338,369	314,721	0.01-1.07	1,914
SCSB Asset Management Ltd.	304,975	303,663	0.08-1.03	2,540
Shancom Reconstruction Inc.	176,819	176,819	0.33-2.85	4,417
Others	179,510	169,119	0.00-2.30	990
	$ 5,578,755	$ 2,594,735		$ 49,268

	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
Employees	491,609	254,973	0.00-9.96	3,820
SCSB Asset Management Ltd.	410,357	279,796	0.08-1.03	2,982
Supervisors and related management	355,593	258,196	0.00-4.90	1,244
The SCSB Cultural & Educational Foundation	334,122	314,922	0.01-1.07	1,918
Shancom Reconstruction Inc.	176,440	176,440	0.25-2.70	3,937
Others	220,152	163,692	0.00-3.40	1,240
	$ 5,359,698	$ 2,717,047		$ 44,735

35.2.5 Interest receivable (accounted for as receivables)

	December 31, 2019	December 31, 2018
Directors and related management	$ 138	$ 54

35.2.6 Interest payable (accounted for as payables)

	December 31, 2019	December 31, 2018
Empresa	$ 3,721	$ 4,955
Krinein	2,140	2,850
Shancom Reconstruction Inc.	815	1,085
Others	413	600
	$ 7,089	$ 9,490

35.2.7 Guarantee deposits received (accounted for as other liabilities)

	December 31, 2019	December 31, 2018
The SCSB Cultural & Educational Foundation	$ 529	$ 211
China Travel Service (Taiwan)	180	180
Others	67	67
	$ 776	$ 458

35.2.8 Rental income (accounted for other revenue, net)

	For the Year Ended December 31	
	2019	2018
The SCSB Cultural & Educational Foundation	$ 914	$ 842
China Travel Service (Taiwan)	738	738
Others	254	254
	$ 1,906	$ 1,834

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.

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

	For the Year Ended December 31	
	2019	2018
SCSB Marketing	$ 84,590	$ 82,422
China Travel Service (Taiwan)	1,735	1,674
	$ 86,325	$ 84,096

35.2.10 Loans

December 31, 2019									For the Year Ended December 31, 2019
				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)	$ 9,112	$ 658	$ 658	-	Real estate	2.09	None	$ 103
Others	Directors and related management (6)	455,217	439,374	439,374	-	Real estate	1.58-2.66	None	4,249
		$ 464,329	$ 440,032	$ 440,032					$ 4,352

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	Supervisors and related management (1)	$ 16,747	$ 8,469	$ 8,469	-	Real estate	2.09-2.10	None	$ 264
Others	Supervisors 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

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.

35.3 Compensation of directors, supervisors and management personnel

The compensation of key management personnel for the period ended December 31, 2019 and 2018 was as follows:

	For the Year Ended December 31	
	2019	2018
Salaries and other short-term employment benefits	$ 104,823	$ 97,639
Bonuses of employees	72,468	69,120
Remuneration of directors and post-employment benefits	95,936	92,371
Retirement benefits	14,377	13,594
	$ 287,604	$ 272,724

36. PLEDGED ASSETS

Under the Central Bank's clearing system of Real-Time Gross Settlement (RTGS), on December 31, 2019 and 2018, the assets listed below had been provided as collateral for day-term overdrafts with the pledged amount adjustable at any time.

	December 31, 2019	December 31, 2018	Guarantee Purpose
Financial assets at amortized cost	$ 15,000,000	$ 15,000,000	Day-term overdraft with the pledge

On December 31, 2019 and 2018, 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, 2019	December 31, 2018	Guaranty Purpose
Financial assets at FVTOCI	$ 317,093	$ 323,074	Operating guarantee

37. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Bank as of December 31, 2019 and 2018, were as follows:

	December 31, 2019	December 31, 2018
Receivables under custody	$ 23,250,172	$ 23,479,365
Consigned travelers' checks	162,850	192,808
Guarantee notes payable	147,607,429	132,530,055
Assets under trust	166,653,678	164,268,973
Securities in custody	17,301,568	14,013,060
Government bonds in brokerage accounts	64,090,200	39,161,200
Short-term bills in brokerage accounts	808,800	974,600

38. FINANCIAL INSTRUMENTS

38.1 Fair value information - financial instruments not measured at fair value

38.1.1 Fair value of financial instruments that are not measured at fair value

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, 2019		December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Financial assets measured at amortized cost	$99,749,266	$99,894,739	$96,596,605	$96,576,374
Financial liabilities				
Bank debentures	56,850,000	57,203,997	57,150,000	57,478,175

38.1.2 Fair value level

	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Financial assets				
Debt in investment instrument measured at amortized cost	$99,894,739	$2,976,568	$96,918,171	$ -
Financial liabilities				
Bank debentures	57,203,997	-	57,203,997	-

	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	-

38.1.3 The evaluation method and assumptions used in measuring fair value

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

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

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

38.2 Fair value information - financial instrument measured at fair value under repetitive basis

38.2.1 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, 2019			
	Total	Level 1	Level 2	Level 3
Non-derivative instruments				
Assets				
Financial assets measured at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Shares	$ 880,449	$ 880,449	$ -	$ -
Bonds	763,749	136,428	49,843	577,478
Beneficiary certificates	863,054	863,054	-	-
Financial assets measured at FVTOCI				
Equity instruments	3,924,394	2,358,474	-	1,565,920
Debt instruments	204,041,330	58,063,422	145,977,908	-
	$ 210,472,976	$ 62,301,827	$ 146,027,751	$ 2,143,398
Liabilities				
Financial liabilities measured at FVTPL	$ 2,394,829	$ -	$ 2,394,829	$ -
Derivative instruments				
Assets				
Financial assets measured at FVTPL	$ 663,982	$ 39,010	$ 349,876	$ 275,096
Liabilities				
Financial liabilities measured at FVTPL	$ 315,654	$ 15,613	$ 242,276	$ 57,765

Financial Instruments Measured at Fair Value	December 31, 2018 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
Beneficiary certificates	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

There are no transfers of financial instruments between Level 1 and Level 2 fair value measurement for the year ended December 31, 2019 and 2018.

38.2.2 Reconciliation of Level 3 fair value measurement

For the year ended December 31, 2019

Items	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 measured at FVTPL								
Financial assets mandatorily measured at FVTPL	$ 1,128,224	$ 190,632	$ -	$ -	$ -	$ (466,282)	$ -	$ 852,574
Financial assets measured at FVTOCI	2,271,307	-	60,853	10,784	-	(622,347)	(154,641)	1,565,920
Liabilities								
Financial liabilities measured at FVTPL								
Held-for-trading financial liabilities	37,829	19,936	-	-	-	-	-	57,765

For the year ended December 31, 2018

Items	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 measured at FVTPL								
Financial assets mandatorily measured at FVTPL	$ 736,163	$ 138,200	$ -	$ 632,069	$ -	$ (227,714)	$ (150,494)	$ 1,128,224
Financial assets measured 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

38.2.3 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.

38.2.4 Valuation techniques and inputs applied for Level 3 fair value measurement

Fair value evaluation for instruments categorized as Level 3 included but was not limited to instruments classified as measured at fair value through profit or loss, equity securities investments, derivatives, and held-to-maturity financial assets.

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 table of quantified information of significant unobservable inputs is as follows:

	Fair Value December 31, 2019	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-Average)	Notes
Financial assets at fair value through profit or loss Bonds	$ 577,478	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 at fair value through other comprehensive income Shares	1,565,920	1. Market approach 2. Net asset value method	1. Market liquidity reduction 2. Market liquidity reduction	1. 10%-19% 2. 10%-19%	1. The higher of the multiplier, and the higher of the fair value. 2. The higher the liquidity reduction, and the lower of the fair value.
Derivative financial asset					
Financial assets at fair value through profit or loss Interest rate exchange	275,096	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 at fair value through profit or loss Sell options	57,765	Black-Scholes Model	Volatility	0%-15%	The higher of the volatility, and the higher of the fair value.

38.2.5 Sensitivity analysis of alternative assumptions of Level 3 fair value measurement

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 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, 2019

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflect in Other Comprehensive Income	
	Favorable	**Unfavorable**	**Favorable**	**Unfavorable**
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss	$ -	$(18,092)	$ -	$ -
Financial assets at fair value through other comprehensive income	-	-	-	(15,120)

December 31, 2018

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflect in Other Comprehensive Income	
	Favorable	**Unfavorable**	**Favorable**	**Unfavorable**
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss	$ -	$ (3,920)	$ -	$ -
Financial assets at fair value through other comprehensive income	-	-	15,046	(24,821)

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, 2019

	Changes in Fair Value Reflected in Profit or Loss		**Changes in Fair Value Reflect in Other Comprehensive Income**	
	Favorable	**Unfavorable**	**Favorable**	**Unfavorable**
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss	$ 18,092	$ -	$ -	$ -
Financial assets at fair value through other comprehensive income	-	-	15,120	-

December 31, 2018

	Changes in Fair Value Reflected in Profit or Loss		**Changes in Fair Value Reflect in Other Comprehensive Income**	
	Favorable	**Unfavorable**	**Favorable**	**Unfavorable**
Assets				
Financial assets at fair value through profit or loss				
Financial assets mandatorily measured at fair value through profit or loss	$ 3,920	$ -	$ -	$ -
Financial assets at fair value through other comprehensive income	-	-	24,821	(15,046)

38.3 Financial risk management

38.3.1 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, 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, operational 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.

38.3.2 Credit risk

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 with 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.

(1) Procedures of credit risk management

Each major business applies procedures and methods for credit risk management as follows:

A. Credit business (including loan commitments and guarantees)

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:

i. Changes in internal and external credit ratings (e.g. external TCRI ratings are above the high risk level).

ii. Information of overdue status (e.g. if the payment is overdue for more than 30 days).

iii. 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.

iv. Significant changes in actual or expected results of the debtor's operations.

v. 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:

i. Changes in internal and external credit ratings (e.g. external TCRI ratings are above the high risk level).

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

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

iv. The debtor has died or been dissolved.

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

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

vii. 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.

viii. 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, 2019.

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 the 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.

B. 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.

C. 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.

(2) Policies of credit risk hedging or mitigation

A. 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. Collateral for business other than loan borrowings vary by the nature of the related financial instruments. Only asset-backed securities and other similar financial instruments are secured by a pool of financial assets.

B. 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 Bank, 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.

C. Other mechanisms for credit risk management

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, 2019

	Maximum Exposure to Credit Risk Mitigated by				
	Carrying Amount	Collateral	Master Netting Arrangement	Other Credit Enhancements	Total
Financial instruments with credit impairment under IFRS 9					
Receivables	$ 332,482	$ -	$ -	$ -	$ -
Discounts and loans	1,755,196	1,102,131	-	230,790	1,332,921

December 31, 2018

	Maximum Exposure to Credit Risk Mitigated by				
	Carrying Amount	Collateral	Master Netting Arrangement	Other Credit Enhancements	Total
Financial instruments with credit impairment under IFRS 9					
Receivables	$ 549,876	$ -	$ -	$ -	$ -
Discounts and loans	2,187,356	1,565,236	-	260,033	1,825,269

(3) 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, 2019	December 31, 2018
Developed and non-cancelable loan commitments	$ 16,718,592	$ 11,153,260
Non-cancelable credit card commitments	708,400	706,663
Issued but unused letters of credit	7,420,287	6,455,777
Other guarantees	73,025,100	50,735,948

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 total carrying amounts of the financial assets with the largest credit risk exposure are as follows:

	December 31, 2019			
	12-Month Expected Credit Loss	**Full-Lifetime Expected Credit Loss - Unimpaired**	**Full-Lifetime Expected Credit Loss - Impaired**	**Total**
Discounts and loans				
Consumer banking				
Residential mortgage loans	$ 228,195,072	$ 2,195,754	$ 636,164	$ 231,026,990
Small scale credit loans	2,455,291	13,814	13,198	2,482,303
Others	27,362,502	109,007	123,532	27,595,041
Corporate banking				
Secured	275,333,269	3,085,948	504,460	278,923,677
Unsecured	190,004,287	1,316,093	477,842	191,798,222
Total	$ 723,350,421	$ 6,720,616	$ 1,755,196	$ 731,826,233
Accounts receivable (including non-performing credit card receivables)				
Credit cards	$ 2,331,854	$ 58,603	$ 69,727	$ 2,460,184
Others	5,498,117	10,137	262,755	5,771,009
Total	$ 7,829,971	$ 68,740	$ 332,482	$ 8,231,193
Debt instruments measured at fair value through other comprehensive income	$ 202,709,173	$ -	$ -	$ 202,709,173
Investments in debt instruments at amortized cost	$ 99,750,758	$ -	$ -	$ 99,750,758

	December 31, 2018			
	12-Month Expected Credit Loss	**Full-Lifetime Expected Credit Loss - Unimpaired**	**Full-Lifetime Expected Credit Loss - 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	6,545,576	189,980	482,743	7,218,299
Total	$ 8,358,096	$ 246,377	$ 549,876	$ 9,154,349
Debt instruments measured at fair value through other comprehensive income	$ 185,994,201	$ -	$ -	$ 185,994,201
Investments in debt instruments at amortized cost	$ 96,598,293	$ -	$ -	$ 96,598,293

(4) Information on concentration of credit risk

Concentration of credit risk exists if transaction counterparties are significantly concentrated on same individuals or Banks 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 maintained a diversified loan portfolio to mitigate the credit risk concentration to same customers; total transaction of same customers in discounts and loans and the balance of non-accrual loans are not material. The Bank's most significant concentrations of credit risk of discounts and loans and non-accrual loans by business, region, and collateral were summarized as follows:

A. Industry

	December 31, 2019		December 31, 2018	
Industry	**Amount**	**% to Total**	**Amount**	**% to Total**
Private sector	$ 413,440,767	56	$ 402,457,744	58
Consumer	300,344,318	41	269,301,864	39
Financial institution	12,896,814	2	15,202,674	2
Others	5,144,334	1	4,561,959	1
	$ 731,826,233	100	$ 691,524,241	100

B. Region

	December 31, 2019		December 31, 2018	
Region	**Amount**	**% to Total**	**Amount**	**% to Total**
Taiwan	$ 621,495,097	85	$ 586,900,101	85
Asia area (Except Taiwan)	90,823,896	12	90,530,536	13
Others	19,507,240	3	14,093,604	2
	$ 731,826,233	100	$ 691,524,241	100

C. Collateral

	December 31, 2019		December 31, 2018	
Collateral	**Amount**	**% to Total**	**Amount**	**% to Total**
Unsecured	$156,624,332	21	$150,614,006	22
Secured				
Properties	465,664,943	64	433,709,678	62
Guarantees	56,868,421	8	57,973,177	8
Financial collateral	28,664,699	4	25,350,156	4
Movable properties	4,805,825	1	4,820,936	1
Other collateral	19,198,013	2	19,056,288	3
	$731,826,233	100	$691,524,241	100

(5) Information on credit risk quality

Part of the financial assets held by the Bank, including cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets measured 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 with very low credit risk because the counterparties have good credit ratings.

38.3.3 Market risk

(1) 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.

(2) Market risk management policies

The Bank monitors its market risk positions 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 facilities, assessment of gains and losses, analysis of sensitivity factors of the Bank's financial instrument positions, etc. The results of the monitoring, assessment and analysis are reported in risk control meetings and serve as references for the decision making of management.

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

(3) Market risk management process

A. 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.

B. 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.

(4) Interest rate management policies

A. Definition of interest rate risk

Interest rate risk represents risks of variation of fair value of trading position and loss in earnings resulting from interest rate variation. Major relevant products include interest rate-related financial securities and derivatives instrument.

B. Purpose of interest risk management

Interest rate risk management enhances the Bank's ability to measure, control and avoid negative influence of interest rate variation on earnings and economic values of balance sheet items. In addition, it enhances capital efficiency and strengthens operation.

C. Procedures of interest risk management

The Bank carefully chooses investment target through conducting research about issuer's 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. according to trading book operation policies and market status 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.

D. 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 periodically. In addition, the Bank regularly uses the DV01 to measure portfolio affected by interest rate.

(5) Foreign exchange rate risk management

A. Definition of foreign exchange risk

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

B. 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 Assets and Liabilities Management Committee.

(6) Equity securities price risk management

A. Definition of equity securities price risk

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

B. 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.

C. 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.

(7) Market valuation technique

The Bank assesses its exposures to market risk and the anticipated loss under market pressures by using assumptions on several market position changes. Limits of various financial instruments are set by the board of directors and monitored by the Assets and Liabilities Management Committee. The Bank also performs 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.

A. Sensitivity analysis

a. Interest rate risk

The Bank has assessed the possible impact on income if global yield curve move between -1 to +1 basis points simultaneously on December 31, 2019, December 31, 2018 and December 31, 2018.

b. 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.

c. Equity securities price risk

The Bank has assessed the possible impact on income when equity security prices on December 31, 2019, December 31, 2018 and December 31, 2018 rise or fall by 1% while other factors remain unchanged.

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

B. Sensitivity analysis is summarized as follows:

December 31, 2019			
Major Risk	**Variation Range**	**Amount**	
		Equity	**Profit or Loss**
Foreign exchange risk	Foreign currency appreciated 1% against the NTD	$ 698,096	$ 20,353
	Foreign currency depreciated 1% against the NTD	(698,096)	(20,353)
Interest rate risk	Interest rate curve edged up 1bp	(45,853)	(266)
	Interest rate curve edged down1bp	45,853	266
Equity price risk	Equity price increased 1%	14,964	7,561
	Equity price decreased 1%	(14,964)	(7,561)

December 31, 2018			
Major Risk	**Variation Range**	**Amount**	
		Equity	**Profit or Loss**
Foreign exchange rate risk	Foreign currency appreciated 1% against the NTD	$ 656,270	$ 2,292
	Foreign currency depreciated 1% against the NTD	(656,270)	(2,292)
Interest rate risk	Interest rate curve edged up 1bp	(39,504)	(16)
	Interest rate curve edged down1bp	39,504	16
Equity price risk	Equity price increased 1%	11,450	11,874
	Equity price decreased 1%	(11,450)	(11,874)

38.3.4 Liquidity risk

(1) 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.

(2) The management policies are as follows:

The Bank's management procedures are monitored by the independent department of risk management and the procedures are as follows:

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

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

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

D. 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 measured at fair value through profit or loss, etc.

(3) 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, 2019	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Due to the Central Bank and other banks	$ 20,272,619	$ 3,962,065	$ 503,323	$ 1,005,760	$ -	$ 25,743,767
Financial liabilities measured at FVTPL	-	-	-	-	2,405,361	2,405,361
Securities sold under repurchase agreements	5,541,237	5,374,546	132,573	12,265	-	11,060,621
Payables	18,763,752	443,011	382,968	274,156	148,941	20,012,828
Deposits and remittances	539,389,567	163,799,130	116,266,644	159,749,665	9,074,053	988,279,059
Bank debentures	-	-	-	-	56,850,000	56,850,000
Other financial liabilities	1,838,332	38,052	80,716	163,552	1,471,222	3,591,874
Lease liabilities	-	46,918	1,006	12,786	729,668	790,378

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 other 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	21,541,966	241,050	291,180	117,850	18,535	22,210,581
Deposits and remittances	485,536,091	158,107,177	94,327,102	166,555,038	7,121,071	911,646,479
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

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:

A. Derivative financial liabilities in net settlement

December 31, 2019	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	$ 16,948	$ 26,011	$ 4,522	$ 8,509	$ 284	$ 56,274
Rate derivatives	-	-	-	77	57,688	57,765
Equity securities derivatives	34	-	-	-	-	34

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

B. Derivative financial liabilities in total settlement

December 31, 2019	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial liabilities measured at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	$ 12,975,591	$ 10,112,857	$ 7,564,685	$ 9,727,650	$ -	$ 40,380,783
Cash outflow	13,200,551	10,230,099	7,813,439	10,027,844	-	41,271,933

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 fair value through profit or loss						
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

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, 2019	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Developed and non-cancelable loan commitments	$ 372,019	$ 94,178	$ 233,892	$ 1,506,408	$ 14,512,095	$ 16,718,592
Non-cancelable credit card commitments	71,761	143,593	215,353	277,693	-	708,400
Issued but unused letters of credit	1,758,934	4,461,724	825,402	248,895	125,332	7,420,287
Other guarantees	14,942,882	20,523,977	5,568,862	16,415,093	15,574,286	73,025,100

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

38.4 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 not qualified for derecognition and related financial liabilities.

December 31, 2019

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
Financial assets measured at FVTOCI - purchased call options	$ 10,189,672	$ 11,060,621	$ 10,189,672	$ 11,060,621	($ 870,949)

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
Financial assets measured at FVTOCI - purchased call options	$ 14,605,863	$ 14,629,530	$ 14,605,863	$ 14,629,530	($ 23,667)

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 were affected by interest rate fluctuations are as follows:

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

	For the Year Ended December 31, 2019	
	Average Balance	Average Rate (%)
Interest-earning assets		
Cash and cash equivalents - due from other banks	$ 13,850,804	0.81
Due from the Central Bank and call loans to banks	109,422,612	1.35
Financial assets measured at FVTPL	51,158	0.58
Securities purchased under resale agreements	1,830,684	1.92
Credit card revolving balances	679,151	12.55
Discounts and loans (excluding non-performing loans)	714,598,250	2.34
Financial assets measured at FVTOCI debt instrument investment	185,584,719	1.62
Financial assets measured at amortized cost	100,889,751	0.64
Other financial assets due from other banks (time deposits more than three months)	5,284,203	2.34
Interest-bearing liabilities		
Due to the Central Bank and banks	28,984,523	2.01
Financial liabilities measured at FVTPL	2,160,094	4.90
Securities sold under repurchase agreements	14,744,785	0.46
Negotiable certificates of deposits	31,553,638	0.66
Demand deposits	223,267,143	0.25
Savings deposits	146,052,704	0.31
Time deposits	402,605,531	1.30
Time savings	143,681,506	1.03
Bank debentures	56,120,878	1.64
Structured deposit instruments principal	1,742,978	2.29
Lease liabilities	707,016	1.27

	For the 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	12.35
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
	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

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.

According to the Banking Law and related regulations, the Bank should maintain a capital adequacy ratio of at least 9.875% for a stable financial position. If the capital adequacy ratio falls below the required capital adequacy ratio, the Central Regulator would restrict the distribution of earnings.

The following table which lists the equity capital, risk-weighted assets, and risk exposure as of December 31, 2019, December 31, 2018 and December 31, 2018 was 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. (Ref. No. 10200362920) on January 9, 2014.

The Bank conformed to the regulation on capital management as of December 31, 2019 and 2018.

	December 31, 2019	December 31, 2018
Analysis items		
Eligible capital		
Ordinary equity	$ 121,709,348	$ 108,950,004
Other Tier I capital	-	-
Tier II capital	6,517,421	6,428,641
Eligible capital	$ 128,226,769	$ 115,378,645
Risk-weighted assets		
Credit risk		
Standardized approach	$ 806,146,845	$ 735,843,008
Credit valuation adjustment	51,599	44,419
Internal rating based approach	N/A	N/A
Synthetic securitization	869,704	109,717
Operational risk		
Basic indicator approach	42,785,341	39,612,469
Standardized approach/alternative standardized approach	N/A	N/A
Advanced measurement approach	N/A	N/A
Market risk		
Standardized approach	31,019,219	25,188,620
Internal models approach	N/A	N/A
Total risk-weighted assets	$ 880,872,708	$ 800,798,233
Capital adequacy ratio	14.56%	14.41%
Ratio of ordinary equity to risk-weighted assets	13.82%	13.61%
Ratio of Tier I capital to risk-weighted assets	13.82%	13.61%
Leverage ratio	9.04%	8.95%

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

41.1 Assets quality: As stated in Table 1

41.2 Concentration of credit risks

Top 10 credit extensions of the Bank were as follows:

Ranking (Note 1)	December 31, 2019		
	Categorized by Sector (Note 2)	**Credit Amount (Note 3)**	**Credit Amount / Stockholders' equity (%)**
1	A Group (other holding companies)	5,795,975	3.77
2	B Group (general management agency)	5,687,749	3.70
3	C Group (real estate selling and leasing)	5,241,956	3.41
4	D Group (metallic furniture manufacturing)	4,787,639	3.12
5	E Group (other computer peripheral manufacturing)	4,580,967	2.98
6	F Group (wiring and cable system manufacturing)	4,301,785	2.80
7	G Group (general management agency)	4,256,911	2.77
8	H Group (computer manufacturing)	4,132,898	2.69
9	I Group (apparel manufacturing)	3,837,200	2.50
10	J Group (computer manufacturing)	3,488,604	2.27

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

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 the Bank 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: "Bank 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.

41.3 Interest rate sensitivity information

Interest Rate Sensitivity Analysis
December 31, 2019

(In NT$ Thousands)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate sensitive assets	$ 687,309,301	$ 32,066,793	$ 31,370,220	$ 73,501,921	$ 824,248,235
Interest rate sensitive liabilities	291,360,189	295,081,793	99,945,037	62,128,290	748,515,309
Interest rate sensitivity gap	395,949,112	(263,015,000)	(68,574,817)	11,373,631	75,732,926
Net equity					153,567,619
Ratio of interest rate sensitive assets to liabilities					110.12%
Ratio of interest rate sensitivity gap to net equity					49.32%

Interest Rate Sensitivity Analysis
December 31, 2018

(In NT$ Thousands)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One 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%

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

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 the New Taiwan dollars).

Interest Rate Sensitivity Analysis
December 31, 2019

(In US$ Thousands)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One Year	Total
Interest rate sensitive assets	$ 6,260,487	$ 154,851	$ 49,483	$ 1,681,030	$ 8,145,851
Interest rate sensitive liabilities	2,776,374	4,782,537	562,709	71,417	8,193,037
Interest rate sensitivity gap	3,483,113	(4,627,686)	(513,226)	1,609,613	(47,186)
Net equity					5,120,286
Ratio of interest rate sensitive assets to liabilities					99.42%
Ratio of interest rate sensitivity gap to net equity					(0.92%)

Interest Rate Sensitivity Analysis
December 31, 2018

(In US$ Thousands)

Items	1 to 90 Days	91 to 180 Days	181 Days to One Year	Over One 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)%

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

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 the US dollars).

41.4 Profitability

Items		December 31, 2019	December 31, 2018
Return on total assets	Before income tax	1.35	1.39
	After income tax	1.20	1.21
Return on equity	Before income tax	11.64	12.41
	After income tax	10.30	10.82
Profit margin		59.00	59.20

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 YTD.

41.5 Maturity analysis of assets and liabilities

(1) New Taiwan dollars (In thousands)

	Total	December 31, 2019 by remaining period to maturity					
		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	$ 864,593,333	$ 64,164,490	$ 71,590,924	$ 65,777,419	$ 99,121,656	$ 134,535,084	$ 429,403,760
Major cash outflow at maturity	1,125,068,878	58,668,766	77,439,435	173,526,407	150,366,056	248,118,721	416,949,493
Gap	(260,475,545)	5,495,724	(5,848,511)	(107,748,988)	(51,244,400)	(113,583,637)	12,454,267

	Total	December 31, 2018 by remaining period to maturity					
		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

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 (In thousands)

	Total	December 31, 2019 by remaining period to maturity				
		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	$ 11,196,541	$ 2,436,204	$ 1,353,452	$ 778,197	$ 720,527	$ 5,908,161
Major cash outflow at maturity	13,239,786	2,094,989	1,834,008	1,905,563	2,123,955	5,281,271
Gap	(2,043,245)	341,215	(480,556)	(1,127,366)	(1,403,428)	626,890

	Total	December 31, 2018 by remaining period to maturity				
		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)

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, 2019	December 31, 2018	Trust Liabilities	December 31, 2019	December 31, 2018
Bank deposits	$ 3,505,347	$ 2,674,179	Account payable	$ 166	$ 196
Short-term investments	81,698,280	81,749,855	Depository of securities payable	58,253,237	57,599,477
Net asset value of collective investment trust funds	4,436,498	2,854,520	Trust capital	108,082,884	106,676,741
Accounts receivable	34,713	1,966	Accumulated (loss) gain and equity	311,533	(420)
Land	17,006,238	18,269,878			
Buildings and improvements, net	167,855	210,482			
Construction-in-progress	1,492,556	861,566			
Depository of securities	58,253,237	57,599,477			
Other assets-principle deferred expense	53,096	54,071			
Total trust assets	$ 166,647,820	$ 164,275,994	Total trust liabilities	$ 166,647,820	$ 164,275,994

Trust Asset Lists

Items	December 31, 2019	December 31, 2018
Cash in banks	$ 3,505,347	$ 2,674,179
Short-term investments		
Fund	61,434,704	60,062,308
Bond	18,069,542	18,904,978
Ordinary shares	2,022,229	2,513,566
Structured instruments	153,715	269,003
Preferred stock	18,090	-
Net asset value of collective trust accounts	4,436,498	2,854,520
Receivables	34,713	1,966
Land	17,006,238	18,269,878
Buildings and improvements, net	167,855	210,482
Construction-in-progress	1,492,556	861,566
Depository of securities	58,253,237	57,599,477
Other assets	53,096	54,071
Total	$ 166,647,820	$ 164,275,994

Income Statements of Trust Account

	For the Year Ended December 31	
	2019	2018
Trust income		
Cash dividends revenue	$ 95,659	$ 83,787
Interest revenue	13,860	11,365
Donation income	1,573	1,517
Realized capital gains	7,040	2,571
Unrealized capital gains	289,997	102,252
Other revenue	871	4,189
	409,000	205,681
Trust expenses		
Tax expenditures	7,707	14,950
Management fees	3,205	3,145
Service fees	3,283	3,948
Realized investment losses	15	137
Unrealized capital losses	6,218	80,010
Donation expenses	2,112	1,933
Other expenses	22	25
	22,562	104,148
Income before income tax	386,438	101,533
Income tax expense	-	-
Net income	$ 386,438	$ 101,533

43. EXCHANGE RATE INFORMATION OF FOREIGN FINANCIAL ASSETS AND LIABILITIES

(Foreign Currencies in Thousands)

	December 31					
	2019			2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Finance assets						
Monetary items						
Cash and cash equivalents						
JPY	$ 17,987,571	0.2760	$ 4,964,570	$ 9,475,621	0.2776	$ 2,630,432
USD	118,768	29.9920	3,562,090	86,998	30.7380	2,674,145
EUR	62,259	33.6420	2,094,517	52,272	35.1889	1,839,394
Due from the Central Bank and call loans to banks						
USD	1,890,314	29.9920	56,694,297	611,964	30.7380	18,810,549
CNY	2,107,600	4.2961	9,054,460	2,747,600	4.4748	12,294,960
AUD	95,000	21.0109	1,996,036	79,000	21.6549	1,710,737
Receivables						
USD	214,875	29.9920	6,444,531	162,683	30.7380	5,000,550
NZD	48,169	20.1996	972,995	45,659	20.6283	941,868
SGD	463	22.2534	10,303	1,087	22.4398	24,392
Discounts and loans						
USD	4,226,711	29.9920	126,767,516	4,747,030	30.7380	145,914,208
HKD	5,201,584	3.8517	20,034,941	3,642,937	3.9238	14,294,156
EUR	431,144	33.6420	14,504,546	249,512	35.1889	8,780,053
Financial assets at FVTOCI						
USD	1,830,569	29.9920	54,902,425	1,697,657	30.7380	52,182,581
CNY	1,460,003	4.2961	6,272,319	1,161,447	4.4748	5,197,243
AUD	88,397	21.0109	1,857,301	125,471	21.6549	2,717,062
Financial assets measured at amortized cost						
USD	56,239	29.9920	1,686,720	49,602	30.7380	1,524,666
SGD	56,555	22.2534	1,258,541	47,480	22.4398	1,065,442
Financial assets at FVTPL						
USD	47,896	29.9920	1,436,497	59,055	30.7380	1,815,233
EUR	1,534	33.6420	51,607	1,525	35.1889	53,663
ZAR	5,255	2.1258	11,171	208	2.1208	441
Other financial assets						
CNY	1,230,000	4.2961	5,284,203	550,000	4.4748	2,461,140

(continued)

Non-monetary items						
Equity investments under the equity method						
USD	2,432,832	29.9920	72,965,497	2,209,596	30.7380	67,918,562
HKD	80,191	3.8517	308,872	74,718	3.9238	293,178
Financial liabilities						
Monetary items						
Payables						
USD	$ 86,823	$ 29.9920	$ 2,603,995	$ 252,902	30.7380	$ 7,773,702
JPY	871,532	0.2760	240,543	2,126,224	0.2776	590,240
EUR	5,488	33.6420	184,627	55,700	35.1889	1,960,022
Due to the Central Bank and banks						
USD	319,814	29.9920	9,591,861	305,233	30.7380	9,382,252
HKD	1,940,678	3.8517	7,474,909	306,003	3.9238	1,200,695
CNY	1,233,957	4.2961	5,301,203	3,659	4.4748	16,373
Deposits and remittances						
USD	7,829,498	29.9920	234,822,304	7,066,331	30.7380	217,204,882
CNY	5,251,337	4.2961	22,560,269	5,712,780	4.4748	25,563,548
EUR	563,349	33.6420	18,952,187	328,192	35.1889	11,548,715
Financial liabilities at FVTPL						
USD	86,643	29.9920	2,598,597	79,475	30.7380	2,442,903
ZAR	5,255	2.1258	11,171	208	2.1208	441
EUR	304	33.6420	10,227	373	35.1889	13,125

(Concluded)

44. Others

The Bank merged SCSB Life Insurance Agency and SCSB Property Insurance Agency on May 6, 2019. Since the SCSB Life Insurance Agency and SCSB Property Insurance Agency are all 100% owned by the Bank, according to the IFRS question and answer set published by the Accounting Research and Development Foundation, the "Issues for the treatment of corporate mergers under the joint control of IFRS 3", as the IFRS 3 “Business Combination” does not clearly stipulate the business combination under common control, the relevant interpretation letter issued by Taiwan should still be applied.

The merger of SCSB Life Insurance Agency and SCSB Property Insurance Agency was organized by the Bank. According to the relevant interpretation letter issued by the Accounting Research and Development Foundation, when the Bank merged with SCSB Life Insurance Agency and SCSB Property Insurance Agency, it should account for the book value of all assets and liabilities, and prepared the consolidated balance sheets accordingly. When preparing comparative financial statements, it should be considered that the previous comparative financial statements have been consolidated and recompiled from the outset. The Bank’s consolidated net assets of SCSB Life Insurance Agency and SCSB Property Insurance Agency amounted to the total of $169,729 thousand.

45. ADDITIONAL DISCLOSURES

45.1 Information of significant transaction items and

45.2 Other business investments are as follows:

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

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

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

45.2.4 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: The Bank - not applicable; investees - Table 4.

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

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

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

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

45.2.9 Sale of non-performing loans: None.

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

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

45.2.12 Names, locations, and other information of investees on which the Bank exercises significant influence: The Bank - not applicable; investees - Table 5.

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

45.3 Investments in mainland China are as follows:

45.3.1 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.

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

46. 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.

TABLE 1

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.
OVERDUE LOANS AND RECEIVABLES
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, %)

Date			December 31, 2019					December 31, 2018				
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		455,306	246,367,842	0.18	2,915,704	640.38	554,999	239,654,163	0.23	2,981,948	537.29
	Unsecured		265,613	186,202,136	0.14	2,125,721	800.31	339,234	183,056,416	0.19	2,188,385	645.10
Consumer banking	Housing mortgage (Note 4)		430,312	152,264,743	0.28	2,709,031	629.55	521,811	138,622,287	0.38	2,627,125	503.46
	Cash cards		-	-	-	-	-	-	-	-	-	-
	Small credit loans (Note 5)		3,948	639,369	0.62	10,314	261.25	5,817	564,768	1.03	11,783	202.56
	Others (Note 6)	Secured	333,080	138,868,971	0.24	1,719,370	516.20	327,497	122,458,132	0.27	1,570,020	479.40
		Unsecured	2,562	7,483,172	0.03	77,376	3,020.14	4,812	7,168,475	0.07	76,760	1,595.18
Total			1,490,821	731,826,233	0.20	9,557,516	641.09	1,754,170	691,524,241	0.25	9,456,021	539.06
			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			11,013	2,479,588	0.44	90,633	822.96	10,293	2,008,135	0.51	86,839	843.67
Accounts receivable factored without recourse (Note 7)			-	835,039	-	8,350	-	-	811,314	-	8,113	-

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 card receivables: Non-performing credit card receivables ÷ Outstanding credit card 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 card receivables ÷ Non-performing credit card receivable.

Note 4: Housing mortgage is fully secured by property, 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 property.

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.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

OVERDUE LOANS AND RECEIVABLES
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	December 31, 2019		December 31, 2018	
	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)	-	35,020	-	35,447

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 letter dated September 15, 2008 (Ref. No. 09700318940) and September 20, 2016 (Ref. No. 10500134790).

TABLE 2

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.
LOANS AND OTHER INFORMATION
DECEMBER 31, 2019
(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	$ 107,403	$ 81,626	$ 81,626	6%~11%	1	$ 81,626	-	$ 1,633	Real estate	$ 184,475	$ 359,017	$ 897,543
1	SCSB Leasing (China) Co., Ltd.	B Co., Ltd.	Entrusted loan receivables	N/A	107,403	96,662	96,662	6%~11%	1	96,662	-	1,933	Real estate	259,055	359,017	897,543
1	SCSB Leasing (China) Co., Ltd.	C Co., Ltd.	Entrusted loan receivables	N/A	154,660	150,364	150,364	6%~11%	2	-	Operation turnovers	3,007	Real estate	208,361	179,509	359,017

Note 1: The numbers refer to the following:
(1) Issuer is 0.
(2) Investees are numbered sequentially starting from 1.

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

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

1. Individual fund loans and limits

(1) 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.

(2) 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.

2. Capital loans and total loan limits

(1) 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 twice the net value as presented in the latest financial statements of the lender as audited by the accountant.

(2) 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.

The total accumulated loan balance of the above two parties shall not exceed twice 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.

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(Amounts in Thousands of New Taiwan Dollars)

Holding Company Name	Name	Security Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares (In 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	$ 1,728,978	100.00	$ 1,728,978	
	Krinein Company	Indirect subsidiary	Investments in subsidiaries	2	505,041	100.00	505,041	
	Safehaven Investment Corporation	Indirect subsidiary	Investments in subsidiaries	1	48,354	100.00	48,354	
Wresqueue Limitada	Prosperity Realty Inc.	Indirect subsidiary	Investments in subsidiaries	4	18,375	100.00	18,375	
China Travel Service (Taiwan)	Silks Place Taroko	-	Equity investments under the equity method	20,372	241,868	45.00	241,868	
	CTS Travel International Ltd.	Indirect subsidiary	Investments in subsidiaries	600	7,006	100.00	7,006	
	Joy Tour Service Co., Ltd.	-	Financial assets measured at FVTOCI	100	1,000	10.00	1,000	
	Shanghai Commercial & Savings Bank, Ltd.	The Bank	Financial assets measured at FVTOCI	27	1,447	-	1,447	
SCSB Asset Management Ltd.	SCSB Leasing (China) Co., Ltd.	Indirect subsidiary	Investments in subsidiaries	N/A	946,346	100.00	946,346	
Krinein Company	Shanghai Commercial Bank (HK)	Indirect subsidiary	Investments in subsidiaries	1,920	11,295,183	9.60	11,295,183	
Empresa Inversiones Generales, S.A.	Shanghai Commercial Bank (HK)	Indirect subsidiary	Investments in subsidiaries	9,600	56,475,914	48.00	56,475,914	

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, 2019
(Amounts in Thousands of New Taiwan Dollars and United States Dollars)

Trading company	Name	Financial Statement Account	Counterparty	Relationship	Beginning		Buy		Sell				Ending	
					Shares	Amount	Shares	Amount	Shares	Price	Book Value	Disposal of Profit and Loss	Shares	Amount
The Shanghai Commercial & Savings Bank, Ltd.	AMK Microfinance Institution Plc.	Equity investments under the equity method	-	None	3,850,954	$2,515,083 US$81,399 (Note 1)	1,553,906	$ 475,065 US$15,300 (Note 2)	-	$ -	$ -	$ -	5,404,860	$2,990,148 US$96,699 (Note 1)

Note 1： It included an acquisition cost of $2,457,470 thousand (US$80,103 thousand), share of the subsidiaries' interests accounted for using the equity method of $42,059 thousand (US$1,296 thousand) and net increase of $15,554 thousand in owner's other equity attributable to the parent company.

Note 2：The issuance of ordinary shares for capital increase by cash amounting to $475,065 thousand.

TABLE 5

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

RELATED INFORMATION OF INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(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	$ 1,597,189	$ 68,587	160,000	-	160,000	100.00	
SCSB Marketing Ltd.	Taiwan	Marketing	100.00	8,570	1,828	500	-	500	100.00	
Paofoong Insurance Company Ltd.	Hong Kong	Insurance	40.00	308,872	21,323	500	-	500	100.00	
Shanghai Commercial Bank (HK)	Hong Kong	Banking and financial	57.60	67,771,097	6,842,513	11,520	-	11,520	57.60	
SCSB Leasing (China) Co., Ltd.	China	Leasing operation	100.00	946,346	50,539	N/A	-	N/A	100.00	
AMK Microfinance Institution Plc.	Cambodia	Microfinance Institution	84.89	3,140,613	155,523	5,405	-	5,405	84.89	
Non-financial business										
China Travel Service (Taiwan)	Taiwan	Travel services	99.99	381,184	34,944	38,943	-	38,943	99.99	
Kuo Hai Real Estate Management	Taiwan	Building material distribution	34.69	-	-	3,000	-	3,000	34.69	
Shancom Reconstruction Inc.	Liberia	Securities investment	100.00	69,487,897	6,881,287	5	-	5	100.00	
Wresqueue Limitada	Liberia	Securities investment	100.00	336,979	10,942	176	-	176	100.00	
Empresa Inversiones Generales, S.A.	Panama	Securities investment	100.00	1,728,978	1,793,596	1	-	1	100.00	
Krinein Company	Cayman Islands	Securities investment	100.00	505,041	365,512	2	-	2	100.00	
Safehaven Investment Corporation	Liberia	Securities investment	100.00	48,354	431	1	-	1	100.00	
Prosperity Realty Inc.	America	Real estate services	100.00	18,375	9,109	4	-	4	100.00	
Silks Place Taroko	Taiwan	Travel services	45.00	241,868	35,168	20,372	-	20,372	45.00	
CTS Travel International Ltd.	Taiwan	Travel services	100.00	7,006	34	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.

TABLE 6

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

INVESTMENT IN MAINLAND CHINA

DECEMBER 31, 2019

(Amounts in Thousands of New Taiwan Dollars and United States 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, 2019 and inward remittance of earnings:

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment as of December 31, 2018	Investment Flows		Accumulated Outflow of Investment as of December 31, 2019	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2019 (Note 3)	Accumulated Inward Remittance of Earnings as of December 31, 2019
					Outflow	Inflow					
SCSB Leasing (China) Co., Ltd.	Leasing operation	NT$ 899,760 US$ 30,000	Note1 (c)	NT$ 899,760 US$ 30,000	NT$ - US$ -	NT$ - US$ -	NT$ 899,760 US$ 30,000	100%	NT$ 50,539 US$ 1,638	NT$ 946,346 US$ 31,553	$ -
Bank of Shanghai	Banking business approved by local government	NT$ 61,032,669 US$ 2,034,965	Note 4	NT$ 3,381,388 US$ 112,743	NT$ - US$ -	NT$ - US$ -	NT$ 3,381,388 US$ 112,743	3%	NT$ - US$ -	NT$ 17,354,589 US$ 578,641	-
Shanghai Commercial Bank Ltd. - Shenzhen Branch	Banking business approved by local government	NT$ 3,013,290 US$ 100,470	Note 4	NT$ 1,916,279 US$ 63,893	NT$ - US$ -	NT$ - US$ -	NT$ 1,916,279 US$ 63,893	100%	NT$ 307,665 US$ 9,970	NT$ 2,846,249 US$ 94,900	-
Shanghai Commercial Bank Ltd. - Shanghai Branch	Banking business approved by local government	NT$ 3,264,415 US$ 108,843	Note 4	NT$ 1,940,992 US$ 64,717	NT$ - US$ -	NT$ - US$ -	NT$ 1,940,992 US$ 64,717	100%	NT$ 108,932 US$ 3,530	NT$ 3,359,831 US$ 112,024	-

2. Upper limit on investments in mainland China:

Accumulated Investment in Mainland China as of December 31, 2019 (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA (Note 3)	Upper Limit on Investment Authorized by Investment Commission MOEA
$ 8,138,419 (US$ 271,353)	$ 8,351,932 (US$278,472)	$ 122,535,795

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

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

Note 2: It should be specified from financial report audited by international accounting firm associated with accounting firm in the ROC.

Note 3: Calculated using the exchange rate on December 31, 2019.

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