

Stock code: 5876  
Taiwan Stock Exchange

**The Shanghai Commercial & Savings  
Bank, Ltd. and Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2021 and 2020 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 consolidated financial statements of The Shanghai Commercial & Savings Bank, Ltd. (the “Bank”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2021 and 2020, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and SIC interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of Taiwan.

#### 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 Consolidated Financial Statements section of our report. We are independent of the Group 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.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters related to the Group's consolidated financial statements as of and for the year ended December 31, 2021 are described as follows:

## **Allowance for Impairment Losses of Discounts and Loans**

The Group primarily engages in the loan business. As of December 31, 2021, the loan business is significant to the accompanying consolidated financial statements. The Bank conducted its impairment assessment of discounts and loans and recognized allowance for bad debts according to the requirements of IFRS 9 and the authorities' regulations. The Bank's management assessed the impairment of discounts and loans by using the expected credit loss model. The Group assesses whether the credit risk has increased significantly since initial recognition by taking into consideration factors like the amount of loss on impairment, past experience, current market situation and prospective information, etc. In addition, credit-impaired loans are also evaluated for possible future recovery. Refer to Notes 4, 5, 14 and 40 to the consolidated financial statements for disclosures related to impairment of loan portfolios. As the cash flow forecasts involved management's critical judgments in accounting estimation and the underlying assumptions, we then determined the impairment of loan portfolios as a key audit matter.

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

1. We understood and tested the Group's internal control procedures that were relevant to the assessment of loan impairment.
2. We verified that the method and important parameters adopted in the expected credit loss model had properly reflected actual situations and calculated the amount of impairment loss.
3. We tested the classification of credit assets and confirmed that the allowance for loss met the requirements of the competent authorities' regulations.

## **Other Matter**

We have also audited the parent company only financial statements of the Bank as of and for the year ended December 31, 2021 and 2020 on which we have issued an unqualified opinion.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group 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 Group's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimation 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 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 audits resulting in this independent auditors' report are Chun-Hung Chen and Tzu-Jung Kuo.

**Deloitte & Touche**

Taipei, Taiwan

March 11, 2022

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally applied in Taiwan.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated 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 consolidated financial statements shall prevail.*

**THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**December 31, 2021 and 2020**

(Expressed in Thousands of New Taiwan Dollars)

Codes	ASSETS	December 31, 2021		December 31, 2020	
		Amount	%	Amount	%
11000	Cash and cash equivalents (Note 6)	\$ 70,381,813	3	\$ 80,572,282	4
11500	Due from the Central Bank and call loans to banks (Note 7)	211,566,159	10	208,799,780	10
12000	Financial assets measured at fair value through profit or loss (Note 8)	10,598,012	1	13,657,815	1
12100	Financial assets measured at fair value through other comprehensive income (Notes 9 and 11)	518,556,855	24	508,237,023	24
12200	Investments in debt instruments measured at amortized cost (Notes 10 and 11)	159,319,588	8	107,685,748	5
12500	Securities purchased under resell agreements (Note 12)	278,486	-	146,817	-
13000	Receivables, net (Notes 13)	15,216,288	1	18,542,624	1
13200	Current income tax assets (Note 34)	62,485	-	122,342	-
13300	Assets for sale (Note 18)	-	-	85,844	-
13500	Discounts and loans, net (Notes 14)	1,112,234,779	52	1,136,430,305	54
15000	Investments under the equity method, net (Note 16)	1,922,359	-	1,880,035	-
15500	Other financial assets, net (Note 17)	4,817	-	1,298,179	-
18500	Properties, net (Note 18)	20,596,416	1	20,623,537	1
18600	Right-of-use assets, net (Note 19)	1,809,919	-	2,206,304	-
18700	Investment properties, net (Note 20)	5,981,151	-	5,806,484	-
19000	Intangible assets, net (Note 21)	1,665,724	-	1,657,682	-
19300	Deferred income tax assets (Note 34)	1,236,260	-	1,263,521	-
19500	Other assets, net (Note 22)	8,201,600	-	4,725,468	-
10000	Total assets	<u>\$ 2,139,632,711</u>	<u>100</u>	<u>\$ 2,113,741,790</u>	<u>100</u>
<b>Codes</b>	<b>LIABILITIES AND EQUITY</b>				
21000	Deposits from the central bank and other banks (Note 23)	\$ 52,655,889	3	\$ 46,817,661	2
21500	Due to the central bank and other banks	17,787,080	1	6,052,010	-
22000	Financial liabilities measured at fair value through profit or loss (Note 8)	3,670,954	-	6,134,500	-
22500	Securities sold under repurchase agreements (Note 24)	14,505,024	1	25,781,411	1
23000	Payables (Notes 25)	29,428,955	1	31,908,782	2
23200	Current income tax liabilities (Note 34)	1,184,757	-	1,251,695	-
23500	Deposits and remittances (Notes 26)	1,707,602,522	80	1,685,896,814	80
24000	Bank debentures (Note 27)	82,091,512	4	82,223,874	4
25500	Other financial liabilities (Note 28)	4,784,006	-	4,480,945	-
25600	Provisions (Note 29)	2,932,800	-	2,815,862	-
26000	Lease liabilities (Note 19)	1,868,929	-	2,287,181	-
29300	Deferred income tax liabilities (Note 34)	8,691,595	-	9,920,049	1
29500	Other liabilities (Notes 30)	3,190,488	-	3,071,794	-
20000	Total liabilities	<u>1,930,394,511</u>	<u>90</u>	<u>1,908,642,578</u>	<u>90</u>
	Equity (Note 32)				
	Equity attributable to owners of the Bank				
	Share capital				
31101	Ordinary shares	<u>44,816,031</u>	<u>2</u>	<u>44,816,031</u>	<u>2</u>
31500	Capital surplus	<u>16,666,144</u>	<u>1</u>	<u>16,550,661</u>	<u>1</u>
	Retained earnings				
32001	Legal reserve	60,224,639	3	56,344,918	3
32003	Special reserve	7,669,374	-	7,669,374	-
32005	Unappropriated earnings	<u>27,585,920</u>	<u>1</u>	<u>24,913,053</u>	<u>1</u>
32000	Total retained earnings	<u>95,479,933</u>	<u>4</u>	<u>88,927,345</u>	<u>4</u>
32500	Other equity	<u>922,852</u>	<u>-</u>	<u>4,892,363</u>	<u>-</u>
32600	Treasury shares	<u>(83,144 )</u>	<u>-</u>	<u>(83,144 )</u>	<u>-</u>
31000	Total equity attributable to owners of the Bank	157,801,816	7	155,103,256	7
38000	Non-controlling interests	<u>51,436,384</u>	<u>3</u>	<u>49,995,956</u>	<u>3</u>
30000	Total equity	<u>209,238,200</u>	<u>10</u>	<u>205,099,212</u>	<u>10</u>
	Total liabilities and equity	<u>\$ 2,139,632,711</u>	<u>100</u>	<u>\$ 2,113,741,790</u>	<u>100</u>

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

**THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
**For the Year Ended December 31, 2021 and 2020**  
(Expressed in Thousands of New Taiwan Dollars, except Earnings Per Share)

Codes		For the Year Ended December 31				Change
		2021		2020		
		Amount	%	Amount	%	
41000	Interest income	\$ 35,519,115	93	\$ 41,987,057	111	(15 )
51000	Interest expenses	9,048,820	24	15,598,447	41	(42 )
49010	Net interest income (Notes 33)	26,470,295	69	26,388,610	70	-
	Non-interest income					
49100	Service fee income, net (Note 33)	6,313,428	16	6,603,808	17	(4 )
49200	Gain (loss) on financial assets and liabilities measured at fair value through profit or loss (Note 33)	(173,417 )	-	1,148,501	3	(115 )
49310	Realized gain on financial assets measured at fair value through other comprehensive income (Note 33)	2,254,204	6	2,270,602	6	(1 )
49450	Gain on financial assets measured at amortized cost	5,420	-	1,526	-	255
49600	Foreign exchange gain, net	2,250,123	6	418,519	1	438
49700	Impairment loss on assets	(29,274 )	-	(38,470 )	-	(24 )
49750	Proportionate share of profit of associates under the equity method (Note 16)	273,442	1	235,013	1	16
49800	Other non-interest income, net	808,281	2	803,668	2	1
49020	Total non-interest income	11,702,207	31	11,443,167	30	2
4xxxx	Consolidated net revenue	38,172,502	100	37,831,777	100	1
58200	Provisions for bad-debt expense, commitment and guarantee liability (Note 14)	1,241,757	3	1,671,916	4	(26 )
	Operating expenses					
58500	Employee benefits (Notes 33)	9,338,175	25	9,009,668	24	4
59000	Depreciation and amortization (Note 33)	1,659,855	4	1,713,459	5	(3 )
59500	Other general and administrative	3,793,366	10	3,882,966	10	(2 )
58400	Total operating expenses	14,791,396	39	14,606,093	39	1
61001	Profit before income tax	22,139,349	58	21,553,768	57	3
61003	Income tax expense (Note 34)	(3,468,731 )	(9 )	(3,739,152 )	(10 )	(7 )
64000	Consolidated net income	18,670,618	49	17,814,616	47	5
	Other comprehensive income (loss)					
	Items that will not be reclassified subsequently to profit or loss:					
65201	Remeasurement of defined benefit plans	(136,717 )	-	(132,050 )	-	4
65204	Gain on investments in equity instruments measured at fair value through other comprehensive income	59,659	-	(1,745,615 )	(5 )	103
65205	Financial liabilities designated at FVTPL which the amount of change derived from credit risk (Note 8)	17,650	-	51,831	-	(66 )
65207	Proportionate share of other comprehensive income of associates under the equity method	(1,404 )	-	-	-	-
65220	Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 34)	11,807	-	38,899	-	(70 )
65200	Subtotal of items that will not be reclassified subsequently to profit or loss	(49,005 )	-	(1,786,935 )	(5 )	(97 )
	Items that may be reclassified subsequently to profit or loss:					
65301	Exchange differences on translating foreign operations	(2,141,546 )	(6 )	(7,594,796 )	(20 )	(72 )
65307	Share of the other comprehensive income of associates accounted for using the equity method	(32,530 )	-	22,991	-	(241 )
65309	Gain (loss) on debt instruments measured at fair value through other comprehensive income	(4,922,225 )	(13 )	3,211,323	9	(253 )
65310	Loss allowance for debt instruments measured at fair value through other comprehensive income (Note 11)	28,726	-	35,923	-	(20 )
65320	Income tax relating to items that may be reclassified subsequently to profit or loss (Note 34)	564,240	2	532,247	1	6
65300	Subtotal of items that may be reclassified subsequently to profit or loss	(6,503,335 )	(17 )	(3,792,312 )	(10 )	(71 )
65000	Other comprehensive income for the period, net of income tax	(6,552,340 )	(17 )	(5,579,247 )	(15 )	(17 )
66000	Total comprehensive income for the period	\$ 12,118,278	32	\$ 12,235,369	32	(1 )
	Net profit attributable to:					
67101	Owners of the Bank	\$ 14,255,581	37	\$ 13,462,945	36	6
67111	Non-controlling interests	4,415,037	12	4,351,671	11	1
67100		\$ 18,670,618	49	\$ 17,814,616	47	5
	Total comprehensive income attributable to:					
67301	Owners of the Bank	\$ 10,201,802	27	\$ 10,804,858	28	(6 )
67311	Non-controlling interests	1,916,476	5	1,430,511	4	34
67300		\$ 12,118,278	32	\$ 12,235,369	32	(1 )
	Earnings per share (Note 35)					
67500	Basic	\$3.19		\$3.01		
67700	Diluted	\$3.19		\$3.01		

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



**THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES**

**Consolidated Statements of Changes in Equity**

**For the Year Ended December 31, 2021 and 2020**

(Expressed in Thousands of New Taiwan Dollars)

		Equity Attributable to Owners of the Bank (Note 32)											
		Share Capital		Retained Earnings			Other Equity						
Codes		Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	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	Non-controlling Interests (Note 32)	Total Equity
A1	Balance on January 1, 2020	\$ 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	\$ 50,658,706	\$ 204,226,325
	Appropriation of 2019 earnings												
B1	Legal reserve	-	-	4,398,333	-	(4,398,333 )	-	-	-	-	-	-	-
B5	Cash dividends	-	-	-	-	(9,187,286 )	-	-	-	-	(9,187,286 )	-	(9,187,286 )
C7	Changes in capital surplus from investments in associates under the equity method	-	10,798	-	-	-	-	-	-	-	10,798	-	10,798
C17	Unclaimed dividends	-	107,302	-	-	-	-	-	-	-	107,302	-	107,302
M7	Changes in equity of subsidiaries	-	-	-	-	(200,035 )	-	-	-	-	(200,035 )	(566,457 )	(766,492 )
D1	Net profit for the year ended December 31, 2020	-	-	-	-	13,462,945	-	-	-	-	13,462,945	4,351,671	17,814,616
D3	Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(105,249 )	(3,737,681 )	1,133,012	51,831	-	(2,658,087 )	(2,921,160 )	(5,579,247 )
D5	Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	13,357,696	(3,737,681 )	1,133,012	51,831	-	10,804,858	1,430,511	12,235,369
Q1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	(225,262 )	-	225,262	-	-	-	-	-
O1	Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,526,804 )	(1,526,804 )
Z1	Balance on December 31, 2020	\$ 44,816,031	16,550,661	56,344,918	7,669,374	24,913,053	(5,643,162 )	10,529,113	6,412	(83,144 )	155,103,256	49,995,956	205,099,212
	Appropriation of 2020 earnings												
B1	Legal reserve	-	-	3,879,721	-	(3,879,721 )	-	-	-	-	-	-	-
B5	Cash dividends	-	-	-	-	(7,618,725 )	-	-	-	-	(7,618,725 )	-	(7,618,725 )
C7	Changes in capital surplus from investments in associates under the equity method	-	8,954	-	-	-	-	-	-	-	8,954	-	8,954
C17	Unclaimed dividends	-	106,529	-	-	-	-	-	-	-	106,529	-	106,529
D1	Net profit for the year ended December 31, 2021	-	-	-	-	14,255,581	-	-	-	-	14,255,581	4,415,037	18,670,618
D3	Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(110,225 )	(1,220,626 )	(2,740,578 )	17,650	-	(4,053,779 )	(2,498,561 )	(6,552,340 )
D5	Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	14,145,356	(1,220,626 )	(2,740,578 )	17,650	-	10,201,802	1,916,476	12,118,278
Q1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	25,957	-	(25,957 )	-	-	-	-	-
O1	Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(476,048 )	(476,048 )
Z1	Balance on December 31, 2021	\$ 44,816,031	\$ 16,666,144	\$ 60,224,639	\$ 7,669,374	\$ 27,585,920	\$ (6,863,788 )	\$ 7,762,578	\$ 24,062	\$ (83,144 )	\$ 157,801,816	\$ 51,436,384	\$ 209,238,200

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

**THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
**For the Year Ended December 31, 2021 and 2020**  
(Expressed in Thousands of New Taiwan Dollars)

Codes		For the Year Ended December 31	
		2021	2020
	Cash flows from operating activities		
A00010	Consolidated net profit before income tax	\$ 22,139,349	\$ 21,553,768
A20010	Adjustments to reconcile net profit to net cash provided by operating activities		
A20100	Depreciation expenses	1,445,349	1,500,044
A20200	Amortization expenses	214,506	213,415
A20300	Provisions for bad debt expense, commitment and guarantee liability	1,241,757	1,671,916
A20400	Gain on financial assets and liabilities measured at fair value through profit or loss	608,765	(334,143 )
A20900	Interest expenses	9,048,820	15,598,447
A21200	Interest revenue	(35,519,115 )	(41,987,057 )
A21300	Dividend income	(1,285,004 )	(1,135,181 )
A22300	Proportionate share of profit of associates	(273,442 )	(235,013 )
A22500	Loss on disposal of properties and equipment, net	9,728	37,546
A23500	Loss on expected credit loss	29,732	38,443
A23700	Gain (loss) on non-financial asset impairment	(458 )	27
A29900	Others	(370,072 )	43,231
A40000	Changes in operating assets and liabilities		
A41110	Due from the central bank and call loans to banks	(1,160,905 )	(10,655,376 )
A41120	Financial assets measured at fair value through profit or loss	2,557,642	(2,203,832 )
A41123	Financial assets measured at fair value through other comprehensive income	(20,490,376 )	(34,909,196 )
A41125	Investment in debt instruments measured at amortized cost	(51,815,782 )	(2,175,967 )
A41150	Receivables	2,674,895	(1,945,870 )
A41160	Discounts and loans	16,873,205	(49,198,128 )
A41190	Other financial assets	1,293,187	3,986,171
A42110	Deposits from the central bank and other banks	6,271,597	(24,595,060 )
A42120	Financial liabilities at fair value through profit or loss	(2,720,636 )	2,278,366
A42140	Securities sold under repurchase agreements	(11,276,387 )	14,720,790
A42150	Payables	(1,584,048 )	6,518,452
A42160	Deposits and remittances	30,659,135	71,380,175
A42170	Other financial liabilities	301,719	(1,616,370 )
A42180	Employee benefit provisions	(54,763 )	(143,809 )
A42990	Other liabilities	44,863	(287,326 )
A33000	Cash from (used in) operations	(31,136,739 )	(31,881,537 )
A33100	Interest received	35,854,912	43,437,735
A33200	Dividends received	1,343,473	1,167,720
A33300	Interest paid	(9,536,911 )	(17,299,674 )
A33500	Income tax paid	(3,220,206 )	(5,089,839 )
AAAA	Net cash from (used in) operating activities	(6,695,471 )	(9,665,595 )

(Continued)

**THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
**For the Year Ended December 31, 2021 and 2020**  
(Expressed in Thousands of New Taiwan Dollars)

<b>Codes</b>		<b>For the Year Ended December 31</b>	
		<b>2021</b>	<b>2020</b>
	Cash flows from investing activities		
B02700	Acquisition of properties	\$ (843,564 )	\$ (680,929 )
B02800	Proceeds from disposal of properties	5,208	2,319
B02600	Proceeds from assets for sale	261,345	-
B03700	Increase in refundable deposits	(46 )	(302,611 )
B03800	Decrease in refundable deposits	163,666	45
B04500	Acquisition of intangible assets	(169,240 )	(72,892 )
B05400	Acquisition of investment properties	(335,733 )	(546,372 )
B06700	Increase in other assets	(3,744,492 )	(1,114,581 )
BBBB	Net cash from (used in) investing activities	(4,662,856 )	(2,715,021 )
	Cash flows from financing activities		
C00400	Increase in funds borrowed from central bank and Banks	11,735,070	6,052,010
C01400	Proceeds from issuance of bank debentures	5,000,000	10,000,000
C01500	Payments for bank debentures	(4,900,000 )	-
C03000	Increase in guarantee deposits received	141,806	6,011
C03100	Decrease in guarantee deposits received	(89,106 )	(229,767 )
C05400	Acquisition of subsidiaries	-	(766,492 )
C04020	Payments for principal portion of lease liabilities	(745,095 )	(963,358 )
C05600	Payment of cash dividend	(7,609,771 )	(9,176,489 )
C05800	Changes in non-controlling interests	(476,048 )	(1,526,804 )
CCCC	Net cash from (used in) financing activities	3,056,856	3,395,111
DDDD	Effects of exchange rate changes on the balance of cash held in foreign currencies	(5,491,573 )	(3,596,318 )
EEEE	Net decrease in cash and cash equivalents	(13,793,044 )	(12,581,823 )
E00100	Cash and cash equivalents at the beginning of the period	195,843,112	208,424,935
E00200	Cash and cash equivalents at the end of the period	\$ 182,050,068	\$ 195,843,112

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of December 31, 2021 and 2020:

<b>Codes</b>		<b>December 31, 2021</b>	<b>December 31, 2020</b>
E00210	Cash and cash equivalents in consolidated balance sheets	\$ 70,381,813	\$ 80,572,282
E00220	Due from the Central Bank and call loans to banks which fall within the definition of cash and cash equivalents under IAS 7	111,389,769	115,124,013
E00230	Securities purchased under resale agreements which fall within the definition of cash and cash equivalents under IAS 7	278,486	146,817
E00200	Cash and cash equivalents in consolidated statements of cash flows	\$ 182,050,068	\$ 195,843,112

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

(Concluded)

# THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

For the Year Ended December 31, 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

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### 1. ORGANIZATION AND OPERATIONS

The Shanghai Commercial & Savings Bank (the “Bank”) is incorporated in Taiwan and engaged in the commercial banking businesses under related laws and regulations.

The Bank has its head office in Taipei and 72 domestic branches in Taiwan, 4 foreign branches separately located in Hong Kong, Dong Nai, Vietnam, Singapore and Wuxi China, and 4 representative offices separately located in Thailand, Cambodia, Indonesia and Bac Ninh Vietnam.

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 consolidated financial statements are presented in the Bank’s functional currency, the New Taiwan dollar.

### 2. AUTHORIZATION OF CONSOLIDATED FINANCIAL STATEMENTS

On March 11, 2022, the consolidated financial statements were approved by the board of directors and issued afterward.

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

3.1 Initial application of 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 IFRSs approved and issued by the FSC will not result in significant changes to the Bank’s accounting policies:

#### 3.1.1 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

The Group chose to apply the amendment of the practical expedient to account for changes in the basis for determining the contractual cash flow of financial assets, financial liabilities and lease liabilities. If the change is necessary as a direct consequence of interest rate benchmark reform, and the new basis is economically equivalent to the previous basis, then the effective interest rate should be adjusted.

#### 3.1.2 Amendment to IFRS 16 “COVID-19 related rent concessions” and “COVID-19 related rent concessions after June 30, 2021”

The Group chose to apply the amendment to deal with rent negotiations directly related to COVID-19 with the lessor. For accounting policies, see Note 4. Before the amendment was issued, the Group was required to determine whether the aforementioned rent negotiation should apply the provisions of lease amendment.

### 3.2 New IFRSs endorsed by the FSC to be applied in 2022

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
“Annual Improvements to IFRSs Standards 2018-2020”	January 1, 2022 (Note 1)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 2)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 3)
Amendments to IAS 37 “Onerous Contract - Cost of Fulfilling a Contract”	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: This amendment will be applied to business combinations for which the acquisition date is on or after January 1, 2022.

Note 3: This amendment will be applied to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: This amendment will be applied to contracts in which parties will not have fulfilled all obligations on January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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, 2023
Amendments to IFRS 17 “Initial application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 2)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 3)
Amendments to IAS 12 “Deferred Tax Related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 4)

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

Note 2: This amendment will be applied to annual reporting periods beginning on or after January 1, 2023.

Note 3: This amendment will be applied to changes in accounting estimates and accounting policies on or after the annual reporting period beginning on January 1, 2023.

Note 4: Except for the recognition of deferred income tax on temporary differences between lease and decommissioning obligations on January 1, 2022, the amendment is applicable to transactions that occur after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group'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**

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and IFRSs as endorsed and issued into effect by the FSC.

### **4.2 Basis of Preparation**

The consolidated 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.

### **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 Group's consolidated financial statements are not classified as current or non-current. Nevertheless, these accounts are properly categorized according to the nature of each account and sequenced by liquidity.

### **4.4 Basis of Consolidation**

The consolidated financial statements contain the financial statements of the Bank and the subsidiaries controlled by the Bank. The consolidated statements of comprehensive income have included the operating gains and losses of acquired or divested companies in the current period from the date of acquisition or to the date of disposal. The financial statements of subsidiaries have been adjusted to align their accounting policies with the Bank's accounting policies. In the preparation of the consolidated financial statements, all intra-group transactions, account balances, income and losses have been eliminated. The comprehensive income of the subsidiaries is attributed to the owner of the Bank and non-controlling interests, even if the non-controlling interests have negative balance.

For details on subsidiaries, shareholding ratios and business items, refer to Note 15 and Table 5.

## 4.5 Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

## 4.6 Foreign Currencies

In preparing the financial statements of each individual entity in the Group, 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 consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the associates or branches in other countries or currencies used are different from the currency of 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 (attributed to the owners of the Bank and non-controlling interests as appropriate).

## 4.7 Financial Instruments

Financial assets and financial liabilities are recognized in the consolidated balance sheets when the Group becomes one of the parties of the contract.

For financial assets and financial liabilities other than 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.

### 4.7.1 Financial assets

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

#### (1) Measurement

The Group 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 40.

#### 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. 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.

Cash equivalents include accounts due from the Central Bank that are highly liquid, convertible into fixed cash at any time, and have a low-risk of value changes within three months from the date of acquisition, which are used to meet short-term cash commitments.

#### 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 Group 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 Group'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 Group 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 Group recognizes lifetime expected credit losses (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 Group 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 Group 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 the "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, substandard assets, doubtful assets and full-amount loss based on clients' financial conditions. After assessing the value of the collateral, the Group 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%.

Under the regulatory decree, the Bank's allowance for bad debts and guarantee liability reserve ratios for "Purchase of Residential Housing plus Repair Loan and Construction Loan" and "Mainland Credit (including short-term trade financing)" shall be at least 1.5%; In addition, the minimum allowance for bad debts for SME loans handled in accordance with the "Regulations for the Central Bank's Handling of Bank Acceptance of SME Loans Affected by the Severe Special Contagious Pneumonia Epidemic" is 0.5%.

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.

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 Group 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. 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.

#### 4.7.2 Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

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

### 4.7.3 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 Group's documented risk management or investment strategy, and information about the grouping 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 40.

##### B. Financial guarantee contracts

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

### 4.7.4 Derivatives

Derivatives signed by the Group include forward foreign exchange contracts, interest rate swaps and others to manage the Group'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 are within the scope of IFRS 9 “Financial Instruments” 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.

#### **4.8 Investment in Associates**

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Group applies equity method to account for investments in associates.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group’s share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group’s share of equity of associates attributable to the Group.

Any excess of the cost of acquisition over the Group’s share of the net fair value of the identifiable assets and liabilities of an associate 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 Group’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 the Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group’s proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Group’s ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Group’s share of losses of an associate equals or exceeds its interest in that associate, including any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group’s net investment in the associate, the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from investment and the carrying amount of investment is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

#### **4.9 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.

#### **4.10 Securities Purchased/Sold Under Resale/Repurchase Agreements**

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

#### **4.11 Properties and Equipment**

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

Depreciation is provided on a straight-line basis over estimated useful lives and the critical components are identified and depreciated separately. Depreciation expense of the land and buildings held by SCB (HK) is depreciated using the straight-line method over the useful lives under 40 years. Other equipment is computed using the straight-line method within the durability of 4 to 10 years. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period by the Group. Change in accounting estimates takes effect retrospectively.

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.

The Group is constructing its new head office building; the demolition of the original building started in January 2020. Based on this actual situation, the Group re-evaluated the durability period of the original building, and the proposed change in its estimated useful life came into effect on October 17, 2019 after receiving a letter of approval from the competent authority. The book value of \$159,069 thousand of the original building was fully depreciated before the end of 2019.

#### **4.12 Assets for Sale**

The carrying amount of assets is classified as held for sale when it is expected to be mainly recovered through sale transactions rather than continued use. Assets that meet this classification must be available for immediate sale in their current state, and their sale must be highly probable. When the appropriate level of management commits to the plan to sell the asset, and the sale transaction is expected to be completed within one year from the date of classification, the sale will be considered highly probable.

#### **4.13 Investment Properties**

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation. Depreciation is recognized using the straight-line method.

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

#### **4.14 Goodwill**

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

#### **4.15 Intangible Assets**

##### **4.15.1 Acquisition as separate asset**

Intangible assets that have finite useful lives and are acquired separately are carried at cost less accumulated amortization. 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 is assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life. Change in accounting estimate takes effect prospectively.

##### **4.15.2 Acquisition by business combination**

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

##### **4.15.3 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.

#### **4.16 Impairment of Property and Equipment, Right-of-Use Assets, Intangible Assets Other Than Goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets 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 Group 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 is subsequently 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.

#### **4.17 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.

#### **4.18 Provisions**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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.

#### **4.19 Revenue Recognition**

Interest revenue from loans is estimated on accrual basis. Interest revenue from non-performing 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 for 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 Group and the amount of revenue can be reliably measured.

#### **4.20 Leasing**

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

##### **4.20.1 The Group as lessor**

When the lease terms transfer almost all the risks and rewards attached to the ownership of the assets to the lessee, the leases 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 lease 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 Group'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.

#### 4.20.2 The Group as lessee

The Group 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 adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method 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 Group 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 Group 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 Group 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 consolidated balance sheets.

The Group and the lessor conducted rent negotiations directly related to COVID-19, and adjusted the rent due before June 30, 2021, which resulted in a decrease in rent. These negotiations did not significantly change other lease terms. The Group chose to adopt practical expedients to deal with all rent negotiations. Therefore, the Group does not have to assess whether the negotiation is a lease modification, but recognize the decrease in lease payments in rent concessions or circumstances when they occur in profit or loss (accounted for as other non-interest revenue, and the lease liability is relatively reduced).

### 4.21 Employee Benefits

#### 4.21.1 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.



#### 4.21.2 Retirement benefit costs

The Group currently has both defined contribution and defined benefit retirement plans for 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 Group'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.

#### 4.21.3 Employee preferential deposits

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

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

#### 4.21.4 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.

### 4.22 Taxation

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

#### 4.22.1 Current tax

The Group determines the current income (loss) in accordance with the laws and regulations established by each jurisdiction of income tax declaration, and calculates the payable (recoverable) income tax.

According to the Taiwan Income Tax Law, an additional tax on unappropriated earnings is recognized 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.

#### 4.22.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated 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 recognized on deductible temporary difference and loss carry forwards provided that taxable income will be available for use in deducting the benefits of the temporary differences probably.

Deferred tax liabilities are recognized on taxable temporary differences associated with investments in subsidiaries and associates, except where the Group 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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

#### 4.22.3 Current tax and deferred tax of the period

Current tax 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 tax and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

### **5. CRITICAL ACCOUNTING JUDGMENTS AND MAIN SOURCES OF UNCERTAINTY IN ESTIMATES AND ASSUMPTIONS**

In the application of the Group'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 Group takes the economic impact of COVID-19 into consideration in major accounting estimates such as cash flow estimation, growth rate, discount rate, and profitability, and the management will continue to review the estimates and underlying assumptions. Revisions to accounting estimate 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.

#### **Estimates and assumptions of main sources of uncertainty**

##### **Estimated impairment of financial assets**

Estimates of impairment on loans and receivables, investments in debt instrument and financial guarantee contracts are based on the Group's assumptions about default rates and expected loss rates. The Group 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, refer to Note 40. If the actual cash flows in the future are less than expected, significant impairment losses may occur.

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Cash on hand and working fund	\$ 13,307,764	\$ 10,069,077
Checks for clearing	2,973,308	1,018,144
Due from other banks	54,100,741	69,485,061
	<u>\$ 70,381,813</u>	<u>\$ 80,572,282</u>

The Group assessed the allowance for cash and cash equivalents based on the expected credit loss model. Due to the low credit risk of cash and cash equivalents, allowance losses were recognized based on the 12-month expected credit losses. On December 31, 2021 and 2020, cash and cash equivalents recognized as allowances were in the amounts of \$1,802 thousand and \$4,299 thousand, respectively.

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

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Call loans to banks	\$ 180,488,033	\$ 166,909,572
Deposit reserves - I	3,692,689	16,057,031
Deposit reserves - II	23,341,841	22,407,116
Deposit reserves - foreign currency	209,619	205,158
Due from foreign central banks	3,833,977	3,220,903
	<u>\$ 211,566,159</u>	<u>\$ 208,799,780</u>

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

The Group assessed the loss allowance for due from the Central Bank and call loans to banks based on the expected credit loss model. Due to the low credit risk of dues from the Central Bank and call loans to banks, the loss allowance was recognized based on 12-month expected credit losses. On December 31, 2021 and 2020, the allowances recognized for the dues from the Central Bank and call loans to banks were in the amounts of \$8,561 thousand and \$23,470 thousand, respectively.

## 8. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<b>Financial assets at fair value through profit or loss</b>		
<b>Financial assets mandatorily classified as at FVTPL</b>		
Corporate bonds	\$ 6,039,499	\$ 7,554,990
Shares	2,174,721	1,148,316
Forward contracts	1,379,882	3,204,220
Beneficiary certificates	535,265	505,928
Interest rate swap contracts	174,788	309,673
Government bonds	49,286	340,921
Option contracts	44,646	439,409
Currency swap contract	32,739	44,866
Bank debentures	11,075	62,417
Others	156,111	47,075
	<u>\$ 10,598,012</u>	<u>\$ 13,657,815</u>

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<b>Financial liabilities at fair value through profit or loss</b>		
<b>Held-for-trading financial liabilities</b>		
Forward contracts	\$ 1,159,346	\$ 3,203,318
Currency swap contract	292,368	175,573
Option contracts	150,266	484,306
Others	850	26,203
	<u>1,602,830</u>	<u>3,889,400</u>
<b>Financial liabilities designated at FVTPL</b>		
Bank debentures	2,068,124	2,245,100
	<u>\$ 3,670,954</u>	<u>\$ 6,134,500</u>

The Group engaged 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:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Forward contracts	\$ 226,300,397	\$ 278,429,579
Option contracts	143,179,103	277,761,331
Currency swap contract	80,094,212	44,267,235
Interest rate swap contracts	2,886,697	3,351,580
Future contracts	158,533	28,739
Asset exchange transactions	-	140,495

Information for financial liabilities designated by the Group at FVTPL was as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
The difference between the fair value and the maturity value		
— Fair value	\$ 2,068,124	\$ 2,245,100
— Maturity value	2,110,011	2,364,343
	<u>\$ (41,887)</u>	<u>\$ (119,243)</u>

	<u>Effects of changes in credit risk</u>
Current amount of change	
From January 1, 2021 to December 31, 2021	\$ 17,650
From January 1, 2020 to December 31, 2020	\$ 51,831
Cumulative amount of change	
Up to December 31, 2021	\$ 24,062
Up to December 31, 2020	\$ 6,412

The financial liabilities designated by the Group at FVTPL were the second issuance of unsecured debentures amounting to US\$70,000 thousand with a 30-year maturity and fixed interest rate of 0% on October 29, 2018. On the expiration of 5 years and every subsequent year, the Group 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 Group entered 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 Group designated the aforementioned financial bonds as financial liabilities measured at FVTPL for consistency.

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

was 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 was calculated using the benchmark yield curve at the balance sheet date. Fair value of financial bonds and combined commodities was 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 MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Investments in equity instruments measured at FVTOCI		
Shares	\$ 23,077,179	\$ 20,407,824
Investments in debt instruments measured at FVTOCI		
Corporate bonds	212,429,395	191,477,949
Bank debentures	158,984,827	146,254,410
Commercial papers	65,589,207	64,736,070
Government bonds	52,308,637	81,851,329
Treasury bonds	3,486,483	499,317
Asset-backed securities	2,681,127	3,010,124
	<u>495,479,676</u>	<u>487,829,199</u>
	<u>\$ 518,556,855</u>	<u>\$ 508,237,023</u>

The Group 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 Group 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, 2021 and 2020. The par values of bonds and commercial papers sold under repurchase agreements were \$14,466,728 thousand and \$24,684,350 thousand, respectively.

For the information on financial assets pledged at FVTOCI, refer to Note 38.

## 10. INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTIZED COST

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Negotiable certificates of deposit	\$ 132,400,000	\$ 98,765,000
Treasury bonds	11,987,492	-
Government bonds	7,591,898	3,690,354
Corporate bonds	2,646,795	2,681,798
Bank debentures	859,025	863,056
Restricted due from banks	3,835,505	1,686,960
	<u>159,320,715</u>	<u>107,687,168</u>
Less: Loss allowance	(1,127)	(1,420)
	<u>\$ 159,319,588</u>	<u>\$ 107,685,748</u>

Restricted due from banks are the funds deposited into specific bank accounts by the Group in compliance with Act of The Management, Utilization, and Taxation of Repatriated Offshore Funds.

For information on the credit risk management and impairment of financial assets measured at amortized cost, refer to Note 11.

For the information on related financial assets at amortized cost pledged as collateral, refer to Note 38.

## 11. CREDIT RISK MANAGEMENT OF INVESTMENTS IN DEBT INSTRUMENTS

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

<b>December 31, 2021</b>	<b>At FVTOC</b>	<b>At Amortized Cost</b>	<b>Total</b>
Total carrying amount	\$ 495,101,456	\$ 159,320,715	\$ 654,422,171
Loss allowance	(156,374)	(1,127)	(157,501)
Amortized cost	494,945,082	\$ 159,319,588	654,264,670
Fair value adjustment	534,594		534,594
	<u>\$ 495,479,676</u>		<u>\$ 654,799,264</u>

  

<b>December 31, 2020</b>	<b>At FVTOC</b>	<b>At Amortized Cost</b>	<b>Total</b>
Total carrying amount	\$ 482,468,017	\$ 107,687,168	\$ 590,155,185
Loss allowance	(127,648)	(1,420)	(129,068)
Amortized cost	482,340,369	\$ 107,685,748	590,026,117
Fair value adjustment	5,488,830		5,488,830
	<u>\$ 487,829,199</u>		<u>\$ 595,514,947</u>

The Group implements a policy of investing in debt instruments with investment grade and have low credit risk. For the purpose of impairment assessment, the Group continues to track external rating information and monitors changes in credit risk of the investments of debt instruments and reviews 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 initial recognition.

The Group considered 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 investments in debt instruments. The Group's current credit risk rating mechanism and the total carrying amount of each credit rating investment in debt instruments were as follows:

### December 31, 2021

<b>Credit Rating</b>	<b>Definitions</b>	<b>Expected Credit Loss Recognition Base</b>	<b>Expected Credit Loss Rate</b>	<b>December 31, 2021 Carrying Amount</b>
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%~0.896%	\$ 653,629,515
Stage 2	Credit risk has increased significantly since the initial recognition	Expected credit loss during the period of existence (no credit impairment)	0.340%~7.017%	792,656

### December 31, 2020

<b>Credit Rating</b>	<b>Definitions</b>	<b>Expected Credit Loss Recognition Base</b>	<b>Expected Credit Loss Rate</b>	<b>December 31, 2020 Carrying Amount</b>
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%~0.915%	\$ 589,660,590
Stage 2	Credit risk has increased significantly since the initial recognition	Expected credit loss during the period of existence (no credit impairment)	0.528%~7.905%	494,595

Information on changes in allowance for impairment 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 without impairment)	Total
Balance at January 1, 2021	\$ 112,993	\$ 14,655	\$ 127,648
Purchase of new debt instruments	63,317	3,343	66,660
Derecognition	(33,074 )	(4,495 )	(37,569 )
Model/risk parameter changes	(31 )	710	679
Exchange rate and other changes	(1,818 )	774	(1,044 )
Balance at December 31, 2021	<u>\$ 141,387</u>	<u>\$ 14,987</u>	<u>\$ 156,374</u>
Balance at January 1, 2020	\$ 84,260	\$ 7,465	\$ 91,725
Purchase of new debt instruments	49,150	13,894	63,044
Derecognition	(31,814 )	(10,108 )	(41,922 )
Model/risk parameter changes	16,461	961	17,422
Exchange rate and other changes	(5,064 )	2,443	(2,621 )
Balance at December 31, 2020	<u>\$ 112,993</u>	<u>\$ 14,655</u>	<u>\$ 127,648</u>

## Investments in debt instruments at amortized cost

	Credit Risk Rating		
	Stage 1 (12-Month ECLs)	Stage 2 (Lifetime ECLs without impairment)	Total
Balance at January 1, 2021	\$ 1,420	\$ -	\$ 1,420
Purchase of new debt instruments	205	-	205
Derecognition	(198 )	-	(198 )
Model/risk parameter changes	(46 )	-	(46 )
Exchange rate and other changes	(254 )	-	(254 )
Balance at December 31, 2021	<u>\$ 1,127</u>	<u>\$ -</u>	<u>\$ 1,127</u>
Balance at January 1, 2020	\$ 1,569	\$ -	\$ 1,569
Purchase of new debt instruments	121	-	121
Derecognition	(215 )	-	(215 )
Model/risk parameter changes	(7 )	-	(7 )
Exchange rate and other changes	(48 )	-	(48 )
Balance at December 31, 2020	<u>\$ 1,420</u>	<u>\$ -</u>	<u>\$ 1,420</u>

## 12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities purchased under resell agreements as of December 31, 2021 and 2020 were \$278,486 thousand and \$146,817 thousand, respectively. The aforementioned securities would be sold back one after another before February 11, 2022 and January 11, 2021 at \$278,770 thousand and \$146,943 thousand, respectively.

## 13. RECEIVABLES, NET

	December 31, 2021	December 31, 2020
Accrued interest	\$ 4,177,202	\$ 4,462,802
Credit card receivables	3,531,776	3,383,489
Accounts receivable due from sales of securities	1,134,651	3,629,263
Acceptances	2,884,310	2,573,938
Finance lease receivable	1,022,282	1,126,746
Accounts receivable - factoring	567,807	479,948
Others	2,205,351	3,149,496
	<u>15,523,379</u>	<u>18,805,682</u>
Less: Allowance for credit losses	<u>(307,091 )</u>	<u>(263,058 )</u>
	<u>\$ 15,216,288</u>	<u>\$ 18,542,624</u>

The changes in total carrying amount and the allowance of receivables and other financial assets for the year ended December 31, 2021 and 2020 (including non-accrual loans and bills of exchange, refer to Note 17) are as follows:

**For the Year Ended December 31, 2021**

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Total
<b>Receivables and other financial assets</b>					
Beginning on January 1, 2021	\$ 18,413,266	\$ 87,536	\$ 226,341	\$ 82,825	\$ 18,809,968
Changes due to financial assets recognized at the beginning of the period:					
Transfer to lifetime ECLs	(57,383)	34,044	15,153	(55)	(8,241)
Transfer to ECLs on financial assets	(20,696)	(7,670)	(3,384)	47,127	15,377
Transfer to 12-month ECLs	64,374	(29,329)	(36,259)	(2,158)	(3,372)
Financial assets derecognized in the current period	(6,194,365)	(22,211)	(84,646)	(23,259)	(6,324,481)
Purchased or originated financial assets	3,301,570	149,068	143,892	4,253	3,598,783
Write-offs	-	-	-	(31,686)	(31,686)
Exchange rate and other changes	(519,156)	-	(5,548)	(1,299)	(526,003)
Balance on December 31, 2021	\$ 14,987,610	\$ 211,438	\$ 255,549	\$ 75,748	\$ 15,530,345

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulatory Decree	Total
<b>Allowance</b>							
Beginning on January 1, 2021	\$ 184,848	\$ 34,652	\$ 4,893	\$ 29,349	\$ 253,742	\$ 13,043	\$ 266,785
Changes due to financial assets recognized at the beginning of the period:							
Transfer to lifetime ECLs	(1,116)	17,654	2,178	(28)	18,688	-	18,688
Transfer to ECLs on financial assets	(409)	(1,912)	(420)	5,003	2,262	-	2,262
Transfer to 12-month ECLs	45,528	(17,657)	(1,802)	(901)	25,168	-	25,168
Financial assets derecognized in the current period	(24,162)	(6,743)	(352)	(1,731)	(32,988)	-	(32,988)
Purchased or originated financial assets	40,124	23,305	811	5,055	69,295	-	69,295
The difference of impairment under the regulation or decree	-	-	-	-	-	5,666	5,666
Write-offs	-	-	-	(31,686)	(31,686)	-	(31,686)
Recoveries after write-off	-	-	-	29,645	29,645	-	29,645
Exchange rate and other changes	(43,642)	-	2,465	(2,418)	(43,595)	-	(43,595)
Balance on December 31, 2021	\$ 201,171	\$ 49,299	\$ 7,773	\$ 32,288	\$ 290,531	\$ 18,709	\$ 309,240

**For the Year Ended December 31, 2020**

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Total
<b>Receivables and other financial assets</b>					
Beginning on January 1, 2020	\$ 17,426,381	\$ 68,740	\$ 225,847	\$ 425,093	\$ 18,146,061
Changes due to financial assets recognized at the beginning of the period:					
Transfer to lifetime ECLs	(89,318)	35,788	38,943	(460)	(15,047)
Transfer to ECLs on financial assets	(27,849)	(23,107)	(9,516)	67,744	7,272
Transfer to 12-month ECLs	181,464	(22,955)	(111,833)	12,166	58,842
Financial assets derecognized in the current period	(6,455,361)	(10,125)	(66,480)	(386,590)	(6,918,556)
Purchased or originated financial assets	8,174,637	39,195	163,062	8,012	8,384,906
Write-offs	-	-	-	(40,906)	(40,906)
Exchange rate and other changes	(796,688)	-	(13,682)	(2,234)	(812,604)
Balance on December 31, 2020	\$ 18,413,266	\$ 87,536	\$ 226,341	\$ 82,825	\$ 18,809,968



	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulatory Decree	Total
<b>Allowance</b>							
Beginning on January 1, 2020	\$ 119,364	\$ 29,000	\$ 4,639	\$ 175,097	\$ 328,100	\$ 27,453	\$ 355,553
Changes due to financial assets recognized at the beginning of the period:							
Transfer to lifetime ECLs	(844)	15,008	1,553	(290)	15,427	-	15,427
Transfer to ECLs on financial assets	(455)	(14,685)	(383)	5,775	(9,748)	-	(9,748)
Transfer to 12-month ECLs	115,622	(13,833)	(1,909)	(1,449)	98,431	-	98,431
Financial assets derecognized in the current period	(8,900)	(5,492)	(284)	(148,121)	(162,797)	-	(162,797)
Purchased or originated financial assets	33,648	24,654	546	7,702	66,550	-	66,550
The difference of impairment under the regulation or decree	-	-	-	-	-	(14,410)	(14,410)
Write-offs	-	-	-	(40,906)	(40,906)	-	(40,906)
Recoveries after write-off	-	-	-	33,578	33,578	-	33,578
Exchange rate and other changes	(73,587)	-	731	(2,037)	(74,893)	-	(74,893)
Balance on December 31, 2020	\$ 184,848	\$ 34,652	\$ 4,893	\$ 29,349	\$ 253,742	\$ 13,043	\$ 266,785

## 14. DISCOUNTS AND LOANS, NET

	December 31, 2021	December 31, 2020
Loans	\$ 1,105,944,691	\$ 1,131,175,205
Inward/outward documentary bills	16,970,829	14,907,025
Non-performing loans	1,283,245	1,843,511
	<u>1,124,198,765</u>	<u>1,147,925,741</u>
Discount and premium adjustments	237,257	289,948
Allowance for credit losses	(12,201,243)	(11,785,384)
	<u>\$ 1,112,234,779</u>	<u>\$ 1,136,430,305</u>

The Group discontinues accruing interest when loans are deemed non-performing. for the year ended December 31, 2021 and 2020, the unrecognized interest revenue on the non-performing loans amounted to \$17,034 thousand and \$19,097 thousand, respectively.

For the year ended December 31, 2021 and 2020, the Group 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 year ended December 31, 2021 and 2020 are as follows:

### For the Year Ended December 31, 2021

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Lifetime ECLs (Purchased or Originated Credit Impairment on Financial Assets)	Total
<b>Discounts and loans</b>						
Beginning on January 1, 2021	\$ 1,101,559,285	\$ 10,238,670	\$ 33,507,677	\$ 2,480,912	\$ 139,197	\$ 1,147,925,741
Changes due to financial assets recognized at the beginning of the period:						
Transfer to lifetime ECLs	(5,570,416)	1,071,404	3,979,354	(1,575)	-	(521,233)
Transfer to ECLs on financial assets	(459,450)	(244,532)	(1,117,355)	1,554,929	-	(266,408)
Transfer to 12-month ECLs	2,473,800	(137,826)	(2,334,095)	(1,690)	-	189
Financial assets derecognized in the current period	(474,270,142)	(1,118,041)	(4,559,209)	(697,463)	(3,621)	(480,648,476)
Purchased or originated financial assets	460,915,865	1,664,238	4,198,461	250,918	6,356	467,035,838
Write-offs	-	-	-	(674,681)	-	(674,681)
Exchange rate and other changes	(7,781,068)	(132,874)	(699,912)	(22,106)	(16,245)	(8,652,205)
Balance on December 31, 2021	\$ 1,076,867,874	\$ 11,341,039	\$ 32,974,921	\$ 2,889,244	\$ 125,687	\$ 1,124,198,765

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Lifetime ECLs (Purchased or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulatory Decree	Total
<b>Allowance</b>								
Beginning on January 1, 2021	\$ 3,084,995	\$ 1,468,387	\$ 425,972	\$ 729,263	\$ 48,338	\$ 5,756,955	\$ 6,028,429	\$ 11,785,384
Changes due to financial assets recognized at the beginning of the period:								
Transfer to lifetime ECLs	157,466	49,528	70,918	(1,374)	-	276,538	-	276,538
Transfer to ECLs on financial assets	(1,604)	(36,828)	(19,395)	308,760	-	250,933	-	250,933
Transfer to 12-month ECLs	47,870	(28,781)	(64,655)	(1,121)	-	(46,687)	-	(46,687)
Financial assets derecognized in the current period	(1,835,160)	(132,765)	(38,757)	(148,424)	-	(2,155,106)	-	(2,155,106)
Purchased or originated financial assets	827,260	421,005	22,661	102,088	-	1,373,014	-	1,373,014
The difference of impairment under the regulation or decree	-	-	-	-	-	-	1,340,563	1,340,563
Write-offs	-	-	-	(674,681)	-	(674,681)	-	(674,681)
Recoveries of write-offs	-	-	-	178,543	-	178,543	-	178,543
Exchange rate and other changes	(339,587)	(10,499)	212,671	11,438	(1,281)	(127,258)	-	(127,258)
Balance on December 31, 2021	\$ 1,941,240	\$ 1,730,047	\$ 609,415	\$ 504,492	\$ 47,057	\$ 4,832,251	\$ 7,368,992	\$ 12,201,243

## For the Year Ended December 31, 2020

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Lifetime ECLs (Purchased or Originated Credit Impairment on Financial Assets)	Total
<b>Discounts and loans</b>						
Beginning on January 1, 2020	\$ 1,093,187,813	\$ 4,722,758	\$ 20,823,939	\$ 3,908,495	\$ 119,666	\$ 1,122,762,671
Changes due to financial assets recognized at the beginning of the period:						
Transfer to lifetime ECLs	(30,489,324)	7,886,628	21,953,863	(1,721)	-	(650,554)
Transfer to ECLs on financial assets	(1,518,173)	(615,215)	(125,865)	1,559,787	-	(699,466)
Transfer to 12-month ECLs	6,453,381	(763,638)	(5,500,239)	(76,893)	-	112,611
Financial assets derecognized in the current period	(239,079,322)	(11,193,680)	(5,011,151)	(2,162,350)	(54,475)	(257,500,978)
Purchased or originated financial assets	297,742,365	11,341,315	3,163,109	43,212	82,584	312,372,585
Write-offs	-	(1,424)	-	(788,282)	-	(789,706)
Exchange rate and other changes	(24,737,455)	(1,138,074)	(1,795,979)	(1,336)	(8,578)	(27,681,422)
Balance on December 31, 2020	\$ 1,101,559,285	\$ 10,238,670	\$ 33,507,677	\$ 2,480,912	\$ 139,197	\$ 1,147,925,741

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Lifetime ECLs (Purchased or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulatory Decree	Total
<b>Allowance</b>								
Beginning on January 1, 2020	\$ 1,977,769	\$ 479,449	\$ 343,507	\$ 436,801	\$ 53,135	\$ 3,290,661	\$ 7,968,884	\$ 11,259,545
Changes due to financial assets recognized at the beginning of the period:								
Transfer to lifetime ECLs	144,398	1,214,227	172,088	(451)	-	1,530,262	-	1,530,262
Transfer to ECLs on financial assets	(3,155)	(127,083)	(2,012)	765,408	-	633,158	-	633,158
Transfer to 12-month ECLs	836,600	(80,942)	(108,648)	(5,378)	-	641,632	-	641,632
Financial assets derecognized in the current period	(430,568)	(100,563)	(40,970)	20,799	-	(551,302)	-	(551,302)
Purchased or originated financial assets	831,615	173,716	29,484	10,062	110	1,044,987	-	1,044,987
The difference of impairment under the regulation or decree	-	-	-	-	-	-	(1,940,455)	(1,940,455)
Write-offs	-	(1,424)	-	(788,282)	-	(789,706)	-	(789,706)
Recoveries of write-offs	-	-	-	220,745	-	220,745	-	220,745
Exchange rate and other changes	(271,664)	(88,993)	32,523	69,559	(4,907)	(263,482)	-	(263,482)
Balance on December 31, 2020	\$ 3,084,995	\$ 1,468,387	\$ 425,972	\$ 729,263	\$ 48,338	\$ 5,756,955	\$ 6,028,429	\$ 11,785,384

The details of bad debt expense, commitment and guarantee liability provisions for the year ended December 31, 2021 and 2020 are listed below:

	December 31	
	2021	2020
Provisions for loans and discounts	\$ 1,039,255	\$ 1,358,283
Provisions for reserve of possible losses on guarantees	107,718	296,985
Provisions (reversal) for receivables	88,091	(6,547)
Other provisions	6,693	23,195
	<u>\$ 1,241,757</u>	<u>\$ 1,671,916</u>

## 15. SUBSIDIARIES

### 15.1 Subsidiaries included in the consolidated financial statements

The consolidated financial statements include the Bank and entities controlled by the Bank.

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Note
			December 31, 2021	December 31, 2020	
Domestic subsidiaries					
The Bank	China Travel Service (Taiwan)	Traveling	99.99	99.99	
The Bank	SCSB Marketing Ltd.	Human resource services	100.00	100.00	
The Bank	SCSB Asset Management Ltd.	Purchase, evaluation, auction and management of creditor's right of financial institutions	100.00	100.00	
China Travel Service (Taiwan)	CTS Travel International Ltd.	Traveling	100.00	100.00	
Foreign subsidiaries					
The Bank	Shancom Reconstruction Inc.	Investment holding	100.00	100.00	
The Bank	Wresqueue Limitada	Investment holding	100.00	100.00	
The Bank	Paofong Insurance Company Ltd.	Insurance	40.00	40.00	
The Bank	AMK Microfinance Institution Plc.	Microfinance	99.99	99.99	
SCSB Asset Management Ltd.	SCSB Leasing (China) Co., Ltd.	Leasing operation	100.00	100.00	
Wresqueue Limitada	Prosperity Realty Inc.	Real estate service	100.00	100.00	
Shancom Reconstruction Inc.	Empresa Inversiones Generales, S.A.	Investment holding	100.00	100.00	
Shancom Reconstruction Inc.	Krinein Company	Investment holding	100.00	100.00	
Shancom Reconstruction Inc.	Safehaven Investment Corporation	Investment holding	100.00	100.00	
Empresa Inversiones Generales, S.A.	Shanghai Commercial Bank (HK)	Banking	48.00	48.00	1
Krinein Company	Shanghai Commercial Bank (HK)	Banking	9.60	9.60	1
Shanghai Commercial Bank (HK)	Shanghai Commercial Bank (Nominees) Ltd.	Nominee services	100.00	100.00	
Shanghai Commercial Bank (HK)	Shanghai Commercial Bank Trustee Ltd.	Trustee services	60.00	60.00	
Shanghai Commercial Bank (HK)	Shacom Futures Ltd.	Commodities trading	100.00	100.00	
Shanghai Commercial Bank (HK)	Shacom Investment Ltd.	Investment in exchange fund bills and notes	100.00	100.00	
Shanghai Commercial Bank (HK)	Shacom Property Holdings (BVI) Limited	Property holding	100.00	100.00	
Shanghai Commercial Bank (HK)	Shacom Property (NY) Inc.	Property holding	100.00	100.00	
Shanghai Commercial Bank (HK)	Shacom Property (CA) Inc.	Property holding	100.00	100.00	
Shanghai Commercial Bank (HK)	Shacom Assets Investment Ltd.	Investment in bonds	100.00	100.00	
Shanghai Commercial Bank (HK)	Infinite Financial Solutions Limited	I.T. application services provider	100.00	100.00	
Shanghai Commercial Bank (HK)	Shacom Insurance Brokers Ltd.	Insurance broker	100.00	100.00	
Shanghai Commercial Bank (HK)	Shacom Securities Ltd.	Securities brokerage services	100.00	100.00	
Shanghai Commercial Bank (HK)	Hai Kwang Property Management Co., Ltd.	Property management	100.00	100.00	
Shanghai Commercial Bank (HK)	Paofong Insurance Company Ltd.	Insurance	60.00	60.00	
Shanghai Commercial Bank (HK)	Right Honour Investments Limited	Property holding	100.00	100.00	
Shanghai Commercial Bank (HK)	KCC 23F Limited	Property holding	100.00	100.00	
Shanghai Commercial Bank (HK)	KCC 25F Limited	Property holding	100.00	100.00	
Shanghai Commercial Bank (HK)	KCC 26F Limited	Property holding	100.00	100.00	
Right Honour Investments Limited	Glory Step Westpoint Investments Limited	Property holding	100.00	100.00	
Right Honour Investments Limited	Silver Wisdom Westpoint Investments Limited	Property holding	100.00	100.00	

Note 1: This entity is a subsidiary with material non-controlling interests.

The Bank's board of directors approved to acquire 962 thousand shares from AMK's external shareholders for US\$26,120 thousand on March 21, 2020. The case was approved by the FSC and Cambodian authorities on May 27, 2020 and June 23, 2020, respectively. Hence, the Group's shareholding ratio increased to 99.99% on August 6, 2020. Since the transaction did not change the bank's control over AMK, it was treated as an equity transaction. Difference arising from the above equity transaction debited to unappropriated earnings \$200,035 thousand (refer to Notes 32 and 36).

In addition, the Bank's board of directors approved the investment of 912 thousand shares for US\$5,700 thousand capital increase on March 21, 2020, and this increase was funded by the Bank. The capital increase was approved by the FSC of Taiwan, National Bank of Cambodia, and Cambodia Ministry of Commerce on May 27, 2020, May 7, 2021 and May 13, 2021, respectively. The Bank's shareholding ratio was maintained at 99.99%.

In addition, the Bank's board of directors approved the investment of 3,668 thousand shares for US\$22,500 thousand capital increase on November 13, 2021, and this increase was funded by the Bank. The capital increase was approved by the FSC on December 29, 2021. As of the date of approval of the financial report, it has yet to be approved by the Cambodian authorities.

## 15.2 Details of subsidiaries that have material non-controlling interests (“NCI”)

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests			
		December 31, 2021	December 31, 2020		
Shanghai Commercial Bank (H.K.)	Hong Kong	42.4%	42.4%		
Name of Subsidiary		Profit Allocated to Non-controlling Interests	Accumulated Non-controlling		
		For the Year Ended December 31	December 31		
		2021	2020	2021	2020
Shanghai Commercial Bank (H.K.) (excluding NCI in its subsidiaries)		\$ 4,432,500	\$ 4,420,029	\$ 51,310,816	\$ 49,798,941

The summarized financial information of the following subsidiaries is compiled based on the amounts before the eliminations of inter-company transactions:

### Shanghai Commercial Bank (SCB) (H.K.) and its subsidiaries

	December 31, 2021	December 31, 2020
Assets	\$ 830,423,785	\$ 822,438,994
Liabilities	(709,065,040)	(704,656,770)
NCI of SCB's subsidiaries	(342,667)	(331,891)
Equity	<u>\$ 121,016,078</u>	<u>\$ 117,450,333</u>
Equity attributable to:		
Owners of SCSB	\$ 69,705,262	\$ 67,651,392
NCI of SCSB	51,310,816	49,798,941
	<u>\$ 121,016,078</u>	<u>\$ 117,450,333</u>
	For the Year Ended December 31	
	2021	2020
Revenue	<u>\$ 18,878,464</u>	<u>\$ 19,374,587</u>
Net profit for the period	\$ 10,407,103	\$ 10,373,818
Net profit allocated to NCI of SCB's subsidiaries	19,888	21,530
	<u>10,426,991</u>	<u>10,395,348</u>
Other comprehensive income for the period	(5,907,010)	(7,038,950)
OCI allocated to NCI of SCB's subsidiaries	-	(49)
Total comprehensive income for the period	<u>\$ 4,519,981</u>	<u>\$ 3,356,349</u>
Profit attributable to:		
Owners of SCSB	\$ 5,994,491	\$ 5,975,319
NCI of SCSB	4,432,500	4,420,029
	<u>\$ 10,426,991</u>	<u>\$ 10,395,348</u>
Total comprehensive income attributable to:		
Owners of SCSB	\$ 2,603,509	\$ 1,933,257
NCI of SCSB	1,916,472	1,423,092
	<u>\$ 4,519,981</u>	<u>\$ 3,356,349</u>
Cash flows		
Operating activities	\$ 11,997,551	\$ (31,721,497)
Investing activities	445,454	8,482,762
Financing activities	(2,117,071)	(4,887,868)
Net cash inflow (outflow)	<u>\$ 10,325,934</u>	<u>\$ (28,126,603)</u>
Dividends paid to non-controlling interests SCB (HK)	<u>\$ 476,048</u>	<u>\$ 1,526,804</u>

## 16. INVESTMENTS UNDER THE EQUITY METHOD

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Investments in associates	\$ 1,922,359	\$ 1,880,035

The Group decreased the carrying value of Kuo Hai to zero and recognized losses on this investment because of the investee's continuous operating losses over the years.

Information on comprehensive income of immaterial associates was summarized as follows:

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Profit from continuing operations	273,442	235,013
Other comprehensive income for the period	(33,934)	22,991
Total comprehensive income for the period	<u>\$ 239,508</u>	<u>\$ 258,004</u>

## 17. OTHER FINANCIAL ASSETS, NET

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Bills of exchange	\$ 5,037	\$ 565
Non-performing receivables	1,929	3,721
Time deposit with original maturity of more than three months	-	1,297,620
	6,966	1,301,906
Allowance for non-performing receivables	(2,149)	(3,727)
	<u>\$ 4,817</u>	<u>\$ 1,298,179</u>

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

The balances of credit card receivables which were reported as non-performing amounted to \$1,928 thousand and \$3,721 thousand as of December 31, 2021 and 2020, respectively. The unrecognized interest revenue on the receivables amounted to \$140 thousand and \$98 thousand for the year ended December 31, 2021 and 2020, respectively.

## 18. PROPERTIES, NET

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Land	\$ 13,923,139	\$ 14,080,843
Buildings and improvements	4,178,069	4,388,944
Mechanical equipment	640,268	613,331
Transportation equipment	61,640	78,360
Miscellaneous equipment	630,676	695,125
Construction in progress and prepayments	1,162,624	766,934
	<u>\$ 20,596,416</u>	<u>\$ 20,623,537</u>

For the Year Ended December 31, 2021							
Items	Balance at January 1, 2021	Additions	Disposals	Internal Transfers	Reclassified to held for sale	Effects of Exchange Rate Changes, Net	Balance at December 31, 2021
<b>Cost</b>							
Land	\$ 14,795,777	\$ -	\$ (154)	\$ -	\$ -	\$ (111,061)	\$ 14,684,562
Buildings and improvements	8,089,013	7,006	(459)	-	-	(81,273)	8,014,287
Office equipment	2,507,360	279,738	(58,563)	4,840	-	(34,701)	2,698,674
Transportation equipment	191,100	2,486	(46,943)	8,401	-	(2,935)	152,109
Miscellaneous equipment	2,635,678	113,360	(15,683)	1,794	-	(44,661)	2,690,488
Construction in progress and prepayments	770,438	440,974	-	(15,035)	-	(29,926)	1,166,451
	<u>28,989,366</u>	<u>\$ 843,564</u>	<u>\$ (121,802)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (304,557)</u>	<u>29,406,571</u>
<b>Accumulated depreciation</b>							
Land	714,934	\$ 62,563	\$ -	\$ -	\$ -	\$ (16,074)	761,423
Buildings and improvements	3,700,069	163,264	(96)	-	-	(27,019)	3,836,218
Office equipment	1,894,029	247,099	(55,974)	-	-	(26,748)	2,058,406
Transportation equipment	112,740	15,381	(36,143)	-	-	(1,509)	90,469
Miscellaneous equipment	1,940,553	167,043	(14,653)	-	-	(33,131)	2,059,812
Construction in progress and prepayments	3,504	402	-	-	-	(79)	3,827
	<u>8,365,829</u>	<u>\$ 655,752</u>	<u>\$ (106,866)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (104,560)</u>	<u>8,810,155</u>
Net amount	<u>\$ 20,623,537</u>						<u>\$ 20,596,416</u>

For the Year Ended December 31, 2020							
Items	Balance at January 1, 2020	Additions	Disposals	Internal Transfers	Reclassified to held for sale	Effects of Exchange Rate Changes, Net	Balance at December 31, 2020
<b>Cost</b>							
Land	\$ 15,175,664	\$ -	\$ -	\$ (492)	\$ (54,859)	\$ (324,536)	\$ 14,795,777
Buildings and improvements	8,363,142	15,695	-	-	(49,175)	(240,649)	8,089,013
Office equipment	2,533,270	271,893	(209,576)	4,397	-	(92,624)	2,507,360
Transportation equipment	259,195	18,090	(77,117)	-	-	(9,068)	191,100
Miscellaneous equipment	2,677,220	115,584	(32,287)	198	-	(125,037)	2,635,678
Construction in progress and prepayments	522,769	259,667	-	28,116	-	(40,114)	770,438
	<u>29,531,260</u>	<u>\$ 680,929</u>	<u>\$ (318,980)</u>	<u>\$ 32,219</u>	<u>\$ (104,034)</u>	<u>\$ (832,028)</u>	<u>28,989,366</u>
<b>Accumulated depreciation</b>							
Land	692,427	\$ 66,037	\$ -	\$ (11)	\$ -	\$ (43,519)	714,934
Buildings and improvements	3,626,564	167,558	-	-	(18,190)	(75,863)	3,700,069
Office equipment	1,952,456	217,542	(189,959)	-	-	(86,010)	1,894,029
Transportation equipment	155,660	20,434	(58,586)	-	-	(4,768)	112,740
Miscellaneous equipment	1,887,459	171,715	(30,570)	-	-	(88,051)	1,940,553
Construction in progress and prepayments	3,266	417	-	34	-	(213)	3,504
	<u>8,317,832</u>	<u>\$ 643,703</u>	<u>\$ (279,115)</u>	<u>\$ 23</u>	<u>\$ (18,190)</u>	<u>\$ (298,424)</u>	<u>8,365,829</u>
Net amount	<u>\$ 21,213,428</u>						<u>\$ 20,623,537</u>

The Group did not have any impairment losses on the properties for the year ended December 31, 2021 and 2020.

The land held by the subsidiary SCB (HK) is a leasehold interest.

Depreciation expense of properties held by SCSB is computed using the straight-line method over the useful life as follows:

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

Depreciation expense of the land held by SCB (HK) is computed using the straight-line method; depreciation expense of the buildings is computed over the lease term or the straight-line method of less than 40 durable years. Other equipment is computed using the straight-line method within the durability of 4 to 10 years.

The board of directors of the subsidiary SCSB Asset Management Ltd. approved the plan to dispose of land, buildings and improvements on December 16, 2020, and completed the signing and transfer procedures in January 2021, so the assets were reclassified as assets held for sale. Because the selling price exceeds the book value, no impairment loss was recognized. The composition of assets held for sale is as follows:

	December 31, 2020
Land	\$ 54,859
Buildings and improvements	30,985
Assets held for sale — net	<u>\$ 85,844</u>

## 19. LEASE ARRANGEMENTS

### 19.1 Right-of-use assets

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Carrying amount of right-of-use assets		
Land	\$ 2,082	\$ 3,318
Buildings and improvements	1,657,419	2,140,558
Mechanical equipment	56,968	24,590
Office equipment	61,237	8,565
Transportation equipment	32,213	29,273
	<u>\$ 1,809,919</u>	<u>\$ 2,206,304</u>
	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Increase in right-of-use assets	<u>\$ 524,884</u>	<u>\$ 770,503</u>
Depreciation expenses of right-of-use assets		
Land	\$ 1,285	\$ 1,370
Buildings and improvements	698,992	761,062
Mechanical equipment	19,165	21,453
Office equipment	23,824	25,859
Transportation equipment	14,411	12,904
	<u>\$ 757,677</u>	<u>\$ 822,648</u>

### 19.2 Lease liabilities

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Carrying amount of lease liabilities	<u>\$ 1,868,929</u>	<u>\$ 2,287,181</u>

The discount rate intervals for lease liabilities are as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Land	6.19%	7.60%
Buildings and improvements	0.67%~6.19%	0.67%~7.60%
Mechanical equipment	1.25%~6.19%	1.25%~7.60%
Office equipment	0.75%~3.00%	0.75%~3.00%
Transportation equipment	1.25%~4.90%	1.25%~3.00%

### 19.3 Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Short-term lease expenses	<u>\$ 346,867</u>	<u>\$ 36,772</u>
Leases of low value assets	<u>\$ 62,069</u>	<u>\$ 14,034</u>
Variable lease payments which are not included in lease liabilities measurements	<u>\$ 3,314</u>	<u>\$ 3,179</u>
Total cash outflow for leases	<u>\$ 1,119,246</u>	<u>\$ 1,017,574</u>

The Group chooses to apply recognition exemption to the rentals of buildings, office equipment, transportation equipment that qualify as short-term lease and computer equipment which qualify as low value assets, and did not recognize related right-of-use assets and lease liabilities.

## 20. INVESTMENT PROPERTIES, NET

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Land	\$ 4,954,491	\$ 4,731,808
Buildings and improvements	1,026,660	1,074,676
	<u>\$ 5,981,151</u>	<u>\$ 5,806,484</u>

	<u>For the Year Ended December 31, 2021</u>		
	<u>Balance at January 1, 2021</u>	<u>Additions</u>	<u>Effect of Exchange Rate Changes, Net</u>
Cost			
Land	\$ 4,772,658	\$ 332,000	\$ (107,129)
Buildings and improvements	<u>1,212,902</u>	<u>3,733</u>	<u>(26,268)</u>
	<u>5,985,560</u>	<u>\$ 335,733</u>	<u>\$ (133,397)</u>
Less: Accumulated depreciation			
Land	40,850	\$ 3,108	\$ (920)
Buildings and improvements	<u>138,226</u>	<u>28,812</u>	<u>(3,331)</u>
	<u>179,076</u>	<u>\$ 31,920</u>	<u>\$ (4,251)</u>
Net amount	<u>\$ 5,806,484</u>		<u>\$ 5,981,151</u>

	<u>For the Year Ended December 31, 2020</u>		
	<u>Balance at January 1, 2020</u>	<u>Additions</u>	<u>Effect of Exchange Rate Changes, Net</u>
Cost			
Land	\$ 4,526,211	\$ 537,765	\$ (291,318)
Buildings and improvements	<u>1,280,513</u>	<u>8,607</u>	<u>(76,218)</u>
	<u>5,806,724</u>	<u>\$ 546,372</u>	<u>\$ (367,536)</u>
Less: Accumulated depreciation			
Land	40,089	\$ 3,277	\$ (2,516)
Buildings and improvements	<u>115,994</u>	<u>30,416</u>	<u>(8,184)</u>
	<u>156,083</u>	<u>\$ 33,693</u>	<u>\$ (10,700)</u>
Net amount	<u>\$ 5,650,641</u>		<u>\$ 5,806,484</u>

The land held by the subsidiary SCB (HK) is a leasehold interest.

Depreciation expense of investment properties is computed using the straight-line method over useful life as follows:

Land	Period of the lease term
Buildings and improvements	Period of the lease term or 40 years, whichever is shorter

The fair value of investment properties were measured mainly by Cushman & Wakefield, an independent appraiser, on the balance sheet date. The valuation applies popular Level 3 input valuation models such as the “direct comparison approach” and the “income capitalization approach”. The applied unobservable inputs include sales proofs from market, potential market rentals, and related costs such as building costs, consulting costs, and financing costs. The fair value is stated below:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Fair value	<u>\$ 10,082,090</u>	<u>\$ 10,754,332</u>

The rental income from investment properties is stated below:

	<u>For the Year Ended December 31</u>	
	<u>2021</u>	<u>2020</u>
Rental income from investment properties	<u>\$ 214,903</u>	<u>\$ 271,974</u>



## 21. INTANGIBLE ASSETS, NET

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Bank license	\$ 1,319,857	\$ 1,357,706
Computer software	262,501	215,272
Goodwill	83,366	84,704
	<u>\$ 1,665,724</u>	<u>\$ 1,657,682</u>

	<u>For the Year Ended December 31, 2021</u>				
	<u>Balance at January 1, 2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>Effects of Exchange Rate Changes, Net</u>	<u>Balance at December 31, 2021</u>
Cost					
Operating license	\$ 1,396,577	\$ -	\$ -	\$ (22,068)	\$ 1,374,509
Computer software	478,901	169,240	(54,087)	(3,756)	590,298
Goodwill	84,704	-	-	(1,338)	83,366
	<u>1,960,182</u>	<u>\$ 169,240</u>	<u>\$ (54,087)</u>	<u>\$ (27,162)</u>	<u>2,048,173</u>
Less: Accumulated depreciation					
Operating license	\$ 38,871	\$ 16,525	\$ -	\$ (744)	\$ 54,652
Computer software	263,629	120,258	(54,087)	(2,003)	327,797
	<u>302,500</u>	<u>\$ 136,783</u>	<u>\$ (54,087)</u>	<u>\$ (2,747)</u>	<u>382,449</u>
Net amount	<u>\$ 1,657,682</u>				<u>\$ 1,665,724</u>

	<u>For the Year Ended December 31, 2020</u>				
	<u>Balance at January 1, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Effects of Exchange Rate Changes, Net</u>	<u>Balance at December 31, 2020</u>
Cost					
Operating license	\$ 1,490,662	\$ -	\$ -	\$ (94,085)	\$ 1,396,577
Computer software	503,949	72,892	(84,380)	(13,560)	478,901
Goodwill	90,411	-	-	(5,707)	84,704
	<u>2,085,022</u>	<u>\$ 72,892</u>	<u>\$ (84,380)</u>	<u>\$ (113,352)</u>	<u>1,960,182</u>
Less: Accumulated depreciation					
Operating license	23,708	\$ 17,433	\$ -	\$ (2,270)	38,871
Computer software	253,559	102,234	(84,380)	(7,784)	263,629
	<u>277,267</u>	<u>\$ 119,667</u>	<u>\$ (84,380)</u>	<u>\$ (10,054)</u>	<u>302,500</u>
Net amount	<u>\$ 1,807,755</u>				<u>\$ 1,657,682</u>

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

Bank license	84 years
Computer software	3-5 years

Goodwill was mainly from the control premium generated by the acquisition of Cambodian AMK on August 28, 2018. It also included the expected synergies, revenue growth, and future market development.

The Group underwent the impairment assessment of the recoverable amount of goodwill, and the calculation of the recoverable amount was based on the value in use. The calculation of the value in use was based on the cash flow of AMK's future financial projections and was calculated using the annual discount rate to reflect the specific risks of AMK. The assessment results showed no sign of impairment. The Group did not need to recognize impairment loss on goodwill in 2021 and 2020.

## 22. OTHER ASSETS, NET

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Prepaid expenses	\$ 6,285,682	\$ 2,722,603
Refundable deposits	992,321	1,163,628
Temporary payments and suspension	316,153	219,166
Deferred charges	210,061	293,070
Others	397,383	327,001
	<u>\$ 8,201,600</u>	<u>\$ 4,725,468</u>

## 23. DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Call loans from banks	\$ 40,854,566	\$ 35,895,400
Due to banks	10,037,561	9,311,438
Deposit from Chunghwa Post Co., Ltd.	1,221,799	1,221,799
Bank overdrafts	541,963	389,024
	<u>\$ 52,655,889</u>	<u>\$ 46,817,661</u>

## 24. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold under repurchase agreements as of December 31, 2021 and 2020 were \$14,505,024 thousand and \$25,781,411 thousand, respectively. The aforementioned securities will be repurchased by September 13, 2022 and September 29, 2021 at \$14,508,047 thousand and \$25,787,641 thousand, respectively.

## 25. PAYABLES

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Dividends payable	\$ 14,908,719	\$ 14,076,764
Accounts payable	6,920,914	10,245,613
Acceptances	3,046,505	2,608,951
Accrued interest	2,138,298	2,687,621
Accrued expenses	1,676,966	1,606,808
Others	737,553	683,025
	<u>\$ 29,428,955</u>	<u>\$ 31,908,782</u>

## 26. DEPOSITS AND REMITTANCES

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Time deposits	\$ 706,005,580	\$ 773,344,702
Savings deposits	554,410,590	518,354,786
Demand deposits	427,859,684	375,424,247
Checking deposits	10,221,245	9,145,403
Negotiable certificates of deposit	8,787,700	9,218,600
Remittances	317,723	409,076
	<u>\$ 1,707,602,522</u>	<u>\$ 1,685,896,814</u>

## 27. BANK DEBENTURES

### 27.1 The Bank

	December 31, 2021	December 31, 2020
The subordinated bank debenture - 7-10 years maturity, third issued in 2012; maturity date is from November 2019 to November 2022.	\$ 4,000,000	\$ 4,000,000
The subordinated bank debenture - 7-10 years maturity, fourth issued in 2012; maturity date is from December 2019 to December 2022.	5,700,000	5,700,000
The subordinated bank debenture - 7-10 years maturity, first issued in 2014; maturity date is from March 2021 to March 2024	5,100,000	6,700,000
The subordinated bank debenture - 7 years maturity, second issued in 2014; maturity date is in November 2021	-	3,300,000
The subordinated bank debenture - 7 years maturity; first issued in 2015; maturity date is in June 2022	2,150,000	2,150,000
The subordinated bank debenture - 8.5 years maturity; second issued in 2015; maturity date is in 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 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 debenture; third issued in 2018; no maturity date	7,000,000	7,000,000
The bank debenture - 5 years maturity; first issued in 2019; maturity date is in September 2024	6,900,000	6,900,000
The bank debenture - 3 years maturity; first issued in 2019; maturity date is in September 2022	3,100,000	3,100,000
The bank debenture - 7 years maturity; first issued in 2020; maturity date is in March 2027	3,000,000	3,000,000
The bank debenture - 10 years maturity; first issued in 2020; maturity date is in March 2030	7,000,000	7,000,000
The subordinated bank debenture - 7-10 years maturity; first issued in 2021; maturity date is from October 2028 to 2031	5,000,000	-
	<u>\$ 66,950,000</u>	<u>\$ 66,850,000</u>

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 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 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 of subordinated bank debenture at a fixed annual interest rate of 1.43%; Type B, ten-year of 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 of subordinated bank debenture at a fixed annual interest rate of 1.70%; Type B, ten-year of 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, seven-year of 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 of subordinated bank debenture at a fixed annual interest rate of 1.50%; Type B, ten-year of 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 of subordinated bank debenture at a fixed annual interest rate of 1.30%; Type B, ten-year of 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 of 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 and the repayment of principal at maturity.

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 of bank debenture at a fixed annual interest rate of 0.65%; Type B, five-year of bank debenture at a fixed annual interest rate of 0.69%. Their interests were paid annually with repayment of principals at maturity.

The first issuance of the 2020 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 of bank debenture at a fixed annual interest rate of 0.62%; Type B, ten-year of bank debenture at a fixed annual interest rate of 0.64%. Their interests were paid annually with repayment of principals at maturity.

The first issuance of the 2021 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 of subordinated bank debenture at a fixed annual interest rate of 0.60%; Type B, ten-year of subordinated bank debenture at a fixed annual interest rate of 0.72%. Their interests were paid annually with repayment of principals at maturity.

## 27.2 SCB (HK)

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
The subordinate bank debenture with a 10 years maturity and maturity date on November 2027	\$ 6,879,578	\$ 6,986,031
The subordinate bank debenture with a 10 years maturity and maturity date on January 2029	8,261,934	8,387,843
	<u>\$ 15,141,512</u>	<u>\$ 15,373,874</u>

The first issuance of the 2017 subordinated bank debenture had a fixed interest rate of 3.75% with interest to be paid semi-annually.

The second issuance of the 2019 subordinated bank debenture had a fixed interest rate of 5.00% with interest to be paid semi-annually.

## 28. OTHER FINANCIAL LIABILITIES

	December 31, 2021	December 31, 2020
Principals of structured instruments	\$ 1,444,718	\$ 416,965
Appropriated loan funds	1,378,521	1,746,491
Bank borrowings	453,304	546,442
Other financial liabilities	1,507,463	1,771,047
	<u>\$ 4,784,006</u>	<u>\$ 4,480,945</u>

## 29. PROVISIONS

	December 31, 2021	December 31, 2020
Provision for employee benefits (Note 31)	\$ 1,332,971	\$ 1,294,159
Provision for guarantees liabilities	1,196,049	1,092,208
Provision for other operations	321,658	347,866
Provision for financing commitment	77,582	78,063
Provision for unexpected losses	4,540	3,566
	<u>\$ 2,932,800</u>	<u>\$ 2,815,862</u>

Provisions for changes in financing commitment and guarantee liability of the Group for the year ended December 31, 2021 and 2020 were as follows:

### For the Year Ended December 31, 2021

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulatory Decree	Total
<b>Provisions for commitment and guarantee liability</b>							
January 1, 2021	\$ 608,285	\$ 22,140	\$ 4,081	\$ 20,418	\$ 654,924	\$ 515,348	\$ 1,170,272
Changes due to financial assets recognized at the beginning of the period:							
Transfer to lifetime ECLs	(2,978)	3,093	5,556	(3,899)	1,772	-	1,772
Transfer to credit impaired financial assets	-	-	-	-	-	-	-
Transfer to 12-month ECLs	350	(598)	(2,164)	-	(2,412)	-	(2,412)
Financial assets derecognized in the current period	(556,395)	(22,213)	(1,364)	(15,162)	(595,134)	-	(595,134)
Purchased or originated financial assets	274,936	18,622	395	-	293,953	-	293,953
The difference of impairment under the regulation or decree	-	-	-	-	-	409,539	409,539
Exchange rate and other changes	(5,106)	(1)	748	-	(4,359)	-	(4,359)
December 31, 2021	<u>\$ 319,092</u>	<u>\$ 21,043</u>	<u>\$ 7,252</u>	<u>\$ 1,357</u>	<u>\$ 348,744</u>	<u>\$ 924,887</u>	<u>\$ 1,273,631</u>

### For the Year Ended December 31, 2020

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulatory Decree	Total
<b>Provisions for commitment and guarantee liability</b>							
January 1, 2020	\$ 197,485	\$ 53,270	\$ 3,009	\$ 1,675	\$ 255,439	\$ 628,601	\$ 884,040
Changes due to financial assets recognized at the beginning of the period:							
Transfer to lifetime ECLs	6,227	1,193	-	-	7,420	-	7,420
Transfer to credit impaired financial assets	(84)	-	-	17,125	17,041	-	17,041
Transfer to 12-month ECLs	32,719	-	(250)	-	32,469	-	32,469
Financial assets derecognized in the current period	(156,967)	(53,270)	(1,815)	(33)	(212,085)	-	(212,085)
Purchased or originated financial assets	539,533	21,497	2,656	1,707	565,393	-	565,393
The difference of impairment under the regulation or decree	-	-	-	-	-	(113,253)	(113,253)
Exchange rate and other changes	(10,628)	(550)	481	(56)	(10,753)	-	(10,753)
December 31, 2020	<u>\$ 608,285</u>	<u>\$ 22,140</u>	<u>\$ 4,081</u>	<u>\$ 20,418</u>	<u>\$ 654,924</u>	<u>\$ 515,348</u>	<u>\$ 1,170,272</u>

## 30. OTHER LIABILITIES

	December 31, 2021	December 31, 2020
Guarantee deposits received	\$ 1,980,597	\$ 1,954,771
Deferred revenue	596,736	572,742
Temporary credit	135,751	42,062
Interest received in advance	9,709	12,659
Others	467,695	489,560
	<u>\$ 3,190,488</u>	<u>\$ 3,071,794</u>

### 31. PENSION PLAN

#### The Bank

##### (1) Defined contribution plans

The Bank adopted a pension plan under the Labor Pension Act (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 amounts of contributions to the defined contribution plans for the year ended December 31, 2021 and 2020 were \$87,910 thousand and \$82,308 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 consolidated balance sheets in respect of the Bank's defined benefit plans were as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Present value of the defined benefit obligation	\$ 3,232,621	\$ 3,081,512
Fair value of the plan assets	(3,179,529 )	(2,925,648 )
Net defined benefit liabilities	<u>\$ 53,092</u>	<u>\$ 155,864</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance on January 1, 2020	\$ 2,960,095	\$ (2,732,294 )	\$ 227,801
Service cost			
Current service cost	178,288	-	178,288
Interest expense (income)	36,015	(35,143 )	872
Recognized in profit or loss	<u>214,303</u>	<u>(35,143 )</u>	<u>179,160</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(48,387 )	(48,387 )
Actuarial loss			
Changes in demographic assumptions	2,278	-	2,278
Changes in financial assumptions	74,164	-	74,164
Experience adjustments	77,085	-	77,085
Recognized in other comprehensive income	<u>153,527</u>	<u>(48,387 )</u>	<u>105,140</u>
Contributions from the employer	-	(356,237 )	(356,237 )
Benefits paid	<u>(246,413 )</u>	<u>246,413</u>	<u>-</u>
Balance on December 31, 2020	<u>\$ 3,081,512</u>	<u>\$ (2,925,648 )</u>	<u>\$ 155,864</u>

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance on January 1, 2021	\$ 3,081,512	\$ (2,925,648 )	\$ 155,864
Service cost			
Current service cost	173,431	-	173,431
Interest expense (income)	29,549	(29,821 )	(272 )
Recognized in profit or loss	202,980	(29,821 )	173,159
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(19,064 )	(19,064 )
Actuarial (gain) loss			
Changes in demographic assumptions	71,125	-	71,125
Changes in financial assumptions	73,020	-	73,020
Experience adjustments	(21,612 )	-	(21,612 )
Recognized in other comprehensive income	122,533	(19,064 )	103,469
Contributions from the employer	-	(379,400 )	(379,400 )
Benefits paid	(174,404 )	174,404	-
Balance on December 31, 2021	\$ 3,232,621	\$ (3,179,529 )	\$ 53,092

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:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Discount rate	0.75%	1.00%
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:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Discount rate		
0.25% increase	\$ (73,992 )	\$ (74,167 )
0.25% decrease	\$ 76,433	\$ 76,715
Expected rate of salary increase		
0.25% increase	\$ 62,261	\$ 62,480
0.25% decrease	\$ (60,544 )	\$ (60,674 )

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.

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Average duration of the defined benefit obligation	9.5 years	10.0 years
Expected contributions to the plans for the next year	\$ 389,834	\$ 366,034

### (3) Employee preferential deposit plan

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

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
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 policy	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:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Retired employees' preferential deposit liabilities, net	\$ 518,675	\$ 474,273

The amounts of the retired employees' preferential deposit benefit expenses in the consolidated statements of comprehensive income for the year ended December 31, 2021 and 2020 were \$68,225 thousand and \$74,908 thousand, respectively; and in other comprehensive losses were \$28,986 thousand and \$28,866 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 paid 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 amounts of the Bank's obligations arising from the employee's pension were included in the balance sheets as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Other long-term employee benefit liabilities, net	\$ 10,469	\$ 10,303

The Bank recognized employee pension benefit cost of \$166 thousand and \$1,506 thousand in the consolidated statements of comprehensive income for the year ended December 31, 2021 and 2020, respectively.

## SUBSIDIARIES

### (1) Defined contribution plans

The Bank adopted a pension plan under the LPA, which is a defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of



monthly salaries and wages. Retirement benefits provided by foreign subsidiaries in accordance with local laws and regulations are funded, and the pension funds are held as independently managed funds separate from the assets of the foreign subsidiaries.

The total amounts of contributions to the defined contribution plans as reported in the consolidated statements of comprehensive income for the year ended December 31, 2021 and 2020 were \$281,049 thousand and \$301,429 thousand, respectively.

## (2) Defined benefit plans

Domestic and foreign subsidiaries recognize the relevant costs based on the results of the evaluation of the actuary. Costs of the defined benefit plans recognized in the consolidated statements of comprehensive loss in 2021 and 2020 were \$217 thousand and \$344 thousand, respectively; and other comprehensive were loss and income \$4,262 thousand and \$1,956 thousand, respectively.

### Provision for employee benefits

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Defined benefit liabilities	\$ 803,827	\$ 809,583
Retired employees' preferential deposit liabilities	518,675	474,273
Other long-term employment benefits	10,469	10,303
	<u>\$ 1,332,971</u>	<u>\$ 1,294,159</u>

## 32. EQUITY

### 32.1 Share capital

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
<b>Ordinary shares</b>		
Authorized shares (in thousands)	6,000,000	6,000,000
Authorized capital	<u>\$ 60,000,000</u>	<u>\$ 60,000,000</u>
Issued and paid shares (in thousands)	4,481,603	4,481,603
Issued capital	<u>\$ 44,816,031</u>	<u>\$ 44,816,031</u>

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

### 32.2 Capital surplus

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Share premium	\$ 13,431,903	\$ 13,431,903
Treasury shares transaction	2,046,520	2,037,566
Unclaimed dividends	1,100,985	994,456
Recognition of changes in equity of subsidiaries	85,518	85,518
Proportionate share in investee's surplus from donated assets under the equity method	1,218	1,218
	<u>\$ 16,666,144</u>	<u>\$ 16,550,661</u>

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 all \$2,971,968 thousand on December 31, 2021 and 2020, which are restricted to offset losses.

The capital surplus from investments accounted for using the equity method, dividends not yet collected by shareholders has limited use and can only be used to offset losses.

Since the shares held by subsidiaries were classified as treasury shares, cash dividend distributed to subsidiaries was then recorded as capital surplus - treasury shares according to the shareholding ratio.

When the equity of the company is not actually obtained or processed, the impact of the equity transaction recognized due to changes in the company's equity or the company's recognition of the adjustment to the capital reserve of the subsidiary identified using the equity method.

### 32.3 Retained earnings and dividend policy

According to the earnings distribution policy of the Bank, where the Bank made a surplus profit in its annual accounts, the profit shall be first utilized for paying taxes and then offsetting losses of previous years. As required by the law, 30% of profit shall be allocated as the legal reserve. However, when the amount of statutory surplus reserve has reached the amount of total paid-in capital of the Bank, the required allocation of 30% of profit to the legal reserve is waived and any amount exempted from allocation to capital reserve may be appropriated to or reversed from the special surplus reserve for distribution of special dividends. After the abovementioned appropriations, the balance and accumulated unappropriated earnings of the previous year, including the special reserve shall be available for earnings for distribution. The board of directors drafts a plan for surplus distribution and submits it to the shareholders' meeting for approval. The distribution of dividends or bonuses is subject to the attendance of more than two-thirds of the members of the board of directors and the resolution of more than half of the directors present. All or part of the dividends or bonuses shall be distributed in cash and reported to the shareholders in their meeting.

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 Act, 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 estimation on the distribution of employees' compensation and remuneration of directors, refer to employee benefits expense in Note 33(6).

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 shareholders' meeting on July 5, 2021 and June 19, 2020 for the appropriations of earnings and dividends per share for 2020 and 2019 were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (In NT Dollar)</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Legal reserve	\$ 3,879,721	\$ 4,398,333		
Cash dividends - ordinary shares	7,618,725	9,187,286	\$ 1.70	\$ 2.05
	<u>\$ 11,498,446</u>	<u>\$ 13,585,619</u>	<u>\$ 1.70</u>	<u>\$ 2.05</u>

The appropriations of earnings and dividends per share for 2021 are subjected to the approval of the board directors' meeting on March 26, 2022 and shareholders' meetings on June 17, 2022.

### 32.4 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, 2021.

According to Rule No. 10510001510 issued by the FSC on May 25, 2016, public banks shall appropriate to a special reserve 0.5% to 1.0% of net profit. Public banks may reverse the same amount of transfers or resettle the expenses starting from 2017. However, in accordance with Rule No. 10802714560 issued by the FSC, starting from 2019, the special reserve method will no longer be used to respond to the development of financial technology and protect the rights and interests of domestic bank employees, and to transfer expenses for employees to pay or resettlement expenses, and employee education and training

expenses in response to the needs of financial technology or banking business development shall be returned within the scope of the special surplus reserve balance mentioned above. The Bank made a special reserve in the amount of \$189,228 thousand according to the rule as at December 31, 2021.

### 32.5 Treasury shares

On December 31, 2021 and 2020, Shancom Reconstruction Inc. and China Travel Service (Taiwan) held 11,370 thousand shares and 27 thousand shares of the Bank, respectively.

Under the Company Act, the Bank is not allowed to buy back more than 5% of its issued shares. In addition, the total cost of treasury shares may not exceed the sum of the retained earnings and realized capital surplus. The Bank is not allowed to exercise shareholders' rights on these shares before they are resold. The shares held by its subsidiaries are treated as treasury shares, except for participating in the Bank's cash addition and voting rights, the rest is the same as the general shareholder's rights.

### 32.6. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Beginning balance	\$ 49,995,956	\$ 50,658,706
Attributed to non-controlling interests		
Acquisition of non-controlling interests in subsidiaries (Notes 15 and 36)	-	(566,457)
Net income	4,415,037	4,351,671
Translation adjustments for foreign operations	(1,078,618)	(2,845,677)
Unrealized gain on financial assets measured at FVTOCI	(1,458,282)	252,877
Realized gain on financial assets measured at FVTOCI	(158,189)	(202,332)
Loss on investments in debt instruments measured at FVTOCI	10,447	6,916
Share of other comprehensive profit and loss under the equity method	(14,692)	9,758
Income tax effect	200,773	(142,702)
Cash dividends distribution	(476,048)	(1,526,804)
Ending balance	<u>\$ 51,436,384</u>	<u>\$ 49,995,956</u>

## 33. DETAILS OF COMPREHENSIVE INCOME STATEMENT ITEMS

### 33.1 Interest revenue, net

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Interest income		
Discounts and loans	\$ 27,296,634	\$ 30,105,993
Securities investments	7,045,440	8,944,704
Due from banks	991,248	2,684,374
Others	185,793	251,986
	<u>35,519,115</u>	<u>41,987,057</u>
Interest expense		
Deposits	6,520,098	12,509,331
Bank debentures	1,729,058	1,775,542
Due to banks	325,098	809,046
Securities sold under repurchase agreements	57,868	77,332
Leased liability	36,106	45,935
Others	380,592	381,261
	<u>9,048,820</u>	<u>15,598,447</u>
Interest income, net	<u>\$ 26,470,295</u>	<u>\$ 26,388,610</u>

### 33.2 Service fee income, net

	For the Year Ended December 31	
	2021	2020
Service fee income		
Trust and custody services	\$ 2,284,778	\$ 2,259,665
Loan service fees	1,044,224	1,563,870
Guarantees related fees	893,958	691,170
Nominee and brokerage service charge	806,506	809,667
Credit card related fees	462,882	423,915
Insurance commission fees	409,896	352,866
Exchange related fees	385,494	399,914
Inward/outward business	301,928	285,609
Others	730,938	694,886
	<u>7,320,604</u>	<u>7,481,562</u>
Service charge		
Credit card service charge	229,360	212,907
Nominee and brokerage service charge	91,277	91,616
Finance service charge	53,107	54,758
Custody service charge	47,980	47,967
Interbank service charge	12,267	13,130
Others	573,185	457,376
	<u>1,007,176</u>	<u>877,754</u>
Service fee income, net	<u>\$ 6,313,428</u>	<u>\$ 6,603,808</u>

### 33.3 Gain (loss) on financial assets and liabilities at FVTPL

	For the Year Ended December 31, 2021		
	Realized Gain (Loss)	Unrealized Gain (Loss)	Total
Financial assets mandatorily classified as at FVTPL	\$ 8,390,916	\$ (290,311 )	\$ 8,100,605
Held-for-trading financial liabilities	(7,955,568 )	(446,700 )	(8,402,268 )
Financial liabilities designated at FVTPL	-	128,246	128,246
	<u>\$ 435,348</u>	<u>\$ (608,765 )</u>	<u>\$ (173,417 )</u>

  

	For the Year Ended December 31, 2020		
	Realized Gain (Loss)	Unrealized Gain (Loss)	Total
Financial assets mandatorily classified as at FVTPL	\$ 6,314,128	\$ 574,467	\$ 6,888,595
Held-for-trading financial liabilities	(5,499,770 )	(205,712 )	(5,705,482 )
Financial liabilities designated at FVTPL	-	(34,612 )	(34,612 )
	<u>\$ 814,358</u>	<u>\$ 334,143</u>	<u>\$ 1,148,501</u>

### 33.4 Realized gain or loss on financial assets at FVTOCI

	For the Year Ended December 31	
	2021	2020
Disposal of debt instruments interest	\$ 976,744	\$ 1,151,560
Dividend income	1,277,460	1,119,042
	<u>\$ 2,254,204</u>	<u>\$ 2,270,602</u>

### 33.5 Employment benefits expense

	For the Year Ended December 31	
	2021	2020
Short-term employment benefits	\$ 8,396,863	\$ 8,071,163
Retirement benefits		
Defined contribution plan	368,959	383,737
Defined benefit plan	193,824	179,504
Other benefit plan	378,529	375,264
	<u>\$ 9,338,175</u>	<u>\$ 9,009,668</u>

### 33.6 Compensation of employees and remuneration of directors

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

The employees' compensation and the remuneration of directors for 2020 as approved by the board of directors on March 27, 2021 were as follows:

	For the Year Ended December 31, 2020	
	Cash	
Compensation of employees	\$	60,000
Remuneration of directors	\$	58,000

The employees' compensation and remuneration of directors in 2021 are subject to the resolution of the board of directors on March 26, 2022.

If the amount of the annual consolidated financial report changes after the release date, it will be treated according to the changes in accounting estimation 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 consolidated financial statements for the years ended December 31, 2020 and 2019.

Information on the employees' compensation and remuneration of directors resolved by the Bank's board of directors in 2021 and 2020 is available on the Market Observation Post System website of the Taiwan Stock Exchange.

### 33.7 Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
Depreciation expense		
Right-of-use assets	\$ 757,677	\$ 822,648
Properties	655,752	643,703
Investment properties	31,920	33,693
	<u>1,445,349</u>	<u>1,500,044</u>
Amortization expense		
Intangible assets	136,783	119,667
Other assets	77,723	93,748
	<u>214,506</u>	<u>213,415</u>
	<u>\$ 1,659,855</u>	<u>\$ 1,713,459</u>

### 34. INCOME TAXES RELATING TO CONTINUING OPERATIONS

#### 34.1 Income tax expense recognized in profit or loss

The major components of tax expenses were as follows:

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	\$ 3,649,684	\$ 3,428,668
In respect of prior periods	(281,974 )	(26,717 )
Tax on the repatriation of earnings	277,000	165,932
	<u>3,644,710</u>	<u>3,567,883</u>
Deferred tax		
In respect of the current year	372,861	615,213
In respect of prior periods	5,160	(29,114 )
Effect of deferred income tax on the repatriation of earnings from subsidiaries	(554,000 )	(414,830 )
	<u>(175,979 )</u>	<u>171,269</u>
Income tax expense recognized in profit or loss	<u>\$ 3,468,731</u>	<u>\$ 3,739,152</u>

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

	For the Year Ended December 31	
	2021	2020
Profit before tax from continuing operations	\$ 22,139,349	\$ 21,553,768
Income tax expense calculated at the statutory rate	\$ 6,376,298	\$ 6,128,254
Add (deduct) tax effect of :		
Tax-exempt cash dividend	(102,570 )	(77,915 )
Permanent difference - investment income	(867,587 )	(619,716 )
Tax-exempt gain on security transactions	(79,038 )	(38,532 )
Tax-exempt income from subsidiaries	(812,997 )	(715,938 )
Tax-exempt income from offshore banking unit (OBU)	(547,040 )	(612,830 )
Others	(26,221 )	(67,220 )
	<u>3,940,845</u>	<u>3,996,103</u>
Tax on unappropriated earnings	81,700	35,087
Basic tax payable difference	-	12,691
Adjustments for prior years' current tax	(281,974 )	(26,717 )
Adjustments for prior years' deferred tax	5,160	(29,114 )
Tax on the repatriation of earnings	277,000	165,932
Effect of deferred income tax on the repatriation of earnings from subsidiaries	(554,000 )	(414,830 )
Income tax expense recognized in profit or loss	<u>\$ 3,468,731</u>	<u>\$ 3,739,152</u>

#### 34.2 Income tax expense recognized in other comprehensive income

	For the Year Ended December 31	
	2021	2020
Deferred income tax		
Recognized in other comprehensive income		
Translation adjustments for foreign operations	\$ (162,849 )	\$ 1,037,394
Unrealized gain or loss on financial assets measured at FVTOCI	712,405	(493,049 )
Defined benefit plans remeasurement	26,491	26,801
Income tax expense recognized in other comprehensive income	<u>\$ 576,047</u>	<u>\$ 571,146</u>

### 34.3 Current tax assets and liabilities

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Current tax assets		
Tax refund receivable	\$ 62,485	\$ 122,342
Current tax liabilities		
Income tax payable	\$ 1,184,757	\$ 1,251,695

### 34.4 Deferred tax assets and liabilities

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

#### For the Year Ended December 31, 2021

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Translation Difference	Closing Balance
<b>Temporary differences</b>					
Doubtful debts	\$ 794,317	\$ 58,951	\$ -	\$ (8,489)	\$ 844,779
Impairment loss on financial assets at FVTOCI	11,556	943	-	-	12,499
Unrealized loss on financial instruments	5,590	19,948	-	-	25,538
Investment loss of domestic subsidiaries recognized under equity method	17,395	(6,220)	-	-	11,175
Unrealized foreign exchange loss	54,185	(33,367)	-	-	20,818
Cumulative translation adjustment	20,086	-	(762)	-	19,324
Employee benefits plan	170,025	(26,663)	26,491	-	169,853
Others	190,367	(56,740)	-	(1,353)	132,274
	<u>\$ 1,263,521</u>	<u>\$ (43,148)</u>	<u>\$ 25,729</u>	<u>\$ (9,842)</u>	<u>\$ 1,236,260</u>
<b>Deferred Tax Liabilities</b>					
<b>Temporary differences</b>					
Unrealized gain on financial instruments	\$ (946,243)	\$ 89,239	\$ 712,405	\$ 5,101	\$ (139,498)
Investment gain of domestic subsidiaries recognized under equity method	(8,744,558)	143,763	(162,087)	448,832	(8,314,050)
Recognized deferred depreciation expenses	(228,318)	(13,596)	-	5,076	(236,838)
Others	(930)	(279)	-	-	(1,209)
	<u>\$ (9,920,049)</u>	<u>\$ 219,127</u>	<u>\$ 550,318</u>	<u>\$ 459,009</u>	<u>\$ (8,691,595)</u>

#### For the Year Ended December 31, 2020

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Translation Difference	Closing Balance
<b>Temporary differences</b>					
Doubtful debts	\$ 688,086	\$ 122,714	\$ -	\$ (16,483)	\$ 794,317
Impairment loss on financial assets at FVTOCI	7,439	4,117	-	-	11,556
Unrealized loss on financial instruments	5,965	(375)	-	-	5,590
Investment loss of domestic subsidiaries recognized under equity method	21,434	(4,039)	-	-	17,395
Unrealized foreign exchange loss	39,482	14,703	-	-	54,185
Cumulative translation adjustment	21,379	-	(1,295)	2	20,086
Employee benefits plan	177,778	(34,554)	26,801	-	170,025
Others	191,405	4,629	-	(5,667)	190,367
	<u>\$ 1,152,968</u>	<u>\$ 107,195</u>	<u>\$ 25,506</u>	<u>\$ (22,148)</u>	<u>\$ 1,263,521</u>
<b>Deferred Tax Liabilities</b>					
<b>Temporary differences</b>					
Unrealized gain on financial instruments	\$ (461,358)	\$ (17,391)	\$ (493,049)	\$ 25,555	\$ (946,243)
Investment gain of domestic subsidiaries recognized under equity method	(9,382,034)	(221,376)	1,038,914	(180,062)	(8,744,558)
Recognized deferred depreciation expenses	(200,125)	(39,690)	-	11,497	(228,318)
Others	(699)	(7)	(225)	1	(930)
	<u>\$ (10,044,216)</u>	<u>\$ (278,464)</u>	<u>\$ 545,640</u>	<u>\$ (143,009)</u>	<u>\$ (9,920,049)</u>

### 34.5 Income tax assessments

The Bank's income tax returns through 2018 had been assessed by the tax authorities.

Income tax returns of the Bank's domestic subsidiaries through 2019 had been assessed by the tax authorities.

### 35. EARNINGS PER SHARE

The numerators and denominators used in calculating basic earnings per share were as follows:

	Unit: NT\$ Per Share	
	For the Year Ended December 31	
	2021	2020
Basic earnings per share	\$ 3.19	\$ 3.01
Diluted earnings per share	\$ 3.19	\$ 3.01

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	
	2021	2020
Earnings used in the computation of basic and diluted earnings per share	\$ 14,255,581	\$ 13,462,945

Weighted average number of ordinary shares outstanding (in thousands of shares):

	For the Year Ended December 31	
	2021	2020
Weighted average number of ordinary shares in computation of basic earnings per share	4,470,206	4,470,206
Effect of potentially dilutive ordinary shares:		
Employees' compensation	1,606	1,810
Weighted average number of ordinary shares used in the computation of diluted earnings per share	4,471,812	4,472,016

In the computation of diluted earnings per share, it assumed the entire amount of the compensation will be settled in potential shares. If the Bank offered to settle compensation paid to employees in cash or shares, the potential shares are 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.

### 36. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The Bank acquired equity interest from AMK's external shareholders, after which the shareholding in AMK held by the Bank further increased from 84.89% to 99.99% on August 31, 2020.

The above transaction did not change the state of control. Therefore, the difference resulting from equity transaction was adjusted by reducing the unappropriated earnings by \$200,035 thousand in 2020.



### 37. RELATED-PARTY TRANSACTIONS

The relationship, significant transactions and account balances of the Group and its related parties (except those disclosed in other notes) are summarized as follows:

#### 37.1 The Bank's related parties

Related Party	Relationship with the Bank
The SCSB Cultural & Educational Foundation	Substantive related party
The SCSB Charity Foundation	Substantive related party
Silks Place Taroko	Substantive related party
Hung Shen Investment Corporation	Substantive related party
Hung Ta Investment Corporation	Substantive related party
GTM Corporation	Substantive related party
Chi-Li Investment Co., Ltd.	Substantive related party
Yongye Investment Co., Ltd.	Substantive related party
Qin Mao Consultants Ltd.	Substantive related party
Other related parties	The relatives of the Bank's directors and related management

#### 37.2 Significant transactions between related parties

Balances and transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Bank and other related parties are disclosed below.

##### 37.2.1 Deposits

	December 31, 2021			For the Year Ended December 31, 2021
	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Expense
Directors and related management	\$ 21,792,053	\$ 21,570,369	0.00-2.18	\$ 78,902
Employees	283,275	133,209	0.00-9.78	1,969
The SCSB Cultural & Educational Foundation	334,283	320,723	0.01-1.05	1,051
Others	108,992	107,624	0.00-2.05	541
	<u>\$ 22,518,603</u>	<u>\$ 22,131,925</u>		<u>\$ 82,463</u>

  

	December 31, 2020			For the Year Ended December 31, 2020
	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Expense
Directors and related management	\$ 15,552,217	\$ 15,130,654	0.00-4.90	\$ 202,557
Employees	423,740	252,079	0.00-9.97	3,022
The SCSB Cultural & Educational Foundation	343,549	324,225	0.01-1.07	1,539
Others	84,046	82,756	0.00-1.90	363
	<u>\$ 16,403,552</u>	<u>\$ 15,789,714</u>		<u>\$ 207,481</u>

##### 37.2.2 Interest receivable (accounted for as receivables)

	December 31, 2021	December 31, 2020
Directors and related management	\$ 11	\$ 89

##### 37.2.3 Interest payable (accounted for as payables)

	December 31, 2021	December 31, 2020
Directors and related management	\$ 44	\$ 48
The SCSB Cultural & Educational Foundation	86	38
The SCSB Charity Foundation	15	15
	<u>\$ 145</u>	<u>\$ 101</u>

### 37.2.4 Guarantee deposits received (accounted for as other liabilities)

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
The SCSB Cultural & Educational Foundation	\$ 318	\$ 318

### 37.2.5 Rental income (accounted for as other non-interest revenue, net)

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
The SCSB Cultural & Educational Foundation	\$ 1,272	\$ 1,272

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

### 37.2.6 Loans

<b>December 31, 2021</b>									
<b>Category</b>	<b>Name</b>	<b>Maximum Balance</b>	<b>Ending Balance</b>	<b>Performance</b>		<b>Collateral</b>	<b>Interest Rate (%)</b>	<b>Difference of Terms of the Transactions with Unrelated Parties</b>	<b>For the Year Ended December 31, 2021</b>
				<b>Normal Loans</b>	<b>Non-performing Loans</b>				<b>Interest Income</b>
Loans for personal house mortgages	Directors and related management (1)	\$ 608	\$ 180	\$ 180	-	Real estate	1.56-1.57	None	\$ 6
Others	Directors and related management (9)	<u>155,372</u>	<u>140,010</u>	<u>140,010</u>	-	Real estate/ financial instruments	1.29-1.49	None	<u>11,549</u>
		<u>\$ 155,980</u>	<u>\$ 140,190</u>	<u>\$ 140,190</u>					<u>\$ 11,555</u>

  

<b>December 31, 2020</b>									
<b>Category</b>	<b>Name</b>	<b>Maximum Balance</b>	<b>Ending Balance</b>	<b>Performance</b>		<b>Collateral</b>	<b>Interest Rate (%)</b>	<b>Difference of Terms of the Transactions with Unrelated Parties</b>	<b>For the Year Ended December 31, 2020</b>
				<b>Normal Loans</b>	<b>Non-performing Loans</b>				<b>Interest Income</b>
Loans for personal house mortgages	Directors and related management (1)	\$ 1,062	\$ 607	\$ 607	-	Real estate	1.56-1.83	None	\$ 14
Others	Hung Shen Investment Corporation	388,000	378,000	378,000	-	Real estate	1.46-1.71	None	5,847
Others	Directors and related management (14)	<u>1,163,269</u>	<u>1,094,478</u>	<u>1,094,478</u>	-	Real estate/ financial instruments	1.29-2.26	None	<u>63,232</u>
		<u>\$ 1,552,331</u>	<u>\$ 1,473,085</u>	<u>\$ 1,473,085</u>					<u>\$ 69,093</u>

Employee deposits and loans have better interest rates 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.

### 37.3 Compensation of directors and management personnel

The compensation of key management personnel for the year ended December 30, 2021 and 2020 was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Salaries and other short-term employee benefits	\$ 498,603	\$ 500,861
Bonuses and compensation of employees	39,841	42,009
Remuneration of directors	124,334	141,338
Post-employment benefits	84,217	82,586
Others	864	443
	<u>\$ 747,859</u>	<u>\$ 767,237</u>

### 38. PLEDGED ASSETS

Under the Central Bank's clearing system of Real-Time Gross Settlement (RTGS), on December 31, 2021 and 2020, the assets listed below had been provided as collateral for day-term overdrafts with the pledged amount adjustable at any time.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>Guaranty Purpose</u>
<b>The Bank</b>			
Investments in debt instruments measured at amortized cost	\$ 12,000,000	\$ 11,100,000	Day-term overdraft with the pledge

On December 31, 2021 and 2020, the Bank provided financial assets at FVTOCI listed below which had been provided as operating guarantees.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>Guaranty Purpose</u>
<b>The Bank</b>			
Financial assets at FVTOCI	\$ 346,624	\$ 339,588	Operating guarantee

On December 31, 2021 and 2020, SCB (HK) and its overseas branch provided financial assets at amortized cost listed below which had been provided as operating guarantees.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>Guaranty Purpose</u>
<b>The SCB (HK)</b>			
Investments in debt instruments measured at amortized cost	\$ 4,872,533	\$ 1,249,343	Operating guarantee

On December 31, 2021 and 2020, SCB (HK) and its overseas branch provided financial assets at FVTOCI listed below which had been provided as operating guarantees.

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>Guaranty Purpose</u>
<b>The SCB (HK)</b>			
Financial assets at FVTOCI	\$ 21,270,542	\$ 14,497,847	Operating guarantee

### 39. 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, 2021 and 2020, were as follows:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Commitments of forward contracts with customers	\$ 312,461,232	\$ 501,101,372
Securities in custody	242,180,397	230,840,454
Assets under trust	212,368,082	199,810,665
Guarantee notes payable	164,076,416	162,081,230
Receivables under custody	32,484,286	27,636,732
Government bonds in brokerage accounts	29,466,700	30,612,200
Short-term bills in brokerage accounts	559,450	1,261,600

## 40. FINANCIAL INSTRUMENTS

### 40.1 Fair value information - financial instruments not measured at fair value

#### 40.1.1 Financial assets and liabilities with significant differences between carrying amounts and fair values.

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

	December 31, 2021		December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial assets</b>				
Investments in debt instruments measured at amortized cost	\$ 159,319,588	\$ 159,375,166	\$ 107,685,748	\$ 107,419,195
<b>Financial liabilities</b>				
Bank debentures	82,091,512	82,882,006	82,223,874	83,479,721

#### 40.1.2 Fair value level

	December 31, 2021			
	Total	Level 1	Level 2	Level 3
<b>Financial assets</b>				
Investments in debt instruments measured at amortized cost	\$ 159,375,166	\$ 22,634,554	\$ 136,740,612	\$ -
<b>Financial liabilities</b>				
Bank debentures	82,882,006	-	82,882,006	-
	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<b>Financial assets</b>				
Investments in debt instruments measured at amortized cost	\$ 107,419,195	\$ 5,138,129	\$ 102,281,066	\$ -
<b>Financial liabilities</b>				
Bank debentures	83,479,721	-	83,479,721	-

#### 40.1.3 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.

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

#### 40.2.1 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, 2021			
	Total	Level 1	Level 2	Level 3
<b>Non-derivative financial instruments</b>				
<b>Assets</b>				
Financial assets measured at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Shares	\$ 2,174,721	\$ 2,138,464	\$ 36,257	\$ -
Bonds	6,099,860	92,275	6,007,585	-
Beneficiary certificates	535,265	535,265	-	-
Financial assets measured at FVTOCI				
Equity instruments	23,077,179	20,892,243	-	2,184,936
Debt instruments	495,479,676	198,770,322	295,958,341	751,013
	<u>\$ 527,366,701</u>	<u>\$ 222,428,569</u>	<u>\$ 302,002,183</u>	<u>\$ 2,935,949</u>

Financial Instruments Measured at Fair Value	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Liabilities				
Financial liabilities measured at FVTPL	\$ 2,068,124	\$ -	\$ 2,068,124	\$ -
<b>Derivative financial instruments</b>				
Assets				
Financial assets measured at FVTPL	\$ 1,788,166	\$ 49,737	\$ 1,738,429	\$ -
Liabilities				
Financial liabilities measured at FVTPL	\$ 1,602,830	\$ 6,837	\$ 1,595,993	\$ -
Financial Instruments Measured at Fair Value	December 31, 2020			
	Total	Level 1	Level 2	Level 3
<b>Non-derivative financial instruments</b>				
Assets				
Financial assets measured at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Shares	\$ 1,148,316	\$ 1,116,702	\$ 31,614	\$ -
Bonds	7,958,328	733,730	7,044,749	179,849
Beneficiary certificates	505,928	505,928	-	-
Financial assets measured at FVTOCI				
Equity instruments	20,407,824	18,477,657	-	1,930,167
Debt instruments	487,829,199	210,287,819	277,530,962	10,418
	\$ 517,849,595	\$ 231,121,836	\$ 284,607,325	\$ 2,120,434
Liabilities				
Financial liabilities measured at FVTPL	\$ 2,245,100	\$ -	\$ 2,245,100	\$ -
<b>Derivative financial instruments</b>				
Assets				
Financial assets measured at FVTPL	\$ 4,045,243	\$ 47,076	\$ 3,690,419	\$ 307,748
Liabilities				
Financial liabilities measured at FVTPL	\$ 3,889,400	\$ 39,235	\$ 3,783,097	\$ 67,068

There were no transfers of financial instruments between Level 1 and Level 2 fair value measurement for the year ended December 31, 2021 and 2020.

#### 40.2.2 Reconciliation of Level 3 fair value measurement

##### For the Year Ended December 31, 2021

Item	Beginning Balance	Amount of Valuation Gain or Loss		Addition		Reduction		Exchange	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		
<b>Assets</b>									
Financial assets measured at FVTPL									
Financial assets mandatorily classified as at FVTPL	\$ 487,597	\$ (347,949)	\$ -	\$ -	\$ -	\$ (139,648)	\$ -	\$ -	\$ -
Financial assets measured at FVTOCI	1,940,585	-	248,958	756,599	-	(8,094)	-	(2,099)	2,935,949
<b>Liabilities</b>									
Financial liabilities measured at FVTPL									
Held-for-trading financial liabilities	67,068	(67,068)	-	-	-	-	-	-	-

##### For the Year Ended December 31, 2020

Item	Beginning Balance	Amount of Valuation Gain or Loss		Addition		Reduction		Exchange	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		
<b>Assets</b>									
Financial assets measured at FVTPL									
Financial assets mandatorily classified as at FVTPL	\$ 852,574	\$ 4,686	\$ -	\$ -	\$ -	\$ (369,663)	\$ -	\$ -	\$ 487,597
Financial assets measured at FVTOCI	1,813,473	-	82,365	61,779	-	(14,593)	-	(2,439)	1,940,585
<b>Liabilities</b>									
Financial liabilities measured at FVTPL									
Held-for-trading financial liabilities	57,765	9,303	-	-	-	-	-	-	67,068

Some of the Group's investments became listed during the years ended December 31, 2021 and 2020. After the assessment, the market's fair values are available for reference. Therefore, such financial assets have been transferred from Level 3 to Level 1.

#### 40.2.3 Valuation techniques and inputs applied for Level 2 fair value measurement

<b>Financial Instruments</b>	<b>Valuation Techniques and Inputs</b>
Bonds	Valuation was based on observable market prices or assessed by using 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 using cash flow method through observable elements.

#### 40.2.4 Valuation techniques and inputs applied for Level 3 fair value measurement

The fair value of financial assets classified as Level 3 included but was not limited to bond investments measured at FVTPL, and investments in bonds and equity securities measured at FVTOCI.

Most financial instruments with fair value measurements classified 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 quantified information of significant unobservable inputs is as follows:

	<b>Fair Value December 31, 2021</b>	<b>Valuation Techniques</b>	<b>Significant Unobservable Inputs</b>	<b>Interval (Weighted-Average)</b>	<b>Notes</b>
Financial assets measured at FVTOCI					
Shares	2,184,936	1. Market approach	Market liquidity reduction	10%-19%	1. The higher of the liquidity reduction, and the lower of the fair value.
		2. Net asset value method	Market liquidity reduction	10%-19%	2. The higher of the liquidity reduction, and the lower of the fair value
Bonds	751,013	1.Counterparty quote 2.Discounted cash flow method	Discount rate	0%-10%	The higher of the discount rate, and the lower of the fair value.

#### 40.2.5 Sensitivity analysis of alternative assumptions of Level 3 fair value measurements

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

##### December 31, 2021

	<b>Changes in Fair Value Reflected in Profit or Loss</b>		<b>Changes in Fair Value Reflected in Other Comprehensive Income</b>	
	<b>Favorable</b>	<b>Unfavorable</b>	<b>Favorable</b>	<b>Unfavorable</b>
<b>Assets</b>				
Financial assets measured at FVTPL				
Financial assets mandatorily classified as at FVTPL	\$ -	\$ (362)	\$ -	\$ -
Financial assets measured at FVTOCI	-	-	-	(20,719)

##### December 31, 2020

	<b>Changes in Fair Value Reflected in Profit or Loss</b>		<b>Changes in Fair Value Reflected in Other Comprehensive Income</b>	
	<b>Favorable</b>	<b>Unfavorable</b>	<b>Favorable</b>	<b>Unfavorable</b>
<b>Assets</b>				
Financial assets measured at FVTPL				
Financial assets mandatorily classified as at FVTPL	\$ -	\$ (4,512)	\$ -	\$ -
Financial assets measured at FVTOCI	-	-	-	(16,424)

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, 2021

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflected in Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
<b>Assets</b>				
Financial assets measured at FVTPL				
Financial assets mandatorily classified as at FVTPL	\$ 362	\$ -	\$ -	\$ -
Financial assets measured at FVTOCI	-	-	20,719	-

### December 31, 2020

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflected in Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
<b>Assets</b>				
Financial assets measured at FVTPL				
Financial assets mandatorily classified as at FVTPL	\$ 4,512	\$ -	\$ -	\$ -
Financial assets measured at FVTOCI	-	-	16,424	-

## 40.3 Financial risk management

### 40.3.1 Risk management

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

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

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

### 40.3.2 Credit risks

Credit risk is the risk of counterparties' failure to fulfill their contractual obligations causing the Group's financial losses. Both in-balance-sheet and off-balance-sheet items are exposed to credit risks. For the Group'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 Group 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 Group examines and confirms credit risk in accordance with the rules before launching new products and business. Furthermore, the Group also establishes a risk management system for complicated credit business such as factoring, credit derivative financial instruments and so on.

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

(1) Procedures of credit risk management

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

A Credit business (including loan commitments and guarantees)

**The Bank**

a. The credit risk has increased significantly since initial 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 initial recognition. For this assessment, the Bank's considerations (including forward-looking information) show that the credit risk has increased significantly since initial recognition and can be corroborated. The main considerations include:

- i. Changes in internal and external credit ratings from the significant increase in credit risk.
- 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 become credit impaired:

- i. Changes in internal and external credit ratings from the significant increase in credit risk.
- 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 initial recognition are used to measure the allowance for loss of the financial instruments; for financial instruments whose credit risk has increased significantly or which have had credit impairment since initial 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, 2021.

d. Forward-looking information considerations

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

**SCB (HK)**

a. The credit risk has increased significantly since initial recognition

SCB assesses the change in the risk of default in the next 12 months of each type of credit asset on each reporting date in order to determine whether the credit risk has increased significantly since initial recognition. For this assessment, SCB considerations (including forward-looking information) show that the credit risk has increased significantly since initial recognition and can be corroborated. The main considerations include:

- i. Changes in internal and external credit ratings and probability of default in the next 12 months.
- 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.

- vi. There is doubt about the collateral rights under the debt, or the collateral price is affected by the surrounding economic environment, and the mortgage value will decline due to economic recession.
- vii. There are unfavorable changes in the business of the debtor industry which are affected by the surrounding economy or policy.
- viii. Key person in debt companies have financial difficulties, debt or dispute litigation, or serious illness or death, all of which have a negative impact on the ability of debt companies to meet their debt obligations.

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

SCB'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, SCB determines that the financial assets have defaulted and have credit impairment:

- i. Information of overdue status (e.g. if the payment is overdue for more than 90 days).
- ii. The debtor has become bankrupt or may file for bankruptcy or financial restructuring.
- iii. The debtor has died or been dissolved.
- iv. Contracts of other debt instruments of the debtor have defaulted.
- v. The active market of the financial assets disappeared due to financial difficulties.
- vi. 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.
- vii. The debtor's overall debt rises and is not proportional to its business growth.
- viii. If the debtor invests in a project or delays the construction of a project, the cost exceeds the budget, and the creditor needs to arrange for debt restructuring.
- ix. There is a purchase or initiation of financial assets at a significant discount reflecting that credit losses have occurred.
- x. Estimated debt contract payments failed to be fully recovered.

The aforementioned default and credit impairment definitions apply to all financial assets held by SCB 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.

If the financial assets no longer meet the definition of default and credit impairment for six consecutive months, their statuses are judged to have returned to performance level and are no longer regarded as financial assets that have defaulted and have been credited.

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.

For financial instruments whose credit risk has not significantly increased since initial recognition, SCB measures the allowance for loss of the financial instruments based on the 12-month expected credit loss amounts; for financial instruments and operating lease receivables whose financial risk has significantly increased or which have had credit impairment since initial recognition, such instruments and operating lease receivables are measured at the amount of expected credit losses during the duration of the period.

The estimation method and significant assumptions used to assess expected credit losses have not changed significantly since December 31, 2021.

d. Forward-looking information considerations

When measuring the expected credit losses, SCB 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, SCB 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 Group 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 Group identifies credit risk by using information from external institutions about credit ratings, quality of debts, region, and the risk of counterparties.

Most of the Group's counterparties in derivative transactions are assessed at higher than investment grade, and the Group 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 Group 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 Group has established procedures for pledges, valuations, management, and disposals of collateral. The contracts between the Group and the borrowers clearly state the protocols, including but not limited to the security of credit, procedures for collateral and for offsets. To further decrease credit risks, the contracts also proclaim that the Group may decrease the credit facilities at its discretion, accelerate the maturity of the borrowings, demand immediate payback, or offset borrowers' assets in the Group against the borrowings.

B. Credit risk limitation and credit concentration management

The credit policies of the Group regulate the credit limitations, as applied to a single counterparty or group, to avoid excessive credit concentration. The Group 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

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

In most circumstances, the Group applies gross settlement with counterparties. However, to further decrease credit risks, the Group 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 Group's consolidated balance sheets:

#### December 31, 2021

Financial instruments subject to IFRS 9 impairment requirements and credit impairment	Book Value	Maximum Exposure to Credit Risk Mitigated by			
		Collateral	Master Netting Arrangement	Other Credit Enhancement	Total
Receivables	\$ 75,748	\$ 8,940	\$ -	\$ -	\$ 8,940
Discounts and loans	3,014,931	2,438,429	-	245,455	2,683,884

#### December 31, 2020

Financial instruments subject to IFRS 9 impairment requirements and credit impairment	Book Value	Maximum Exposure to Credit Risk Mitigated by			
		Collateral	Master Netting Arrangement	Other Credit Enhancement	Total
Receivables	\$ 82,825	\$ 9,007	\$ -	\$ -	\$ 9,007
Discounts and loans	2,620,109	1,722,158	-	232,857	1,955,015

### (3) Credit risk exposures

The maximum exposure of the Group's assets in the consolidated balance sheets 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	
	2021	2020
Issued and non-cancelable loan commitments	\$ 52,480,756	\$ 56,881,727
Non-cancelable credit card commitments	576,919	651,646
Issued but unused letters of credit	32,142,233	32,719,060
Other guarantees	113,845,852	104,521,028

The Group 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.

Total carrying amounts of the financial assets with the largest credit risk exposure in the Group are as follows:

	December 31, 2021			
	12-Month ECLs	Lifetime ECLs without impairment	Lifetime ECLs with impairment	Total
Discounts and loans				
Consumer banking				
-Mortgage	\$ 274,750,979	\$ 2,087,554	\$ 496,621	\$ 277,335,154
-Microcredit	17,233,134	423,747	157,303	17,814,184
-Others	50,131,068	181,585	36,133	50,348,786
Corporate banking				
-Secured	473,837,846	12,084,819	2,036,819	487,959,484
-Unsecured	243,475,192	24,435,473	244,596	268,155,261
Total	\$ 1,076,867,874	\$ 44,315,960	\$ 3,014,931	\$ 1,124,198,765
Accounts receivable (including non-performing credit card receivables)				
Credit cards	\$ 3,229,190	\$ 166,770	\$ 64,794	\$ 3,460,754
Others	11,758,420	300,217	10,954	12,069,591
Total	\$ 14,987,610	\$ 466,987	\$ 75,748	\$ 15,530,345
Debt instruments measured at FVTOCI	\$ 494,308,800	\$ 792,656	\$ -	\$ 495,101,456
Investments in debt instruments measured at amortized cost	\$ 159,320,715	\$ -	\$ -	\$ 159,320,715

  

	December 31, 2020			
	12-Month ECLs	Lifetime ECLs without impairment	Lifetime ECLs with impairment	Total
Discounts and loans				
Consumer banking				
-Mortgage	\$ 276,042,517	\$ 2,165,375	\$ 562,131	\$ 278,770,023
-Microcredit	14,132,617	151,629	161,580	14,445,826
-Others	51,660,037	202,005	49,312	51,911,354
Corporate banking				
-Secured	505,743,454	12,246,503	1,240,602	519,230,559
-Unsecured	253,980,660	28,980,835	606,484	283,567,979
Total	\$ 1,101,559,285	\$ 43,746,347	\$ 2,620,109	\$ 1,147,925,741
Accounts receivable (including non-performing credit card receivables)				
Credit cards	\$ 2,923,203	\$ 167,022	\$ 70,947	\$ 3,161,172
Others	15,486,132	147,888	11,878	15,645,898
Total	\$ 18,409,335	\$ 314,910	\$ 82,825	\$ 18,807,070
Debt instruments measured at FVTOCI	\$ 481,973,422	\$ 494,595	\$ -	\$ 482,468,017
Investments in debt instruments measured at amortized cost	\$ 107,687,168	\$ -	\$ -	\$ 107,687,168

(4) Information on concentration of credit risk

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

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

#### A. Industry

Sector	December 31			
	2021		2020	
	Amount	%	Amount	%
Private sector	\$ 710,332,622	63	\$ 727,245,269	63
Consumer	387,381,005	34	390,287,673	34
Financial institution	17,382,251	2	17,910,294	2
Others	9,102,887	1	12,482,505	1
	<u>\$ 1,124,198,765</u>	<u>100</u>	<u>\$ 1,147,925,741</u>	<u>100</u>

#### B. Region

Region	December 31			
	2021		2020	
	Amount	%	Amount	%
Taiwan	\$ 669,998,201	60	\$ 661,839,169	58
Asia Pacific except Taiwan	324,154,314	29	356,071,837	31
Others	130,046,250	11	130,014,735	11
	<u>\$ 1,124,198,765</u>	<u>100</u>	<u>\$ 1,147,925,741</u>	<u>100</u>

#### C. Collateral

Collaterals Assumed	December 31			
	2021		2020	
	Amount	%	Amount	%
Unsecured	\$ 287,613,071	26	\$ 280,626,148	24
Secured				
Properties	708,232,575	63	730,573,644	64
Guarantee	72,751,320	6	76,304,205	7
Financial collateral	35,356,195	3	38,160,939	3
Personal properties	2,924,020	1	3,684,467	1
Other collateral	17,321,584	1	18,576,338	1
	<u>\$ 1,124,198,765</u>	<u>100</u>	<u>\$ 1,147,925,741</u>	<u>100</u>

#### (5) Information on credit risk quality

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

#### 40.3.3 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 Group or its investment structures.

The Group'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 Group.

## (2) Market risk management policies

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

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

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

## (3) Market risk management process

### A. Recognition and measurement

The Group'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 (PV01, 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 Group'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 Group 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 risk management

### A. Definition of interest rate risk

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

### B. Purpose of interest risk management

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

### C. Procedures of interest risk management

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

When the Group undertakes business activities related to interest rate commodities, it will identify interest rate reprising risks and yield curve risks, and measure the possible impact of interest rate changes on the Group's earnings and economic value. The Group 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 on a monthly.

When risk management objective has exceeded its limit, it will be reported to the strategy management committee for resolution of response actions.

#### D. Measurement methods

The Group 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 Group also established interest rate sensitivity monitoring index for major periods in order to maintain long-term profitability and business growth. Such interest rate indexes and results of pressure test are reviewed by management personnel regularly. In addition, the Group regularly uses DV01 to measure portfolio affected by interest rate.

### (5) Foreign exchange rate risk management

#### A. Definition of foreign exchange rate risk

Foreign exchange risk means losses resulting from currencies exchange at different times. The Group's foreign exchange rate risk results mainly from spot and forward foreign exchange. The Group's foreign exchange rate risk is relatively insignificant due to the fact that transactions 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 Group has established trading limit, stop-loss limit and maximum loss for trading department and trader and the risk is controlled within the tolerable range.

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

### (6) Equity securities price risk management

#### A. Definition of equity securities price risk

The market risk of equity securities held by the Group includes individual and general risk from price fluctuations 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 Group regularly uses  $\beta$  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.



#### D. Measurement method

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

#### (7) Market valuation technique

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

#### A. Sensitivity analysis

##### a. Interest rate risk

The Group has assessed the possible impact on income if global yield curve moves between -1 to +1 basis points simultaneously on December 31, 2021 and 2020 while other factors remain unchanged.

##### b. Foreign exchange rate risk

The Group assesses the possible impact on income when exchange rates of the NTD against various currencies fluctuate between -1% and +1% on December 31, 2021 and 2020 while other factors remain unchanged.

The functional currency of SCB (HK) is the HKD, and the major foreign currency is the USD; as the two currencies were under the Linked Exchange Rate System, there was insignificant foreign exchange rate risk.

##### c. Equity securities price risk

The Group has assessed the possible impact on income when equity security prices on December 31, 2021 and 2020 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, 2021			
Major Risk	Fluctuation Range	Amount	
		Equity	Profit or Loss
Foreign exchange risk	Foreign currency appreciated 1% against NTD	\$ 706,960	\$ 17,378
	Foreign currency depreciated 1% against NTD	(706,960)	(17,378)
Interest rate risk	Interest rate curve edged up 1bp	(85,373)	(762)
	Interest rate curve edged down 1bp	85,373	762
Equity price risk	Equity price increased 1%	191,250	24,093
	Equity price decreased 1%	(191,250)	(24,093)

  

December 31, 2020			
Major Risk	Fluctuation Range	Amount	
		Equity	Profit or Loss
Foreign exchange risk	Foreign currency appreciated 1% against NTD	\$ 695,598	\$ 26,503
	Foreign currency depreciated 1% against NTD	(695,598)	(26,503)
Interest rate risk	Interest rate curve edged up 1bp	(73,898)	(3,342)
	Interest rate curve edged down 1bp	73,898	3,342
Equity price risk	Equity price increased 1%	180,992	11,763
	Equity price decreased 1%	(180,992)	(11,763)

#### 40.3.4 Liquidity risk

##### (1) The sources and definition of liquidity risk

Liquidity risk is the possibility that the Group 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 Group'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 management procedures are monitored by the independent department of risk management; 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 Group 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 Group holds certain position of highly liquid interest-bearing assets to fulfill its obligation and for future needs. To manage the liquidity risk, the Group holds the following assets: Cash and cash equivalents, due from the Central Bank and banks, and financial assets at fair value through profit or loss, etc.

##### (3) Maturity analysis

The Group analyzed cash outflows of non-derivative financial liabilities according to the remaining terms from date of the balance sheets 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 consolidated balance sheets.

December 31, 2021	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Deposits from the central bank and other banks	\$ 26,041,035	\$ 18,218,405	\$ 3,109,936	\$ 1,968,917	\$ 3,317,596	\$ 52,655,889
Due to the central bank and other banks	-	-	-	17,787,080	-	17,787,080
Financial liabilities measured at FVTPL	-	-	-	-	2,110,011	2,110,011
Securities sold under repurchase agreements	13,699,906	625,552	169,347	10,219	-	14,505,024
Payables	28,108,948	450,172	256,174	271,289	342,372	29,428,955
Deposits and remittances	1,076,075,464	295,952,045	142,149,806	180,896,875	12,528,332	1,707,602,522
Bank debentures	207,412	-	2,279,634	13,137,046	66,467,420	82,091,512
Other financial liabilities	3,450,655	32,600	157,360	155,032	988,359	4,784,006
Lease liabilities	35,161	60,936	103,471	174,593	1,494,768	1,868,929

December 31, 2020	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Deposits from the central bank and other banks	\$ 27,036,180	\$ 12,196,668	\$ 3,265,218	\$ 1,399,007	\$ 2,920,588	\$ 46,817,661
Due to the central bank and other banks	-	-	2,522,250	3,529,760	-	6,052,010
Financial liabilities measured at FVTPL	-	-	-	-	2,364,343	2,364,343
Securities sold under repurchase agreements	21,081,371	4,139,127	526,931	33,982	-	25,781,411
Payables	30,480,415	625,081	264,585	284,596	254,105	31,908,782
Deposits and remittances	1,005,052,057	313,807,777	170,852,338	184,964,952	11,219,690	1,685,896,814
Bank debentures	210,744	1,600,000	131,712	3,642,457	76,638,961	82,223,874
Other financial liabilities	2,790,654	30,999	97,769	257,198	1,304,325	4,480,945
Lease liabilities	37,704	104,011	111,203	289,837	1,744,426	2,287,181

The Group evaluated the contractual maturity date to comprehend all derivative financial instruments on the consolidated balance sheets. 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 consolidated balance sheets. Maturity analysis of derivative financial liabilities is as follows:

#### A. Derivative financial liabilities in net settlement

December 31, 2021	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	\$ 18,406	\$ 21,684	\$ 10,331	\$ 20,941	\$ 383	\$ 71,745
Interest rate derivatives	-	-	-	354	11,386	11,740
Equity securities derivatives	172	-	-	-	-	172

  

December 31, 2020	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	\$ 22,568	\$ 40,706	\$ 25,262	\$ 22,436	\$ -	\$ 110,972
Interest rate derivatives	-	-	-	40,283	26,786	67,069
Equity securities derivatives	578	-	-	-	-	578

#### B. Derivative financial liabilities in total settlement

December 31, 2021	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						
Cash inflow	\$ 169,388,812	\$ 57,397,514	\$ 42,764,988	\$ 51,157,774	\$ 82,446	\$ 320,791,534
Cash outflow	170,330,204	57,640,994	42,855,741	51,334,826	82,421	322,244,186
Interest rate derivatives						
Cash inflow	-	2,472	-	5,309	-	7,781
Cash outflow	-	2,472	-	5,309	-	7,781

  

December 31, 2020	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						
Cash inflow	\$ 122,239,801	\$ 54,962,642	\$ 94,258,175	\$ 32,844,775	\$ 426,975	\$ 304,732,368
Cash outflow	122,890,662	55,343,874	94,444,452	33,028,403	426,972	306,134,363
Interest rate derivatives						
Cash inflow	-	4,331	4,687	7,249	7,829	24,096
Cash outflow	-	4,331	4,687	7,249	7,829	24,096

The analysis of cash outflows of in-balance-sheet items is illustrated according to the remaining days from the balance sheet date to maturity date of the contract. For financial guarantee contracts, the largest amount is categorized under the earliest possible date to take responsibility. 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, 2021	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Non-cancelable loan commitments	\$ 6,803,687	\$ 1,445,480	\$ 1,860,146	\$ 6,235,606	\$ 36,135,837	\$ 52,480,756
Non-cancelable credit card commitments	86,481	172,960	259,440	58,038	-	576,919
Issued but unused letters of credit	26,221,032	4,914,364	796,631	125,927	84,279	32,142,233
Other guarantees	31,644,411	36,114,248	9,525,589	18,454,608	18,106,996	113,845,852

  

December 31, 2020	0-30 days	31-90 days	91-180 days	181 days-1 year	Over 1 year	Total
Non-cancelable loan commitments	\$ 7,017,758	\$ 2,229,107	\$ 3,274,688	\$ 10,125,895	\$ 34,234,279	\$ 56,881,727
Non-cancelable credit card commitments	66,012	132,089	198,100	255,445	-	651,646
Issued but unused letters of credit	27,112,987	4,108,707	1,296,551	200,815	-	32,719,060
Other guarantees	40,491,873	23,032,143	8,204,885	18,595,591	14,196,536	104,521,028

#### 40.3.5 Interest rate benchmarks

The financial instruments of the Group affected by the interest rate benchmarks include loans and discounts, financial assets and liabilities measured at FVTPL, financial assets measured at FVTOCI and financial assets measured at amortized cost. The linked indicator interest rate types are USD LIBOR. The Secured Overnight Financing Rate (SOFR) is expected to replace USD LIBOR, although the two are fundamentally different. LIBOR is a forward-looking interest rate indicator that implies market expectations for future interest rate trends, and includes interbank credit discounts. SOFR is a retrospective interest rate index calculated with reference to actual

transaction data, and does not include credit discounts. Therefore, when an existing contract linked USD LIBOR transferred to linked SOFR, additional adjustments shall be made to the aforementioned differences to ensure that the interest rate basis before and after the modification is economically equivalent.

In response to the reform, the Group prepared interest rate benchmark transition plan which comprises the following work streams: risk management, contract management, product management, taxation and accounting, and customer communication. The plan is under the governance of the general manager of the bank.

If the Group fails to complete the contract modification negotiation with the counterparty of the financial instrument before the exit of the current interest rate benchmark, there will be significant uncertainty about the interest rate base applicable to the financial instrument in the future. This situation will result in interest rate risk that was not anticipated when the Group originally signed the contract. Changes in interest rate benchmark reform may also affect the existing financial instrument evaluation mechanism of the Group, and it may even be necessary to establish a new evaluation model for certain financial instruments. In addition, if the amendments caused by changes in interest rate benchmark reform fail to meet the applicable conditions of IFRS 9 practical expedients, it may result in the recognition of financial assets or financial liabilities amendment gains and losses, which will increase the volatility of profit and loss. The Group is working to complete the revision of financial instruments in a manner that complies with IFRS 9 practical expedients.

On December 31, 2021, the non-derivative financial instruments held by the Group that have been affected by the interest rate benchmark reform and have not yet converted to alternative interest rate indicators are summarized as follows:

<b>Financial assets</b>	<b>Book value</b>
Discount and loans, net	
USD LIBOR	\$ 166,741,391
GBP LIBOR	63,762
JPY LIBOR	473,170
EUR LIBOR	7,119,167
CHF LIBOR	92,629
AUD LIBOR	100,485
SGD SOR	749,968
Total	175,340,572
Financial assets measured at FVOCI	
USD LIBOR	24,143,247
Total	\$ 199,483,819

<b>Financial liabilities</b>	<b>Book value</b>
Due to the central bank and other banks	
USD LIBOR	\$ 1,521

On December 31, 2021, the non-derivative financial instruments held by the Group that have been affected by the interest rate benchmark reform are summarized as follows:

	<b>Nominal in currency</b>	<b>Book value</b>
		<b>Financial assets</b>
Derivatives linked to USD LIBOR		
Interest rate swap	\$ 2,232,990	\$ 174,161

#### 40.4 Transfer of financial assets

In the daily transactions of the Group, 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 Group may repurchase the transferred financial assets in the future. The Group is not eligible to conduct, sell, or pledge the transferred financial assets during the effective period prior to derecognition. However, the Group 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 that do not qualified for derecognition and related financial liabilities.

##### December 31, 2021

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					
Securities sold under repurchase agreements	\$ 14,495,369	\$ 14,505,024	\$ 14,495,369	\$ 14,505,024	\$ (9,655)

##### December 31, 2020

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					
Securities sold under repurchase agreements	\$ 25,014,292	\$ 25,781,411	\$ 25,014,292	\$ 25,781,411	\$ (767,119)

#### 41. 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.

##### 41.1 The Bank

	For the Year Ended December 31, 2021	
	Average Balance	Average Rate (%)
<b>Interest-bearing assets</b>		
Cash and cash equivalents - due from other banks	\$ 35,846,262	0.13
Due from the Central Bank and call loans to banks	88,418,432	0.33
Financial assets measured at FVTPL	74,234	0.39
Securities purchased under resell agreements	226,777	0.44
Revolving credit card balances	581,817	12.76
Discounts and loans (excluding non-performing loans)	750,285,481	1.69
Financial assets measured at FVTOCI - investments in debt instruments	221,078,414	1.04
Financial assets measured at amortized cost	137,887,108	0.29
<b>Interest-bearing liabilities</b>		
Due to the Central Bank and other banks	19,025,112	0.25
Financial liabilities measured at FVTPL	1,952,383	5.42
Securities sold under repurchase agreements	28,793,111	0.20
Negotiable certificates of deposit	13,440,286	0.29
Demand deposits	328,518,862	0.05
Savings deposits	191,813,250	0.25
Time deposits	341,271,648	0.47
Time savings	145,822,564	0.79
Bank debentures	66,217,312	1.39
Other financial liabilities	1,234,755	0.42
Lease liabilities	784,667	1.28

	<b>For the Year Ended December 31, 2020</b>	
	<b>Average Balance</b>	<b>Average Rate (%)</b>
<b>Interest-bearing assets</b>		
Cash and cash equivalents - due from other banks	\$ 28,065,495	0.25
Due from the Central Bank and call loans to banks	117,222,435	0.76
Financial assets measured at FVTPL	68,048	0.41
Securities purchased under resell agreements	960,421	1.42
Revolving credit card balances	640,968	12.64
Discounts and loans (excluding non-performing loans)	751,627,155	1.87
Financial assets measured at FVTOCI - investments in debt instruments	218,690,571	1.25
Financial assets measured at amortized cost	102,392,452	0.46
Other financial assets due from other banks (time deposits of more than three months)	1,297,620	1.35
<b>Interest-bearing liabilities</b>		
Due to the Central Bank and other banks	27,459,499	0.91
Financial liabilities measured at FVTPL	2,058,496	5.16
Securities sold under repurchase agreements	25,811,028	0.30
Negotiable certificates of deposit	16,923,252	0.49
Demand deposits	263,752,854	0.10
Savings deposits	161,992,877	0.27
Time deposits	416,452,837	0.85
Time savings	149,083,941	0.92
Bank debentures	64,484,409	1.44
Other financial liabilities	1,971,795	2.06
Lease liabilities	874,812	1.25

#### 41.2 SCB (HK)

	<b>For the Year Ended December 31, 2021</b>	
	<b>Average Balance</b>	<b>Average Rate (%)</b>
<b>Interest-bearing assets</b>		
Due from other banks	\$ 157,246,529	0.32
Discounts and loans (excluding non-performing loans)	352,452,249	3.40
Revolving credit card balances	101,346	29.41
Debt instruments (including financial assets measured at FVTOCI and at amortized cost)	267,063,774	1.61
<b>Interest-bearing liabilities</b>		
Due to other banks	32,376,308	0.74
Demand deposits	266,974,433	0.02
Time deposits	384,189,790	0.75
Bank debentures	15,089,032	4.53
	<b>For the Year Ended December 31, 2020</b>	
	<b>Average Balance</b>	<b>Average Rate (%)</b>
<b>Interest-bearing assets</b>		
Due from other banks	\$ 155,693,089	0.95
Discounts and loans (excluding non-performing loans)	366,212,184	3.70
Revolving credit card balances	124,246	30.84
Debt instruments (including financial assets measured at FVTOCI and at amortized cost)	246,252,530	2.23
<b>Interest-bearing liabilities</b>		
Due to other banks	41,103,673	1.31
Demand deposits	229,663,488	0.02
Time deposits	408,955,638	1.56
Bank debentures	15,377,428	4.49

## 42. CAPITAL MANAGEMENT

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

The Banking Act and related measures stipulate that in order to improve the financial foundation of a bank, the ratio of the Group's own capital to the risky assets shall not be less than 10.50%, where the actual ratio is lower than the prescribed standard, the authorities may impose limit on its capital surplus distribution.

The Group conformed to the regulation on capital management as of December 31, 2021 and 2020.

The following table lists the equity capital, risk-weighted assets, and risk exposure:

	December 31	
	2021	2020
Analysis items		
Eligible capital		
Common equity	\$ 170,375,493	\$ 165,191,816
Other Tier I capital	6,470,659	6,104,095
Tier II capital	51,378,379	50,765,432
Eligible capital	<u>\$ 228,224,531</u>	<u>\$ 222,061,343</u>
Risk-weighted assets		
Credit risk		
Standardized approach	\$ 1,325,138,207	\$ 1,429,205,765
Credit valuation adjustment (CVA)	751,052	1,327,408
Internal rating based approach	N/A	N/A
Synthetic securitization	1,072,451	1,204,050
Operational risk		
Basic indicator approach	68,453,256	68,763,627
Standardized approach/ alternative standardized approach	N/A	N/A
Advanced measurement approach	N/A	N/A
Market risk		
Standardized approach	90,991,498	80,030,662
Internal models approach	N/A	N/A
Total risk-weighted assets	<u>\$ 1,486,406,464</u>	<u>\$ 1,580,531,512</u>
Capital adequacy ratio	15.35%	14.05%
Ratio of common equity to risk-weighted assets	11.46%	10.45%
Ratio of Tier I capital to risk-weighted assets	11.90%	10.84%
Leverage ratio	7.72%	7.57%

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

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

43.1 Assets quality: As stated in Table 1

43.2 Concentration of credit extensions

Top 10 credit extensions information of the Bank and SCB(HK) were as below:

Ranking (Note 1)	December 31, 2021					
	The Bank			SCB (HK)		
	Group Name (Note 2)	Credit Extension Balance (Note 3)	% of Net Asset Value	Group Name (Note 2)	Credit Extension Balance (Note 3)	% of Net Asset Value
1	A Group (general management agency)	7,048,914	4.47%	C Group (other holding companies)	17,939,234	14.78%
2	B Group (computer manufacturing)	5,542,432	3.52%	O Group (property investment and development)	10,851,531	8.94%
3	C Group (other holding companies)	5,341,380	3.39%	P Group (hotel property development)	10,502,737	8.65%
4	D Group (general management agency)	5,225,283	3.31%	Q Group (hotel property development)	7,317,087	6.03%
5	E Group (television program design and broadcasting)	4,923,767	3.12%	R Group (hotel property development)	7,141,344	5.88%
6	F Group (real estate selling and leasing)	4,865,089	3.09%	S Group (broadcasting and entertainment industry)	6,996,414	5.77%
7	G Group (real estate development)	4,754,700	3.02%	T Group (property investment)	5,695,838	4.69%
8	H Group (computer manufacturing)	4,379,965	2.78%	U Group (investment holding and steel sales)	5,407,724	4.46%
9	I Group (apparel manufacturing)	4,376,397	2.78%	V Group (import and export of garments and accessories)	5,316,198	4.38%
10	J Group (chemical materials manufacturing)	4,169,693	2.64%	W Group (property investment and development)	4,366,722	3.60%

Ranking (Note 1)	December 31, 2020					
	The Bank			SCB (HK)		
	Group Name (Note 2)	Credit Extension Balance (Note 3)	% of Net Asset Value	Group Name (Note 2)	Credit Extension Balance (Note 3)	% of Net Asset Value
1	A Group (general management agency)	6,365,394	4.10%	C Group (other holding companies)	18,245,451	15.19%
2	D Group (general management agency)	5,697,983	3.67%	X Group (automobile retail)	9,565,969	7.96%
3	H Group (computer manufacturing)	5,493,784	3.54%	P Group (hotel property development)	9,429,226	7.85%
4	C Group (other holding companies)	5,473,133	3.53%	O Group (property investment and development)	9,187,186	7.65%
5	F Group (real estate selling and leasing)	5,234,067	3.37%	R Group (hotel property development)	8,014,091	6.67%
6	K Group (metallic furniture manufacturing)	5,099,207	3.29%	Q Group (hotel property development)	7,259,917	6.04%
7	L Group (wiring and cable system manufacturing)	4,394,663	2.83%	S Group (broadcasting and entertainment industry)	7,107,874	5.92%
8	M Group (general management agency)	4,280,262	2.76%	T Group (property investment)	5,867,824	4.88%
9	N Group (general management agency)	4,214,850	2.72%	V Group (import and export of garments and accessories)	5,160,321	4.29%
10	I Group (apparel manufacturing)	4,022,186	2.59%	Y Group (hotel property development)	5,011,580	4.17%

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 Group enterprise, the credit balance of the borrower is then aggregated to the Group enterprise's credit balance. The borrower is marked by specific codes as well as its major industry. The major industry of a borrower is determined by its maximum exposures by industries. The classification of industry should be in line with the Standard Industrial Classification System of the Republic of China published by the Directorate General of Budget, Accounting and Statistics under the Executive Yuan.



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

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

Note 4: It is net equity of SCB (HK).

### 43.3 Interest rate sensitivity information

#### 43.3.1 The Bank

#### Interest Rate Sensitivity (NTD)

December 31, 2021					
Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate sensitive assets	\$ 818,439,615	\$ 24,251,062	\$ 6,847,424	\$ 73,859,608	\$ 923,397,709
Interest rate sensitive liabilities	255,753,646	401,021,104	91,728,331	57,669,835	806,172,916
Interest rate sensitivity gap	562,685,969	(376,770,042)	(84,880,907)	16,189,773	117,224,793
Net equity					157,801,816
Ratio of interest rate sensitive assets to liabilities					114.54%
Ratio of interest rate sensitivity gap to net equity					74.29%

  

December 31, 2020					
Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate sensitive assets	\$ 762,861,814	\$ 31,686,878	\$ 11,715,579	\$ 68,693,820	\$ 874,958,091
Interest rate sensitive liabilities	275,225,198	368,663,054	89,503,236	68,471,532	801,863,020
Interest rate sensitivity gap	487,636,616	(336,976,176)	(77,787,657)	222,288	73,095,071
Net equity					155,103,256
Ratio of interest rate sensitive assets to liabilities					109.12%
Ratio of interest rate sensitivity gap to net equity					47.13%

Note 1: The tables above refer only to the financial assets/liabilities denominated in NT 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 denominated in NT dollars).

#### Interest Rate Sensitivity (USD)

December 31, 2021					
Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate sensitive assets	\$ 6,193,692	\$ 126,770	\$ 210,422	\$ 1,791,696	\$ 8,322,580
Interest rate sensitive liabilities	2,456,287	6,761,257	837,875	70,145	10,125,564
Interest rate sensitivity gap	3,737,405	(6,634,487)	(627,453)	1,721,551	(1,802,984)
Net equity					5,706,086
Ratio of Interest rate sensitive assets to liabilities					82.19%
Ratio of interest rate sensitivity gap to net equity					(31.60%)

  

December 31, 2020					
Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate sensitive assets	\$ 6,678,300	\$ 367,516	\$ 252,925	\$ 1,849,737	\$ 9,148,478
Interest rate sensitive liabilities	2,538,240	6,230,177	817,905	70,034	9,656,356
Interest rate sensitivity gap	4,140,060	(5,862,661)	(564,980)	1,779,703	(507,878)
Net equity					5,519,885
Ratio of Interest rate sensitive assets to liabilities					94.74%
Ratio of interest rate sensitivity gap to net equity					(9.20%)

- Note 1: The tables above refer only to the financial assets/liabilities denominated in US dollars held by the whole bank, contingent assets and liabilities excluded.
- Note 2: Interest rate-sensitive assets/liabilities refer to financial assets/liabilities which returns are driven by interest rate fluctuations.
- Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.
- Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities. (The interest rate-sensitive assets and liabilities are denominated in US dollars).

#### 43.3.2 SCB (HK)

##### Interest Rate Sensitivity (USD)

December 31, 2021					
Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate sensitive assets	\$ 6,369,856	\$ 893,914	\$ 664,635	\$ 2,911,276	\$ 10,839,681
Interest rate sensitive liabilities	6,605,646	1,156,657	882,240	506,801	9,151,344
Interest rate sensitivity gap	(235,790)	(262,743)	(217,605)	2,404,475	1,688,337
Net equity					4,423,704
Ratio of interest rate sensitive assets to liabilities					118.45%
Ratio of interest rate sensitivity gap to net equity					38.17%

December 31, 2020					
Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate sensitive assets	\$ 7,549,663	\$ 348,739	\$ 1,056,552	\$ 2,706,604	\$ 11,661,558
Interest rate sensitive liabilities	6,374,657	1,114,910	871,945	772,134	9,133,646
Interest rate sensitivity gap	1,175,006	(766,171)	184,607	1,934,470	2,527,912
Net equity					4,227,784
Ratio of interest rate sensitive assets to liabilities					127.68%
Ratio of interest rate sensitivity gap to net equity					59.79%

- Note 1: The tables above refer only to the financial assets/liabilities denominated in US dollars held by SCB (HK), contingent assets and liabilities excluded.
- Note 2: Interest rate-sensitive assets/liabilities refer to financial assets/liabilities which returns are driven by interest rate fluctuations.
- Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.
- Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities. (The interest rate-sensitive assets and liabilities are denominated in US dollars).

#### 43.4 Profitability

##### The Group

Unit: %

Items		December 31, 2021	December 31, 2020
Return on total assets	Before income tax	1.04	1.03
	After income tax	0.88	0.85
Return on equity	Before income tax	10.69	10.53
	After income tax	9.01	8.70
Profit margin		48.91	47.09

- 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.

## 43.5 Maturity analysis of assets and liabilities

### 43.5.1 The Bank

#### (1) In Thousands of New Taiwan Dollars

	Total	December 31, 2021					
		For remaining period to maturity date					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow on maturity	\$ 984,229,637	\$ 111,024,017	\$ 98,976,458	\$ 73,825,440	\$ 80,550,735	\$ 106,648,647	\$ 513,204,340
Major cash outflow on maturity	1,212,894,739	46,548,364	88,428,107	166,195,370	194,629,115	240,913,382	476,180,401
Gap	(228,665,102)	64,475,653	10,548,351	(92,369,930)	(114,078,380)	(134,264,735)	37,023,939

	Total	December 31, 2020					
		For remaining period to maturity date					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow on maturity	\$ 935,678,121	\$ 94,550,579	\$ 86,404,851	\$ 69,883,647	\$ 95,556,519	\$ 121,737,422	\$ 467,545,103
Major cash outflow on maturity	1,217,470,374	71,336,979	92,156,790	157,880,743	167,909,621	252,688,539	475,497,702
Gap	(281,792,253)	23,213,600	(5,751,939)	(87,997,096)	(72,353,102)	(130,951,117)	(7,952,599)

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

#### (2) In Thousands of US dollars

	Total	December 31, 2021				
		For remaining period to maturity date				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow on maturity	\$ 14,359,196	\$ 5,046,690	\$ 1,680,396	\$ 698,018	\$ 1,016,554	\$ 5,917,538
Major cash outflow on maturity	15,656,617	2,237,988	2,254,601	1,908,869	2,986,539	6,268,620
Gap	(1,297,421)	2,808,702	(574,205)	(1,210,851)	(1,969,985)	(351,082)

	Total	December 31, 2020				
		For remaining period to maturity date				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow on maturity	\$ 13,329,661	\$ 4,023,059	\$ 913,061	\$ 1,110,672	\$ 1,088,577	\$ 6,194,292
Major cash outflow on maturity	15,456,793	2,428,962	1,998,277	1,884,755	2,861,930	6,282,869
Gap	(2,127,132)	1,594,097	(1,085,216)	(774,083)	(1,773,353)	(88,577)

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

### 43.5.2 SCB (HK)

In Thousands of US dollars

	Total	December 31, 2021				
		For remaining period to maturity date				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow on maturity	\$ 11,251,276	\$ 2,030,424	\$ 1,082,054	\$ 1,326,440	\$ 1,042,141	\$ 5,770,217
Major cash outflow on maturity	9,174,182	5,048,281	412,323	840,980	324,836	547,762
Gap	2,077,094	(3,017,857)	(1,330,269)	485,460	717,305	5,222,455

	Total	December 31, 2020				
		For remaining period to maturity date				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow on maturity	\$ 12,930,661	\$ 3,418,276	\$ 1,036,717	\$ 985,904	\$ 1,620,638	\$ 5,869,126
Major cash outflow on maturity	9,217,346	4,710,162	2,290,065	825,221	593,698	798,200
Gap	3,713,315	(1,291,886)	(1,253,348)	160,683	1,026,940	5,070,926

Note: This table includes only financial assets/liabilities held by SCB.

#### 44. 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, 2021	December 31, 2020	Trust Liabilities	December 31, 2021	December 31, 2020
Bank deposit	\$ 7,375,059	\$ 7,491,220	Accounts payable	\$ 161	\$ 474
Short-term investments	90,663,600	83,471,837	Depository of security payable	73,234,289	74,965,228
Net asset value of collective investment trust fund	7,960,305	5,773,176	Trust capital	138,760,691	124,472,786
Accounts receivable	9,518	26,088	Accumulated (loss) gain and equity	206,815	187,974
Land	27,760,022	24,675,486			
Buildings and improvement, net	92,954	176,641			
Construction in progress	5,049,288	2,991,661			
Securities in custody	73,234,289	74,965,228			
Other assets	56,921	55,125			
Total trust assets	<u>\$ 212,201,956</u>	<u>\$ 199,626,462</u>	Total trust liabilities	<u>\$ 212,201,956</u>	<u>\$ 199,626,462</u>

##### Trust Asset Lists

Item	December 31, 2021	December 31, 2020
Cash in banks	\$ 7,375,059	\$ 7,491,220
Short-term investment		
Funds	67,990,417	62,304,964
Bonds	15,997,545	17,760,377
Common stock	3,469,653	2,746,266
Preferred stock	3,087,465	572,208
Structured instruments	118,520	88,022
Net asset value of collective trust accounts	7,960,305	5,773,176
Receivables	9,518	26,088
Land	27,760,022	24,675,486
Buildings and improvement, net	92,954	176,641
Construction in progress	5,049,288	2,991,661
Depository of securities	73,234,289	74,965,228
Other assets - principal deferred expense	56,921	55,125
Total	<u>\$ 212,201,956</u>	<u>\$ 199,626,462</u>

##### Income Statements of Trust Account

	For the Year Ended December 31	
	2021	2020
Trust income		
Cash dividends on common stock	\$ 73,892	\$ 100,438
Interest income	14,959	15,320
Donation income	631	1,357
Realized investment gains	18,385	18,541
Unrealized investment gains	227,319	338,333
Other revenue	59,401	54,892
	<u>394,587</u>	<u>528,881</u>
Trust expenses		
Tax expenditures	36,632	61,882
Management expenses	7,151	5,440
Service expenses	9,437	5,646
Realized investment losses	3	49
Unrealized investment losses	163,950	197,839
Donation expenses	2,679	2,335
Other expenses	-	22
	<u>219,852</u>	<u>273,213</u>
Income before income tax	<u>174,735</u>	<u>255,668</u>
Income tax expense	-	-
Net income	<u>\$ 174,735</u>	<u>\$ 255,668</u>

## 45. EXCHANGE RATE INFORMATION OF FOREIGN FINANCIAL ASSETS AND LIABILITIES

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

### 45.1 The Bank

	December 31					
	2021			2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<b>Financial assets</b>						
Monetary items						
Cash and cash equivalents						
USD	\$ 445,460	27.6550	\$ 12,319,196	\$ 610,234	28.0990	\$ 17,146,965
JPY	34,668,959	0.2404	8,334,418	18,800,695	0.2725	5,123,189
CNY	215,743	4.3421	936,778	827,545	4.3254	3,579,463
Due from the Central Bank and call loans to banks						
USD	1,825,454	27.6550	50,482,930	2,305,174	28.0990	64,773,084
VND	640,000,000	0.0012	768,000	520,000,000	0.0012	624,000
CNY	122,800	4.3421	533,210	553,300	4.3254	2,393,244
Receivables						
USD	84,389	27.6550	2,333,778	-	28.0990	-
JPY	1,660,240	0.2404	399,122	2,390,667	0.2725	651,457
HKD	28,799	3.5465	102,136	11,642	3.6247	42,199
Discounts and loans						
USD	4,145,859	27.6550	114,653,731	4,408,807	28.0990	123,883,068
EUR	464,115	31.3774	14,562,722	503,399	34.5814	17,408,242
HKD	3,920,675	3.5465	13,904,674	4,033,377	3.6247	14,619,782
Financial assets at FVTOCI						
USD	2,101,469	27.6550	58,116,125	2,132,552	28.0990	59,922,579
CNY	2,428,982	4.3421	10,546,883	1,646,956	4.3254	7,123,743
AUD	224,379	20.0969	4,509,322	92,031	21.6531	1,992,756
Financial assets measured at amortized cost						
SGD	71,265	20.4723	1,458,958	60,628	21.2613	1,289,030
USD	17,974	27.6550	497,071	107,324	28.0990	3,015,697
Financial assets at FVTPL						
USD	23,585	27.6550	652,243	34,070	28.0990	957,333
AUD	88	20.0969	1,769	9	21.6531	195
EUR	42	31.3774	1,318	57	34.5814	1,971
Other financial assets						
CNY	-	-	-	300,000	4.3254	1,297,620
Non-monetary items						
Equity investments under the equity method						
USD	2,660,471	27.6550	73,575,326	2,610,607	28.0990	73,355,441
HKD	90,388	3.5465	320,385	85,310	3.6247	309,224
<b>Financial liabilities</b>						
Monetary items						
Payables						
USD	89,044	27.6550	2,462,512	180,448	28.0990	5,070,408
JPY	1,693,730	0.2404	407,173	1,285,370	0.2725	350,263
EUR	2,576	31.3774	80,828	4,142	34.5814	143,236
Deposits from the central bank and other banks						
HKD	1,939,000	3.5465	6,876,664	1,932,000	3.6247	7,002,920
USD	92,641	27.6550	2,561,987	157,241	28.0990	4,418,315
VND	1,457,000,000	0.0012	1,748,400	1,070,000,000	0.0012	1,284,000
Deposits and remittances						
USD	10,022,437	27.6550	277,170,495	9,488,737	28.0990	266,624,021
CNY	4,132,735	4.3421	17,944,749	5,142,221	4.3254	22,242,163
EUR	564,545	31.3774	17,713,954	433,662	34.5814	14,996,639
Financial liabilities at FVTPL						
USD	88,223	27.6550	2,439,804	92,085	28.0990	2,587,496
AUD	88	20.0969	1,769	9	21.6531	195
EUR	29	31.3774	910	44	34.5814	1,522

## 45.2 SCB (HK)

	December 31					
	2021			2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<b>Financial assets</b>						
Monetary items						
Cash and cash equivalents						
USD	\$ 182,804	27.6550	\$ 5,055,445	\$ 98,931	28.0990	\$ 2,779,862
EUR	155,899	31.3774	4,891,705	114,040	34.5814	3,943,663
JPY	19,334,657	0.2404	4,648,052	7,992,744	0.2725	2,178,023
Due from the Central Bank and call loans to banks						
USD	1,903,114	27.6550	52,630,618	2,499,454	28.0990	70,232,158
CNY	2,263,641	4.3421	9,828,956	1,989,966	4.3254	8,607,399
Receivables						
USD	47,682	27.6550	1,318,646	58,257	28.0990	1,636,963
CNY	42,236	4.3421	183,393	6,270	4.3254	27,120
Discounts and loans						
USD	4,775,423	27.6550	132,064,323	4,691,083	28.0990	131,814,741
CNY	5,418,566	4.3421	23,527,955	5,598,884	4.3254	24,217,413
GBP	496,453	37.3467	18,540,881	498,340	38.3383	19,105,508
<b>Financial liabilities</b>						
Monetary items						
Payables						
USD	25,560	27.6550	706,862	26,582	28.0990	746,928
CNY	40,825	4.3421	177,266	589,303	4.3254	2,548,971
Deposits from the central bank and other banks						
USD	579,281	27.6550	16,020,016	345,747	28.0990	9,715,145
CNY	1,480,145	4.3421	6,426,938	1,705,144	4.3254	7,375,430
GBP	154,590	37.3467	5,773,426	162,209	38.3383	6,218,817
Deposits and remittances						
USD	8,005,923	27.6550	221,403,801	8,216,863	28.0990	230,885,633
CNY	15,498,812	4.3421	67,297,392	13,087,454	4.3254	56,608,474

## 46. OTHERS

Owing to the global outbreak of corona virus pandemic, most countries eased monetary policy sharply to cushion themselves from economic recession. The impacts on the banking industry include reduction of interest rates, increase in credit risk and high volatility of market value. The Bank's business strategies always follow the stable and practical core values. Despite facing the global economic turmoil, the Bank still maintained a steady growth of capital. The annual consolidated financial statements included relevant material information.

## 47. ADDITIONAL DISCLOSURES

47.1 Information of significant transaction items and 47.2 Other business investment is as follows:

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

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

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

47.1.4 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- Table 4.

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

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

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

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

47.1.9 Sale of non-performing loans: None.

- 47.1.10 Application for approval of securitization product types and information according to Financial Asset Securitization Clause of the Real State Securitization Act: None.
- 47.1.11 Other significant transactions which may have effects on decision making of financial statement users: None.
- 47.1.12 Names, locations, and other information of investees on which the Bank exercises significant influence: Table 5.
- 47.1.13 Derivative financial transactions: Note 8 on which the Bank exercises significant influence has no such transactions.

47.3 Investments in Mainland China:

- 47.3.1 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.
- 47.3.2 Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss: Not applicable.

47.4 Significant transactions and the amount among the parent and its subsidiaries: Table 7.

47.5 Information of major shareholders:

list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Not applicable.

## 48. SEGMENT INFORMATION

Information reported to the chief operating decision maker focuses on the major geographical areas and profit or loss of the segments. The Group's segments mainly operate in Taiwan and Hong Kong.

The Group provides income before tax of each operating segment to the chief operating decision maker as the basis of resource allocation and assessment of segment performance.

The significant accounting policies of each operating segment are in line with the Group's significant accounting policies stated in Note 4.

**The operating segments information is as follows:**

	For the Year Ended December 31, 2021				
	Taiwan	Hong Kong	Others	Other Adjustments	Total
Net interest	\$ 11,640,622	\$ 13,114,166	\$ 1,715,500	\$ 7	\$ 26,470,295
Net revenue other than from interest	<u>5,548,567</u>	<u>5,770,164</u>	<u>280,814</u>	<u>102,662</u>	<u>11,702,207</u>
Net revenue	17,189,189	18,884,330	1,996,314	102,669	38,172,502
Provisions for bad-debt expense, commitment and guarantee liability	(900,164)	(80,450)	(261,143)	-	(1,241,757)
Operating expenses	<u>(7,344,213)</u>	<u>(6,088,138)</u>	<u>(1,328,868)</u>	<u>(30,177)</u>	<u>(14,791,396)</u>
Profit before income tax	<u>\$ 8,944,812</u>	<u>\$ 12,715,742</u>	<u>\$ 406,303</u>	<u>\$ 72,492</u>	<u>\$ 22,139,349</u>

  

	For the Year Ended December 31, 2020				
	Taiwan	Hong Kong	Others	Other Adjustments	Total
Net interest	\$ 11,621,930	\$ 13,483,127	\$ 1,283,547	\$ 6	\$ 26,388,610
Net revenue other than from interest	<u>4,932,720</u>	<u>5,902,914</u>	<u>496,653</u>	<u>110,880</u>	<u>11,443,167</u>
Net revenue	16,554,650	19,386,041	1,780,200	110,886	37,831,777
Provisions for bad-debt expense, commitment and guarantee liability	(900,000)	(458,174)	(313,742)	-	(1,671,916)
Operating expenses	<u>(7,138,359)</u>	<u>(6,147,450)</u>	<u>(1,287,333)</u>	<u>(32,951)</u>	<u>(14,606,093)</u>
Profit before income tax	<u>\$ 8,516,291</u>	<u>\$ 12,780,417</u>	<u>\$ 179,125</u>	<u>\$ 77,935</u>	<u>\$ 21,553,768</u>

The Group did not periodically provide information on all assets of each operating segment to the chief operating decision maker, thus the amount of assets was zero.

### Main operating clients

The Group's revenue from any single external client did not exceed 10% of the total revenue, thus main operating clients were not disclosed.



**TABLE 1**

**THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES**

**OVERDUE LOANS AND RECEIVABLES**

**DECEMBER 31, 2021 AND 2020**

**(In Thousands of New Taiwan Dollars, %)**

Date			December 31, 2021					December 31, 2020				
Business			Overdue Loans (Note 1)	Loans	NPL Ratio (%) (Note 2)	Loan Loss Reserve(LLR)	Coverage Ratio (Note 3)	Overdue Loans (Note 1)	Loans	NPL Ratio (%) (Note 2)	Loan Loss Reserve(LLR)	Coverage Ratio (Note 3)
Corporate banking	Secured		386,910	285,324,670	0.14	3,296,432	851.99	794,595	302,634,799	0.26	3,426,243	431.19
	Unsecured		153,242	198,650,305	0.08	2,105,034	1,373.67	314,647	185,808,307	0.17	2,016,435	640.86
Consumer banking	Mortgage (Note 4)		398,236	249,357,470	0.16	4,194,529	1,053.28	496,246	247,234,190	0.20	3,955,777	797.14
	Cash cards		-	-	-	-	-	-	-	-	-	-
	Microcredit (Note 5)		3,271	3,211,021	0.10	35,857	1,096.21	3,817	2,623,542	0.15	28,156	737.65
	Others (Note 6)	Secured	22,978	32,826,363	0.07	354,584	1,543.15	43,054	30,897,837	0.14	330,647	767.98
		Unsecured	-	-	-	-	-	-	-	-	-	-
Total			964,637	769,369,829	0.13	9,986,436	1,035.25	1,652,359	769,198,675	0.21	9,757,258	590.50
			Overdue Loans (Note 1)	Accounts Receivable	Delinquency Ratio (%) (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Overdue Loans (Note 1)	Accounts Receivable	Delinquency Ratio (%) (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)
Credit cards			5,064	2,797,758	0.18	89,820	1,773.70	6,100	2,510,175	0.24	88,570	1,451.97
Accounts receivable factored without recourse (Note 7)			-	567,807	-	5,678	-	-	479,948	-	4,799	-

Note 1: Overdue loans represent the amounts of overdue 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.”  
Overdue credit card receivables represent the amounts of overdue 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 NPL: Non-performing loans ÷ Outstanding loan balance.  
Ratio of delinquency: Non-performing receivables ÷ Outstanding receivables balance.

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

Note 4: 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: Microcredit, 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 mortgage, cash card, microcredit 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.

Note 8: At the end of February 2022, because the outstanding principal or interest of a specific group exceeded the repayment period of more than three months, it was classified as overdue loans in accordance with the "Assessment Loss Provision of Banks and the Handling of Bad Debt Receipts for Overdue Loans". As a result, the overpayment ratio rose to 0.78% and the allowance for doubtful debt coverage ratio fell to 168.10%.

**THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES**

**OVERDUE LOANS AND RECEIVABLES  
DECEMBER 31, 2021 AND 2020  
(In Thousands of New Taiwan Dollars)**

	December 31, 2021		December 31, 2020	
	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)	-	34,215	-	34,574

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. AND SUBSIDIARIES**

**LOANS AND OTHER INFORMATION  
DECEMBER 31, 2021**

**(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	\$ 86,842	\$ 78,158	\$ 78,158	6%~11%	1	\$ 78,158	-	\$ 1,563	Real estate	\$ 261,829	\$ 383,035	\$ 957,589
1	SCSB Leasing (China) Co., Ltd.	B Co., Ltd.	Entrusted loan receivables	N/A	56,447	56,447	56,447	6%~11%	1	56,447	-	1,129	Real estate	186,450	383,035	957,589
1	SCSB Leasing (China) Co., Ltd.	C Co., Ltd.	Entrusted loan receivables	N/A	147,631	-	-	6%~11%	2	-	Operation turnovers	-	Real estate	-	191,518	383,035

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 corresponds 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. AND SUBSIDIARIES****MARKETABLE SECURITIES HELD****DECEMBER 31, 2021****(Amounts in Thousands of New Taiwan Dollars)**

Holding Company Name	Name	Security Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2020				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	\$ 19,865	100.00	\$ 19,865	Note1
	Krinein Company	Indirect subsidiary	Investments in subsidiaries	2	26,144	100.00	26,144	Note1
	Safehaven Investment Corporation	Indirect subsidiary	Investments in subsidiaries	1	45,230	100.00	45,230	Note1
Wresqueue Limitada	Prosperity Realty Inc.	Indirect subsidiary	Investments in subsidiaries	4	25,993	100.00	25,993	Note1
China Travel Service (Taiwan)	Silks Place Taroko	-	Equity investments under the equity method	20,372	266,850	45.00	266,850	Note1
	CTS Travel International Ltd.	Indirect subsidiary	Investments in subsidiaries	600	7,015	100.00	7,015	
	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	1,314	-	1,314	
SCSB Asset Management Ltd.	SCSB Leasing (China) Co., Ltd.	Indirect subsidiary	Investments in subsidiaries	N/A	973,396	100.00	973,396	Note1
Krinein Company	Shanghai Commercial Bank (HK)	Indirect subsidiary	Investments in subsidiaries	1,920	11,617,544	9.60	11,617,544	Note1
Empresa Inversiones Generales, S.A.	Shanghai Commercial Bank (HK)	Indirect subsidiary	Investments in subsidiaries	9,600	58,087,718	48.00	58,087,718	Note1

Note1: A consolidated entity; the related intercompany transaction was eliminated in the consolidated financial statements.

**TABLE 4**

**THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES**

**RELATED INFORMATION OF INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(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)	Total 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	\$ 1,669,904	\$ 128,132	160,000	-	160,000	100.00	
SCSB Marketing Ltd.	Taiwan	Marketing	100.00	8,589	1,930	500	-	500	100.00	
Paofoong Insurance Company Ltd.	Hong Kong	Insurance	40.00	320,385	17,967	500	-	500	100.00	
Shanghai Commercial Bank (HK)	Hong Kong	Banking and financial	57.60	69,705,262	5,994,491	11,520	-	11,520	57.60	
SCSB Leasing (China) Co., Ltd.	China	Leasing operation	100.00	973,396	15,680	N/A	-	N/A	100.00	
AMK Microfinance Institution Plc.	Cambodia	Microfinance institution	99.99	3,981,362	236,206	7,279	-	7,279	99.99	
Non-financial business										
China Travel Service (Taiwan)	Taiwan	Travel services	99.99	422,875	31,100	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	69,271,540	5,985,532	5	-	5	100.00	
Wresqueue Limitada	Liberia	Securities investment	100.00	322,436	3,716	176	-	176	100.00	
Empresa Inversiones Generales, S.A.	Panama	Securities investment	100.00	19,865	544,054	1	-	1	100.00	
Krinein Company	Cayman Islands	Securities investment	100.00	26,144	108,850	2	-	2	100.00	
Safehaven Investment Corporation	Liberia	Securities investment	100.00	45,230	270	1	-	1	100.00	
Prosperity Realty Inc.	US	Real estate services	100.00	25,993	2,594	4	-	4	100.00	
Silks Place Taroko	Taiwan	Travel services	45.00	266,850	52,201	20,372	-	20,372	45.00	
CTS Travel International Ltd.	Taiwan	Travel services	100.00	7,015	3	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 5

**THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES**

**INVESTMENT IN MAINLAND CHINA**

**DECEMBER 31, 2021**

**(Amounts in Thousands of New Taiwan Dollars and US 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, 2021 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, 2020	Investment Flows		Accumulated Outflow of Investment as of December 31, 2021	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2021 (Note 3)	Accumulated Inward Remittance of Earnings as of December 31, 2021
					Outflow	Inflow					
SCSB Leasing (China) Co., Ltd.	Leasing operation	NT\$ 829,650 US\$ 30,000	Note1(3)	NT\$ 829,650 US\$ 30,000	- -	- -	NT\$ 829,650 US\$ 30,000	100%	NT\$ 15,680 US\$ 562	NT\$ 973,396 US\$ 35,198	\$ -
Bank of Shanghai	Banking business approved by local government	NT\$ 61,686,52 US\$ 2,230,575	Note 4	NT\$ 3,117,908 US\$ 112,743	- -	- -	NT\$ 3,117,908 US\$ 112,743	3%	- -	NT\$ 13,184,037 US\$ 476,732	-
Shanghai Commercial Bank Ltd. - Shenzhen Branch	Banking business approved by local government	NT\$ 3,040,433 US\$ 109,942	Note 4	NT\$ 1,766,961 US\$ 63,893	- -	- -	NT\$ 1,766,961 US\$ 63,893	100%	NT\$ 242,152 US\$ 8,682	NT\$ 2,736,598 US\$ 98,955	-
Shanghai Commercial Bank Ltd. - Shanghai Branch	Banking business approved by local government	NT\$ 3,080,836 US\$ 111,402	Note 4	NT\$ 1,789,749 US\$ 64,717	- -	- -	NT\$ 1,789,749 US\$ 64,717	100%	NT\$ 75,560 US\$ 2,709	NT\$ 3,094,063 US\$ 111,881	-
The Shanghai Commercial & Savings Bank, Ltd. - Wuxi Branch	Banking business approved by local government	NT\$ 2,338,202 US\$ 84,549	Note1(1)	NT\$ 2,338,202 US\$ 84,549	- -	- -	NT\$ 2,338,202 US\$ 84,549	100%	NT\$ (27,466) US\$ (985)	NT\$ 2,479,190 US\$ 89,647	-

2. Upper limit on investments in mainland China:

Accumulated Investment in Mainland China as of December 31, 2021 (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA (Note 3)	Upper Limit on Investment Authorized by Investment Commission MOEA
\$ 9,842,470 (US\$ 355,902)	\$ 10,092,056 (US\$364,927)	\$ 125,542,920

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: Financial report audited by the accounting firm associated with the parent company in Taiwan.

Note 3: Calculated using the exchange rate on December 31, 2021.

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

TABLE 6

## THE SHANGHAI COMMERCIAL &amp; SAVINGS BANK, LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2021  
(In Thousands of New Taiwan Dollars)

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transaction			
				Financial Statement Item	Amount	Term	Percentage of Consolidated Total Gross Sales or Total Assets (Note 3)
0	The Shanghai Commercial & Savings Bank, Ltd.	SCSB Asset Management Ltd.	From parent company to subsidiary	Accounts payable	\$ 123	Note 4	-
		SCSB Asset Management Ltd.	From parent company to subsidiary	Deposits and remittances	318,305	Note 4	-
		SCSB Asset Management Ltd.	From parent company to subsidiary	Other liabilities	61	Note 4	-
		SCSB Asset Management Ltd.	From parent company to subsidiary	Interest expenses	2,839	Note 4	-
		SCSB Asset Management Ltd.	From parent company to subsidiary	Net revenue other than from interest	170	Note 4	-
		SCSB Marketing	From parent company to subsidiary	Other liabilities	20	Note 4	-
		SCSB Marketing	From parent company to subsidiary	Accounts payable	7,779	Note 4	-
		SCSB Marketing	From parent company to subsidiary	Deposits and remittances	12,921	Note 4	-
		SCSB Marketing	From parent company to subsidiary	Interest expenses	56	Note 4	-
		SCSB Marketing	From parent company to subsidiary	Other general and administrative expenses	95,569	Note 4	-
		SCSB Marketing	From parent company to subsidiary	Net revenue other than from interest	85	Note 4	-
		China Travel Service (Taiwan)	From parent company to subsidiary	Accounts payable	75	Note 4	-
		China Travel Service (Taiwan)	From parent company to subsidiary	Deposits and remittances	129,279	Note 4	-
		China Travel Service (Taiwan)	From parent company to subsidiary	Other liabilities	180	Note 4	-
		China Travel Service (Taiwan)	From parent company to subsidiary	Interest expenses	369	Note 4	-
		China Travel Service (Taiwan)	From parent company to subsidiary	Net revenue other than from interest	703	Note 4	-
		China Travel Service (Taiwan)	From parent company to subsidiary	Other general and administrative expenses	1,953	Note 4	-
		CTS Travel International Ltd.	From parent company to subsidiary	Deposits and remittances	5,193	Note 4	-
		CTS Travel International Ltd.	From parent company to subsidiary	Interest expenses	45	Note 4	-
		CTS Travel International Ltd.	From parent company to subsidiary	Accounts payable	16	Note 4	-
		Shancom Reconstruction Inc.	From parent company to subsidiary	Cash and cash equivalents	230,954	Note 4	-
		Shancom Reconstruction Inc.	From parent company to subsidiary	Due from the Central Bank and call loans to banks	50,634	Note 4	-
		Shancom Reconstruction Inc.	From parent company to subsidiary	Accounts payable	1,058	Note 4	-
		Shancom Reconstruction Inc.	From parent company to subsidiary	Deposits and remittances	82,520	Note 4	-
		Shancom Reconstruction Inc.	From parent company to subsidiary	Interest revenue	2	Note 4	-

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transaction			
				Financial Statement Item	Amount	Term	Percentage of Consolidated Total Gross Sales or Total Assets (Note 3)
1	SCSB Asset Management Ltd.	The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Cash and cash equivalents	\$ 318,305	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Accounts receivable	123	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Other assets	61	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Interest revenue	2,839	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Other general and administrative expenses	159	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Right-of-use assets	172	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Lease liabilities	175	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Interest expenses	13	Note 4	-
		Shancom Reconstruction Inc.	From subsidiary to subsidiary	Cash and cash equivalents	275,338	Note 4	-
		Shancom Reconstruction Inc.	From subsidiary to subsidiary	Interest revenue	6,434	Note 4	-
		Shancom Reconstruction Inc.	From subsidiary to subsidiary	Accounts receivable	1,050	Note 4	-
2	SCSB Marketing	The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Cash and cash equivalents	12,921	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Accounts receivable	7,779	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Other assets	20	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Interest revenue	56	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Other general and administrative expenses	80	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Right-of-use assets	287	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Lease liabilities	290	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Interest expenses	7	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Net revenue other than from interest	95,569	Note 4	-
3	China Travel Service (Taiwan)	The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Accounts receivable	75	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Cash and cash equivalents	129,279	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Other assets	180	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Interest revenue	369	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Other general and administrative expenses	703	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Net revenue other than from interest	1,953	Note 4	-
		Shancom Reconstruction Inc.	From subsidiary to subsidiary	Cash and cash equivalents	166	Note 4	-
		CTS Travel International Ltd.	From subsidiary to subsidiary	Net revenue other than from interest	114	Note 4	-
		CTS Travel International Ltd.	From subsidiary to subsidiary	Other general and administrative expenses	826	Note 4	-
4	CTS Travel International Ltd.	The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Cash and cash equivalents	5,193	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Interest revenue	45	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Accounts receivable	16	Note 4	-
		China Travel Service (Taiwan)	From subsidiary to subsidiary	Service fee income	826	Note 4	-
		China Travel Service (Taiwan)	From subsidiary to subsidiary	Other general and administrative expenses	114	Note 4	-



No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transaction			
				Financial Statement Item	Amount	Term	Percentage of Consolidated Total Gross Sales or Total Assets (Note 3)
5	Shancom Reconstruction Inc.	The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Cash and cash equivalents	\$ 50,634	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Accounts receivable	1,058	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Due from the Central Bank and call loans to banks	230,954	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Cash and cash equivalents	82,520	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Interest expenses	2	Note 4	-
		China Travel Service (Taiwan)	From subsidiary to subsidiary	Deposits and remittances	166	Note 4	-
		SCSB Asset Management Ltd.	From subsidiary to subsidiary	Deposits and remittances	275,338	Note 4	-
		SCSB Asset Management Ltd.	From subsidiary to subsidiary	Accounts payable	1,050	Note 4	-
		SCSB Asset Management Ltd.	From subsidiary to subsidiary	Interest expenses	6,434	Note 4	-

Note 1: The parent company and subsidiaries are indicated by the following numbers:

- (1) Parent company: 0.
- (2) Subsidiaries: 1 onward.

Note 2: The directional flow of the various transactions are indicated according to the following types:

- (1) Transactions from parent company to subsidiary.
- (2) Transactions from subsidiary to parent company.
- (3) Transactions from subsidiary to subsidiary.
- (4) Transactions from parent company to indirect subsidiary.
- (5) Transactions from indirect subsidiary to parent company.

Note 3: The percentages are recalculated by the consolidated total assets or the consolidated net sales. If the account belongs to the balance sheets, it will be based on the percentage of its final amount divided by the consolidated total assets. Otherwise, if the account belongs to the income statements, it will be based on the percentage of its average amount divided by the consolidated net revenue.

Note 4: All transactions with related parties were carried out at arm's length.