Stock code: 5876
Taiwan Stock Exchange

The Shanghai Commercial & Savings Bank, Ltd. and Subsidiaries

Consolidated Financial Statements
For the Years Ended December 31, 2018 and 2017 and
Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of The Shanghai Commercial & Savings Bank, Ltd. (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, 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, 2018 and 2017, its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations of IAS (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the ROC (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 the ROC (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 the ROC (Taiwan), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. 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, 2018 are described as follows:

Allowance for Credit Losses on Discounts and Loans

The Group primarily engages in the loan business. As of December 31, 2018, the Group's balance of discounts and loans amounted to $1,040,823,789 thousand, which was significant to the accompanying consolidated financial statements. Starting from January 1, 2018, the Bank conducted its impairment assessment on discounts and loans following the requirement of IFRS No. 9 and the authorities' regulations of recognizing allowance for bad debt . The Bank's management assesses the impairment on discounts and loans using the expected credit loss model. The Group assessed whether the credit risk has increased significantly since initial recognition by taking into consideration factors like the amount of loss on impairment, past experience, current market situation, etc. In addition, credit-impaired loans are also evaluated for possible future recovery. Refer to Notes 4, 5, 14 and 42 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 estimations and the underlying assumptions, we then determined the impairment of loan portfolios as a key audit matter.

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

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

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

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

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

Other Matter

We have also audited the parent company only financial statements of the Bank as of and for the years ended December 31, 2018 and 2017 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 the ROC (Taiwan) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the ROC (Taiwan), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the 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 estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & ToucheTaipei, Taiwan
Republic of China

March 23, 2019

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 the ROC (Taiwan) and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the ROC (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 the ROC (Taiwan). If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2018 AND 2017

(Expressed in Thousands of New Taiwan Dollars)

Codes	ASSETS	December 31, 2018 Amount	%	December 31, 2017 Amount	%
11000	Cash and cash equivalents (Note 6)	$ 60,496,417	3	$ 74,683,305	4
11500	Due from the Central Bank and call loans to banks (Note 7)	191,069,205	10	219,570,594	13
12000	Financial assets measured at fair value through profit or loss (Note 8)	13,580,032	1	10,767,854	1
12100	Financial assets measured at fair value through other comprehensive income (Notes 9, 11 and 40)	436,008,517	23	-	-
12200	Debt instrument investments measured at amortized cost (Notes 10, 11 and 40)	106,071,194	6	-	-
12500	Securities purchased under resale agreements (Note 12)	438,017	-	195,061	-
13000	Receivables, net (Notes 13 and 39)	16,993,738	1	16,705,711	1
13200	Current income tax assets (Note 35)	89,235	-	90,429	-
13500	Discounts and loans, net (Notes 14 and 39)	1,029,803,185	55	926,652,676	53
14000	Available-for-sale financial assets, net (Notes 15 and 40)	-	-	340,550,108	20
14500	Held-to-maturity financial assets, net (Notes 16 and 40)	-	-	112,498,032	7
15000	Investments under the equity method, net (Note 18)	1,738,636	-	1,472,690	-
15500	Other financial assets, net (Note 19)	2,461,333	-	5,814	-
18500	Properties, net (Note 20)	21,546,669	1	21,291,727	1
18700	Investment properties, net (Note 21)	5,661,390	-	5,292,397	-
19000	Intangible assets, net (Note 22)	1,837,331	-	120,099	-
19300	Deferred income tax assets (Note 35)	1,325,996	-	753,867	-
19500	Other assets, net (Note 23)	3,288,862	-	2,849,433	-
10000	Total assets	$ 1,892,409,757	100	$ 1,733,499,797	100
Codes	**LIABILITIES AND EQUITY**				
21000	Due to the Central Bank and banks (Note 24)	$ 60,263,330	3	$ 33,741,735	2
22000	Financial liabilities measured at fair value through profit or loss (Note 8)	3,781,474	-	872,808	-
22500	Securities sold under repurchase agreements (Note 25)	14,629,530	1	29,792,067	2
23000	Payables (Notes 26 and 39)	30,113,575	2	29,282,966	2
23200	Current income tax liabilities (Note 35)	1,168,875	-	2,427,171	-
23500	Deposits and remittances (Notes 27 and 39)	1,520,625,615	80	1,403,780,604	81
24000	Bank debentures (Note 28)	64,785,252	4	52,516,310	3
25500	Other financial liabilities (Note 29)	4,211,038	-	3,284,108	-
25600	Provisions (Notes 30)	2,385,217	-	2,099,179	-
29300	Deferred income tax liabilities (Note 35)	9,411,303	1	9,897,033	1
29500	Other liabilities (Notes 31 and 39)	3,012,622	-	2,772,722	-
20000	Total liabilities	1,714,387,831	91	1,570,466,703	91
	Equity (Notes 33)				
	Equity attributable to owners of the Bank				
	Share capital				
31101	Ordinary shares	41,016,031	2	40,791,031	3
31500	Capital surplus	5,893,238	1	4,655,555	-
	Retained earnings				
32001	Legal reserve	47,832,994	3	44,117,426	3
32003	Special reserve	7,600,814	-	7,538,888	-
32005	Unappropriated earnings	23,499,036	1	21,066,873	1
32000	Total retained earnings	78,932,844	4	72,723,187	4
32500	Other equity	5,396,978	-	4,323,170	-
32600	Treasury shares	(83,144)	-	(83,144)	-
31000	Total equity attributable to owners of the Bank	131,155,947	7	122,409,799	7
38000	Non-controlling interests	46,865,979	2	40,623,295	2
30000	Total equity	178,021,926	9	163,033,094	9
	Total liabilities and equity	$ 1,892,409,757	100	$ 1,733,499,797	100

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 years ended December 31, 2018 and 2017

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

		2018		2017		Change
Codes		Amount	%	Amount	%	(%)
41000	Interest revenue	$ 42,033,449	113	$ 34,524,484	99	22
51000	Interest expenses	14,879,053	40	10,547,675	30	41
49010	Net interest (Notes 34 and 39)	27,154,396	73	23,976,809	69	13
	Non-interest revenue					
49100	Service fee income, net (Note 34)	5,475,395	15	5,072,374	14	8
49200	Gain on financial assets and liabilities measured at fair value through profit or loss (Note 34)	(92,952)	-	1,321,414	4	(107)
49300	Realized gain on available-for-sale financial assets	-	-	1,312,016	4	(100)
49310	Realized gain on financial assets measured at fair value through other comprehensive income (Note 34)	1,107,021	3	-	-	-
49450	Gain on financial assets measured at amortized cost	(1,824)	-	-	-	-
49600	Foreign exchange gain, net	1,558,656	4	1,280,460	4	22
49700	Impairment loss on assets(Note 11)	(27,552)	-	-	-	-
49750	Proportionate share of profit of subsidiaries, associates and joint ventures under equity method, net (Note 18)	119,150	-	237,742	1	(50)
49800	Other non-interest revenue (Note 39)	1,786,084	5	1,563,635	4	14
49020	Total non-interest revenue	9,923,978	27	10,787,641	31	(8)
4xxxx	Consolidated net revenue	37,078,374	100	34,764,450	100	7
58200	Provisions for bad-debt expense, commitment and guarantee liability (Note 14)	638,721	2	832,442	2	(23)
	Operating expenses					
58500	Employee benefits (Notes 32, 34 and 39)	7,792,241	21	7,562,586	22	3
59000	Depreciation and amortization (Note 34)	825,825	2	922,231	3	(10)
59500	Other general and administrative	4,884,906	13	4,238,314	12	15
58400	Total operating expenses	13,502,972	36	12,723,131	37	6
61001	Profit before income tax	22,936,681	62	21,208,877	61	8
61003	Income tax expense (Note 35)	(4,575,035)	(12)	(4,589,911)	(13)	-
64000	Consolidated net income	18,361,646	50	16,618,966	48	10
	Other comprehensive income (loss)					
	Items that will be not reclassified subsequently to profit or loss:					
65201	Remeasurement of defined benefit plans	(101,568)	-	(98,615)	-	3
65204	Gain on investments in equity instruments measured at fair value through other comprehensive income	437,529	1	-	-	-
65220	Income tax relating to items that may be not reclassified subsequently to profit or loss (Note 35)	1,617,775	4	16,717	-	9,577
65200	Subtotal of items that will not be reclassified subsequently to profit or loss	1,953,736	5	(81,898)	-	2,486

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

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

		2018		2017		Change
Codes		Amount	%	Amount	%	(%)
	Items that may be reclassified subsequently to profit or loss:					
65301	Exchange differences on translating foreign operations	3,910,553	11	(8,599,699)	(25)	145
65302	Unrealized gain on available-for-sale financial assets	-	-	(1,475,943)	(4)	100
65307	Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	(86,834)	-	16,594	-	(623)
65309	Loss on debt instruments measured at fair value through other comprehensive income	(1,482,897)	(4)	-	-	-
65310	Allowance loss on debt instruments measured at fair value through other comprehensive income (Note 11)	28,193	-	-	-	-
65320	Income tax relating to items that may be reclassified subsequently to profit or loss (Note 35)	(548,490)	(2)	1,186,376	3	(146)
65300	Subtotal of items that may be reclassified subsequently to profit or loss	1,820,525	5	(8,872,672)	(26)	121
65000	Other comprehensive income for the period, net of income tax	3,774,261	10	(8,954,570)	(26)	142
66000	Total comprehensive income for the period	$ 22,135,907	60	$ 7,664,396	22	189
	Net profit attributable to:					
67101	Owners of the Bank	$ 13,711,971	37	$ 12,385,227	36	11
67111	Non-controlling interests	4,649,675	13	4,233,739	12	10
67100		$ 18,361,646	50	$ 16,618,966	48	10
	Total comprehensive income attributable to:					
67301	Owners of the Bank	$ 15,005,116	41	$ 8,287,050	24	81
67311	Non-controlling interests	7,130,791	19	(622,654)	(2)	1,245
67300		$ 22,135,907	60	$ 7,664,396	22	189
	Earnings per share (Note 36)					
67500	Basic	$3.37		$3.04		
67700	Diluted	$3.37		$3.04		

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

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

(Expressed in Thousands of New Taiwan Dollars)

Codes		Equity Attributable to Owners of the Bank (Note 33)											
		Share Capital		Retained Earnings			Other Equity						
		Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Change in Financial Assets at Fair Value Through Other Comprehensive Income	Treasury Shares	Total Equity attribute to owners of the bank	Non-controlling Interests (Note 33)	Total Equity
A1	Balance at January 1, 2017	$ 40,791,031	$ 4,647,655	$ 40,592,926	$ 7,480,146	$ 18,465,441	$ 2,442,274	$ 5,897,175	$ -	$ (83,144)	$ 120,233,504	$ 42,788,926	$ 163,022,430
	Appropriation of 2016 earnings												
B1	Legal reserve	-	-	3,524,500	-	(3,524,500)	-	-	-	-	-	-	-
B3	Special reserve	-	-	-	58,742	(58,742)	-	-	-	-	-	-	-
B5	Cash dividends	-	-	-	-	(6,118,655)	-	-	-	-	(6,118,655)	-	(6,118,655)
C7	Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	7,900	-	-	-	-	-	-	-	7,900	-	7,900
D1	Net profit for the year ended December 31, 2017	-	-	-	-	12,385,227	-	-	-	-	12,385,227	4,233,739	16,618,966
D3	Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	(81,898)	(4,006,743)	(9,536)	-	-	(4,098,177)	(4,856,393)	(8,954,570)
D5	Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	12,303,329	(4,006,743)	(9,536)	-	-	8,287,050	(622,654)	7,664,396
O1	Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,542,977)	(1,542,977)
Z1	Balance at December 31, 2017	40,791,031	4,655,555	44,117,426	7,538,888	21,066,873	(1,564,469)	5,887,639	-	(83,144)	122,409,799	40,623,295	163,033,094
A3	Effect of retrospective application and retrospective restatement	-	-	-	-	55,374	-	(5,887,639)	5,453,000	-	(379,265)	(16,386)	(395,651)
A5	Balance at January 1, 2018 as restated	40,791,031	4,655,555	44,117,426	7,538,888	21,122,247	(1,564,469)	$ -	5,453,000	(83,144)	122,030,534	40,606,909	162,637,443
	Appropriation of 2017 earnings												
B1	Legal reserve	-	-	3,715,568	-	(3,715,568)	-	-	-	-	-	-	-
B3	Special reserve	-	-	-	61,926	(61,926)	-	-	-	-	-	-	-
B5	Cash dividends	-	-	-	-	(7,342,386)	-	-	-	-	(7,342,386)	-	(7,342,386)
C7	Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	9,480	-	-	-	-	-	-	-	9,480	-	9,480
C17	Dividends not yet collected	-	686,631	-	-	-	-	-	-	-	686,631	-	686,631
D1	Net profit for the year ended December 31, 2018	-	-	-	-	13,711,971	-	-	-	-	13,711,971	4,649,675	18,361,646
D3	Other comprehensive income for the year ended December 31, 2018, net of income tax	-	-	-	-	(70,200)	1,398,760	-	(35,415)	-	1,293,145	2,481,116	3,774,261
D5	Total comprehensive income for the year ended December 31, 2018	-	-	-	-	13,641,771	1,398,760	-	(35,415)	-	15,005,116	7,130,791	22,135,907
E1	Capital increase via cash	225,000	541,572	-	-	-	-	-	-	-	766,572	-	766,572
Q1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	(145,102)	-	-	145,102	-	-	-	-
O1	Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(871,721)	(871,721)
Z1	Balance at December 31, 2018	$ 41,016,031	$ 5,893,238	$ 47,832,994	$ 7,600,814	$ 23,499,036	$ (165,709)	$ -	$ 5,562,687	$ (83,144)	$ 131,155,947	$ 46,865,979	$ 178,021,926

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 years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

Codes		2018	2017
	Cash flows from operating activities		
A00010	Consolidated net profit before income tax	$ 22,936,681	$ 21,208,877
A20010	Adjustments to reconcile net profit to net cash provided by operating activities		
A20100	Depreciation expenses	610,619	660,850
A20200	Amortization expenses	215,206	261,381
A20300	Bad debt expense, commitment and guarantee liability provisions	638,721	832,442
A21400	Expected credit impairment loss	27,552	-
A20400	Loss (gain) on financial assets and liabilities at fair value through profit or loss	462,649	(342,529)
A20900	Interest expenses	14,879,053	10,547,675
A21200	Interest revenue	(42,033,449)	(34,524,484)
A21300	Dividend income	(927,358)	(599,149)
A22400	Proportionate share of profit of associates and joint ventures	(119,150)	(237,742)
A22500	Loss (gain) on disposal of properties and equipment, net	8,952	(283,275)
A29900	Other adjustments	71,860	(34,568)
A40000	Changes in operating assets and liabilities		
A41110	Decrease in due from the Central Bank and call loans to banks	4,046,667	36,783,347
A41120	Decrease in financial assets at fair value through profit or loss	36,087	3,186,381
A41123	Increase in financial assets at fair value through other comprehensive income	(95,142,727)	-
A41125	Decrease in debt instrument investments measured at amortized cost	7,457,341	-
A41150	Decrease (increase) in receivables	1,194,661	(2,230,913)
A41160	Increase in discounts and loans	(86,214,535)	(77,515,498)
A41170	Increase in available-for-sale financial assets	-	(7,388,918)
A41180	Increase in held-to-maturity financial assets	-	(40,710,374)
A41190	(Increase) decrease in other financial assets	(2,457,351)	935
A42110	Increase (decrease) in due to the Central Bank and banks	23,597,626	(1,686,931)
A42120	Increase (decrease) in financial liabilities at fair value through profit or loss	510,677	(261,895)
A42140	(Decrease) increase in securities sold under repurchase agreements	(15,162,537)	19,605,855
A42150	(Decrease) increase in payables	(82,153)	3,707,529
A42160	Increase in deposits and remittances	112,758,463	71,361,823
A42170	Increase (decrease) in other financial liabilities	644,690	(231,970)
A42180	Increase in employee benefit provisions	105,028	378,915
A42990	(Decrease) increase in other liabilities	(409,940)	681,184
A33000	Cash generated from (used in) operations	(52,346,667)	3,168,948
A33100	Interest received	41,568,705	34,931,595
A33200	Dividends received	917,878	580,751
A33300	Interest paid	(14,094,516)	(9,860,548)
A33500	Income tax paid	(5,383,458)	(2,410,366)
AAAA	Net cash generated from (used in) operating activities	(29,338,058)	26,410,380

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

(Expressed in Thousands of New Taiwan Dollars)

Codes		2018	2017
	Cash flows from investing activities		
B02700	Acquisition of properties	$ (491,555)	$ (722,230)
B02800	Proceeds from disposal of properties	4,790	544,973
B03700	Increase in refundable deposits	(64)	(1,016)
B03800	Decrease in refundable deposits	51,873	96,163
B05000	Acquisition of subsidiaries	(1,688,468)	-
B05400	Acquisition of investment properties	(54,847)	(4,009)
B06700	(Increase) decrease in other assets	(798,318)	447,298
BBBB	Net cash generated from (used in) investing activities	(2,976,589)	361,179
	Cash flows from financing activities		
C01400	Issuance of bank debentures	14,155,462	17,556,062
C01500	Payments for bank debentures	-	(3,000,000)
C03000	Increase in guarantee deposits received	185,909	245,150
C03100	Decrease in guarantee deposits received	-	(8,708)
C04600	Capital Increased by cash	758,797	-
C05600	Payment of cash dividend	(7,332,906)	(6,110,755)
C05800	Changes in non-controlling interests	(1,499,242)	(1,542,977)
CCCC	Net cash generated from financing activities	6,268,020	7,138,772
DDDD	Effects of exchange rate changes on the balance of cash held in foreign currencies	1,679,527	(5,963,928)
EEEE	Net increase (decrease) in cash and cash equivalents	(24,367,100)	27,946,403
E00100	Cash and cash equivalents at the beginning of the period	191,204,401	163,264,050
E00200	Cash and cash equivalents at the end of the period	$ 166,837,301	$ 191,210,453

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, 2018 and 2017:

Codes		2018	2017
E00210	Cash and cash equivalents in consolidated balance sheets	$ 60,496,417	$ 74,683,305
E00220	Due from the Central Bank and call loans to banks which fall within the definition of cash and cash equivalents under IAS 7	105,902,867	116,332,087
E00230	Securities purchased under resale agreements which fall within the definition of cash and cash equivalents under IAS 7	438,017	195,061
E00200	Cash and cash equivalents in consolidated statements of cash flows	$ 166,837,301	$ 191,210,453

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

1. ORGANIZATION AND OPERATIONS

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

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

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

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

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

2. AUTHORIZATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

–IFRS 9 "Financial Instruments" and related amendments

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

Recognition, measurement and impairment of financial assets

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

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

Financial Assets	Measurement		Carry Amount		Note
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	Loans and receivables	Measured at amortized cost	$ 74,683,305	$ 74,683,050	
Due from the Central Bank and call loans to banks	Loans and receivables	Measured at amortized cost	219,570,594	219,564,797	
Derivatives	Held-for-trading financial assets	Mandatorily at fair value through profit or loss	2,579,792	2,571,280	
Hybrid instruments	Designated at fair value through profit or loss	Mandatorily at fair value through profit or loss	705,418	705,418	
Share investments	Held-for-trading financial assets	Mandatorily at fair value through profit or loss	133,487	133,487	
	Held-for-trading financial assets	Investments in equity instruments at fair value through other comprehensive income	4,050	4,050	
	Available-for-sale financial assets	Mandatorily at fair value through profit or loss	561,098	561,098	(2)
	Available-for-sale financial assets	Investments in equity instruments at fair value through other comprehensive income	17,104,344	16,855,809	(1)
	Measured at cost financial assets	Investments in equity instruments at fair value through other comprehensive income	5,179	5,081	(1)
Beneficiary certificates	Held-for-trading financial assets	Mandatorily at fair value through profit or loss	11,408	11,408	
	Available-for-sale financial assets	Mandatorily at fair value through profit or loss	3,593,680	3,593,680	(2)
Bond investments	Held-for-trading financial assets	Mandatorily at fair value through profit or loss	7,333,699	7,333,699	
	Available-for-sale financial assets	Mandatorily at fair value through profit or loss	184,622	184,622	(2)
	Available-for-sale financial assets	Investments in debt instruments at fair value through other comprehensive income	315,866,221	315,866,221	
	Available-for-sale financial assets	Measured at amortized cost	3,240,143	3,238,753	(3)
	Held-to-maturity investments	Measured at amortized cost	108,793,389	108,793,373	(4)
	Held-to-maturity investments	Investments in debt instruments at fair value through other comprehensive income	3,704,643	3,704,643	(5)
Accounts receivable and other receivables	Accounts receivable	Measured at amortized cost	16,706,346	16,685,334	(6)
Discounts and loans	Loans and receivables	Measured at amortized cost	926,652,676	926,584,277	(7)

	January 1, 2018 Carrying Amount (IAS 39)	Reclassification	Remeasurement	January 1, 2018 Carrying Amount (IFRS 9)	January 1, 2018 Retained Earnings Effects	January 1, 2018 Other Effects	Note
Financial assets at fair value through profit or loss	$ 10,767,854	$ -	($ 8,512)	$ 10,759,342	$ -	$ -	
Add: Reclassified from Held-for-trading financial assets (IAS 39) Mandatorily	-	4,339,400	-	4,339,400	209,959	(209,959)	(2)
Less: Reclassified to financial assets at fair value through other comprehensive income - equity instruments (IFRS 9)	-	(4,050)	-	(4,050)	-	-	
	10,767,854	4,335,350	(8,512)	15,094,692	209,959	(209,959)	
Financial assets at fair value through other comprehensive income							
Debt instruments							
Add: Reclassified from Held-to-maturity investments (IAS 39)	-	3,704,643	-	3,704,643	-	-	(5)
Add: Reclassified from available-for-sale financial assets (IAS 39)	-	315,866,221	-	315,866,221	(72,536)	72,536	
Equity instruments							
Add: Reclassified from financial assets at fair value through profit or loss (IAS 39)	-	4,050	-	4,050	-	-	
Add: Reclassified from available-for-sale financial assets (IAS 39)	-	17,109,523	(248,633)	16,860,890	-	(248,633)	(1)
	-	336,684,437	(248,633)	336,435,804	(72,536)	(176,097)	
Financial assets at amortized cost							
Add: Reclassified from available-for-sale financial assets	-	3,240,143	(1,390)	3,238,753	(1,390)	-	(3)
Add: Reclassified from held-to-maturity investments (IAS 39)	-	108,793,389	(16)	108,793,373	(16)	-	(4)
	-	112,033,532	(1,406)	112,032,126	(1,406)	-	
Total	$ 10,767,854	$ 453,044,807	($ 250,039)	$ 463,562,622	$ 136,017	($ 386,056)	

(1) Unlisted share investments were originally classified as available-for-sale financial assets under IAS 39. Because they are not held for trading, they are measured at fair value through other comprehensive income (FVTOCI) in accordance with IFRS 9 and are re-measured at fair value; therefore, the unrealized gain and loss on financial assets at FVTOCI decreased by $248,633 thousand on January 1, 2018.

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

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

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

retained earnings on January 1, 2018 by $16 thousand.

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

(6) Receivables, which were classified as loans and receivables under IAS 39, are classified as financial assets at amortized cost in accordance with IFRS 9, and they are assessed for expected credit loss. Due to retrospective application, the expected credit loss increased by $21,012 thousand, and the Bank's retained earnings decreased by $21,012 thousand on January 1, 2018.

(7) Discounts and loans, which were classified as loans and receivables under IAS 39, are classified as financial assets at amortized cost in accordance with IFRS 9, and they are assessed for expected credit loss. Due to retrospective application, the expected credit loss increased by $68,399 thousand, and the Bank's retained earnings decreased by $68,399 thousand on January 1, 2018.

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

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

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

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

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

IFRS 16 "Leases"

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

Definition of leases

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

The Bank as lessee

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

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

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

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

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

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

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

The Bank as lessor

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

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Other assets, net	$ 3,288,862	$ (17,368)	$ 3,271,494
Right-of-use assets	-	2,118,766	2,118,766
Total effect on assets	$ 3,288,862	$ 2,101,398	$ 5,390,260
Accounts payable	$ 30,113,575	$ (3,121)	$ 30,110,454
Liabilities provisions	2,385,217	2,748	2,387,965
Lease liabilities	-	2,101,771	2,101,771
Total effect on liabilities	$ 32,498,792	$ 2,101,398	$ 34,600,190

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

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

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

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

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

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

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

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 related regulations endorsed by the FSC.

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:

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

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

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

Classification of Current and Non-current Assets and Liabilities

Since the operating cycle in the banking industry cannot be reasonably identified, accounts included in the Group's consolidated financial statements are not classified as current or noncurrent.

Nevertheless, these accounts are properly categorized according to the nature of each account and sequenced by liquidity

Basis of Consolidation

This consolidated financial statements contain the financial statements of the Bank and the individuals (subsidiaries) controlled by the Bank. The consolidated statements of profit or loss have been included in 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 transactions, account balances, income and losses have been eliminated. The total consolidated profit and loss of the subsidiaries is attributed to the principal and non-controlling interests of the industry, even if the non-controlling interests become the balance of losses.

For subsidiary details, shareholding ratios and business items, refer to Note 17 and attachment 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.

Foreign Currencies

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

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

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

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Grou up’s foreign operations (including of the subsidiaries, associates, joint ventures orbranchesoperations in other countries or currencies used are different from the Bank) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Bank and non-controlling interests as appropriate)

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. When the original recognition of financial assets and financial liabilities is not financial assets or financial liabilities at fair value through profit or loss (FVTPL), the fair value is directly attributable to the transaction costs of acquiring or issuing financial assets or financial liabilities. Transaction costs directly attributable to the acquisition or issue of financial assets or financial liabilities at FVTPL are recognized as current expenses.

Financial assets

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

(1) Measurement

2018

The 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 42.

B. Financial assets at amortized cost

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

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

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

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

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

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

C. Investments in debt instruments at FVTOCI

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

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

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

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

D. Investments in equity instruments at FVTOCI

On initial recognition, the 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.

2017

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

A. Financial assets at FVTPL

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

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

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

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

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

Fair value is determined in the manner described in Note 42. Financial assets at FVTPL are measured at FVTPL.

B. Held-to-maturity financial assets

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

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

C. Available-for-sale financial assets

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

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

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

D. Loans and receivables

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

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

(2) Impairment of financial assets

2018

The 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 (i.e. ECLs) when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the 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 "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" issued by the Banking Bureau of the Financial Supervisory Commission, the credit accounts are categorized into five groups: Normal credit assets, require special mention assets, substandard assets, doubtful assets and full-amount loss based on clients' financial conditions. After assessing the value of the collateral, the 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%.

2017

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

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

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

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

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

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

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

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

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

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

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

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

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

(3) Derecognition of financial assets

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

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

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

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

Equity instruments

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

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

Financial liabilities

(1) Subsequent measurement

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

A. Financial liabilities at FVTPL

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

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

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

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

ii) The financial liability forms part of a 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 Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

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

For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which does not incorporate any interest or dividends paid on such financial liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in the fair value of the liability are presented in profit or loss. Fair value is determined in the manner described in Note 42.

B. Financial guarantee contracts

2018

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 original recognition.

2017

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

(2) Derecognition of financial liabilities

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

Derivatives

Derivatives signed by the 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.

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

Investment in Associates and Jointly Controlled Entities

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. Joint venture arrangements that involve the establishment of a separate entity in which ventures have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The Group applies equity method to account for investments in associates and jointly controlled entities.

The results and assets and liabilities of associates and jointly controlled entities are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate and jointly controlled entity 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 and jointly controlled entity. The Group also recognizes the changes in the Group’s share of equity of associates and jointly controlled entity 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 and jointly controlled entity recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the 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 and jointly controlled entity 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 and jointly controlled entity. 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 and jointly controlled entity, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate and jointly controlled entity 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 and jointly controlled entity equals or exceeds its interest in that associate and jointly controlled entity, 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 and jointly controlled entity, 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 and jointly controlled entity.

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.

The Group discontinues the use of the equity method from the date on which it ceases to have significant influence and joint control. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate and the jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate and the jointly controlled entity. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate and the jointly controlled entity on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When a group entity transacts with its associate and joint venture, profits and losses resulting from the transactions with the associate and joint venture are recognized in the Group' consolidated financial statements only to the extent that interests in the associate and the joint venture are not related to the Group.

Non-performing Loans

Under guidelines issued by the Banking Bureau of the FSC the balance of loans and other credits extended by the Bank and the related accrued interest thereon are classified as non-performing.
Non-performing loans in the lending business are classified as discounts and loans; otherwise, are classified as other financial assets.

Securities Purchased/Sold Under Resale/Repurchase Agreements

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

Properties and Equipment

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

Depreciation is provided on a straight-line basis over estimated useful lives and the critical components are identified and depreciated separately. Depreciation expense of the land and buildings held by SCB (HK) is computed using the straight-line method over the useful lives under 40 years. Other equipment is computed using declining balance method and the rate is 25% in the year of purchasing and 20% in the subsequent 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 estimate takes effect prospectively.

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

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 and accumulated impairment loss. 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.

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.

Intangible Assets

a. Acquisition separately

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

b. Acquisition by business combination

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

c. 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.

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the 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 subsequently is reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Collaterals Assumed

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

Provisions

Provisions are recognized when the 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.

Revenue Recognition

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

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

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

Leasing

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

a. The Group as lessor

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

b. The Group as lessee

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefit costs

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

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

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

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

c. Employee preferential deposits

The Bank provides current and retired employees preferential interests rates for deposits under certain balances. Differences between preferential rate and interest at market rate are recognized as employee benefits.
Under rule No. 30 of the Regulations Governing the Preparation of Financial Reports by Public Banks, post-retirement preferential interests provided to retired employees should be measured and recognized using actuarial calculation pursuant to IAS No. 19 if variables for

use in the actuarial assumptions are stipulated in official governing rules, then the rules should be applied first.

d. Other long-term employee benefits

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

Share-based payment arrangements

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

Taxation

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

a. Current tax

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

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

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the 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 generally recognized that taxable income will be for use in deducting temporary differences probably.

Deferred tax liabilities are recognized on taxable temporary differences associated with investments in subsidiaries and associates, except where the 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.

c. Current and deferred tax of this period

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Estimated impairment of financial assets - 2018

Estimates of impairment on loans and receivables are based on management’s assumptions about default rates and expected loss rates. The Bank considers historical experience, current market conditions and forward-looking information to make assumptions and select input values for impairment assessments. Refer to Note 42 for the important assumptions and input values used. If the actual cash flows in the future are less than expected, significant impairment losses may occur.

Impairment of loans and receivables - 2017

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

Income tax

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

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

Business combination

The Group acquired an 80.01% equity interest in AMK Microfinance in 2018. The fair value of the assets and liabilities on the acquisition date is based on the expert purchase price allocation report, which will involve a number of financial model assumptions, parameter settings and related estimates. If such assumptions and estimates change, the recognition of the fair value of net identifiable assets may be effected. For business combinations, please refer to Note 38.

6. CASH AND CASH EQUIVALENTS

	December 31, 2018	December 31, 2017
Cash on hand and working fund	$ 8,598,419	$ 8,003,789
Notes and checks in clearing	3,105,616	3,031,515
Due from other banks	48,792,382	63,648,001
	$ 60,496,417	$ 74,683,305

The Group assesses 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 are recognized based on the 12-month expected credit losses. On December 31, 2018, cash and cash equivalents were recognized as allowances of $1,505 thousand.

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

	December 31, 2018	December 31, 2017
Call loans to banks	$ 162,795,368	$ 191,951,410
Deposit reserves - I	5,825,635	7,216,386
Deposit reserves - II	19,651,176	17,480,443
Deposit reserves - foreign	158,795	162,265
Due from foreign central banks	2,638,231	2,760,090
	$ 191,069,205	$ 219,570,594

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

The Group assesses the allowance for due from the Central Bank and call loans to banks in accordance with the expected credit loss model. Due to the low credit risk of due from the Central Bank and call loans to banks, the allowed loss is recognized as 12-month expected credit losses. On December 31, 2018, the allowance recognized for the due from the Central Bank and call loans to banks were in the amount of $2,253 thousand.
On December 31, 2017, the Group's call loans to banks measured by IAS 39 included allowances of $1,929 thousand.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2018	December 31, 2017
Financial assets at fair value through profit or loss		
Held-for-trading financial assets		
Corporate bonds	$ -	$ 4,778,819
Government bonds	-	2,554,333
Forward contracts	-	826,065
Option contracts	-	160,891
Shares	-	137,537
Currency swap contracts	-	56,775
Others	-	35,858
	-	8,550,278
Financial assets designated at fair value through profit or loss		
Bills	-	1,512,158
Structured corporate bond contracts	-	705,418
	-	2,217,576
	-	$ 10,767,854
Financial assets at fair value through profit or loss		
Corporate bonds	8,294,566	-
Beneficiary securities	2,630,218	-
Forward contracts	1,245,817	-
Shares	891,791	-
Option contracts	284,402	-
Others	233,238	-
	13,580,032	-
	$ 13,580,032	$ 10,767,854
Financial liabilities at fair value through profit or loss		
Held-for-trading financial liabilities		
Forward contracts	$ 1,171,737	$ 633,686
Option contracts	319,039	161,881
Others	48,177	77,241
	1,538,953	872,808
Financial liabilities designated at fair value through profit or loss		
Bank debentures	2,242,521	-
	$ 3,781,474	$ 872,808

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

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

	December 31, 2018	December 31, 2017
Option contracts	$ 212,466,269	$ 50,357,650
Forward contracts	137,644,001	60,673,953
Currency swap contracts	19,892,282	16,797,075
Interest rate swap contracts	2,258,760	2,592,341
Asset exchange transactions	1,014,354	712,320
Future contracts	54,209	-

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

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

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

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

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

	December 31, 2018
Financial assets at FVTOCI	
Investments in equity instruments at FVTOCI	
Shares	$ 19,245,827
Investments in debt instruments at FVTOCI	
Bank debentures	186,430,516
Corporate bonds	103,366,162
Government bonds	81,577,905
Commercial paper	43,122,083
Treasury bonds	1,991,732
Asset backed securities	274,292
	416,762,690
	$ 436,008,517

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

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

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

The information of financial assets pledged at FVTOCI, see Note 40.

10. DEBT INSTRUMENT INVESTMENT MEASURED AT AMORTIZED COST - 2018

	December 31, 2018
Negotiable certificates of deposit	$ 88,165,000
Government bonds	12,534,538
Corporate bonds	3,148,504
Bank debentures	1,228,948
Treasury bonds	995,971
Less: Loss allowance	(1,767)
	$ 106,071,194

For the information on financial assets' related credit risk management and impairment at amortized cost, see Note 11.
The information of related financial assets at amortized cost pledged as collateral, see Note 40.

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

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

December 31, 2018

	At FVTOCI	At Amortized Cost	Total
Total carrying amount	$ 418,496,103	$ 106,072,961	$ 524,569,064
Allowance loss	(100,729)	(1,767)	(102,496)
Amortized cost	418,395,374	$ 106,071,194	524,466,568
Fair value adjustment	(1,632,684)		(1,632,684)
	$ 416,762,690		$ 522,833,884

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

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

Credit	Definitions		Expected Credit	December 31,

Rating		Expected Credit Loss Recognition Base	Loss Rate	2018 Total Carrying Amount
Normal	The debtor has a low credit risk and is fully capable of paying off contractual cash flows	12-month expected credit loss	0.000%-1.096 %	$ 524,596,064

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

	At FVTOCI	At Amortized Cost	Total
Balance on January 1, 2018 (IAS 39)	$ -	$ -	$ -
Retrospective application of the impact of IFRS 9	72,536	1,406	73,942
Balance at January 1, 2018 (IFRS 9)	72,536	1,406	73,942
Purchase of new debt instruments	42,175	1,079	43,254
Derecognition	(20,955)	(638)	(21,593)
Model/risk parameter changes	5,891	-	5,891
Exchange rate and other changes	1,082	(80)	1,002
Loss allowance on December 31, 2018	$ 100,729	$ 1,767	$102,496

12. SECURITIES PURCHASED UNDER RESALE AGREEMENTS

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

13. RECEIVABLES, NET

	December 31, 2018	December 31, 2017
Accrued interest	$ 5,931,285	$ 4,784,102
Acceptances	4,001,533	3,766,600
Credit cards receivable	2,894,491	2,818,845
Accounts receivable due from sales of securities	1,000,414	2,697,892
Accounts receivable - factoring	811,314	648,656
Others	2,838,463	2,426,682
	17,477,500	17,142,777
Less allowance for credit losses	(483,762)	(437,066)
	$ 16,993,738	$ 16,705,711

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

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchase or Original Credit Impairment on Financial Assets)	Total
Receivables and other financial assets					
Beginning on January 1, 2018	$ 15,794,845	$ 415,848	$ 431,783	$ 546,774	$ 17,189,250
Changes due to financial assets recognized at the beginning of the period:					
Transfer to lifetime ECLs	(99,860)	71,049	29,774	(4,371)	(3,408)
Transfer to ECLs on financial assets	(10,136)	(12,608)	(5,922)	155,134	126,468
Transfer to 12-month ECLs	330,313	(121,287)	(69,617)	(4,886)	134,523
Financial assets derecognized in the current period	(2,274,650)	(140,655)	(258,310)	(51,009)	(2,724,624)
Purchased or original financial assets	1,474,610	19,473	190,363	-	1,684,446
Write-offs	(10,717)	(15,212)	-	(54,772)	(80,701)
Exchange rate and other changes	1,023,834	29,768	37,085	64,223	1,154,910
Balance on December 31, 2018	$ 16,228,239	$ 246,377	$ 355,156	$ 651,093	$ 17,480,865

	12-Month Expected Credit Loss	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchase or Original Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The difference of impairment under the decree regulation	Total
Allowance							
January 1, 2018	$ 60,993	$ 46,673	$ 8,152	$ 363,619	$ 479,437	$ 24,479	$ 503,916
Changes due to financial assets recognized at the beginning of the period:							
Transfer to lifetime ECLs	(2,475)	35,715	1,398	(2,227)	32,410	-	32,410
Transfer to ECLs on financial assets	(313)	(804)	(469)	34,523	32,937	-	32,937
Transfer to 12-month ECLs	13,313	(14,724)	(3,379)	(1,099)	(5,889)	-	(5,889)
Financial assets derecognized in the current period	(8,046)	(12,938)	(518)	(36,335)	(57,837)	-	(57,837)
Purchased or original financial assets	10,522	8,154	403	-	19,079	-	19,079
The difference of impairment under the decree regulation	-	-	-	-	-	6,384	6,384
Write-offs	(10,717)	(15,212)	-	(54,772)	(80,701)	-	(80,701)
Recoveries after write-off	-	-	-	34,659	34,659	-	34,659
Exchange rate and other changes	471	635	431	192	1,976	-	1,976
December 31, 2018	$ 63,747	$ 47,499	$ 6,018	$ 338,807	$ 456,071	$ 30,863	$ 486,934

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

	For the Year Ended December 31, 2017
January 1, 2017	$ 430,803
Provisions	73,329
Write-offs	(48,130)
Recoveries	33,989
Effects of exchange rate changes	(7,087)
December 31, 2017	$ 482,904

Item	December 31, 2017 Receivables	December 31, 2017 Allowance
With objective evidence of impairment		
Individually assessed	$ 47,730	$ 44,564
Collectively assessed	191,022	106,411
With no objective evidence of impairment		
Collectively assessed	6,803,331	331,929
Total	$ 7,042,083	$ 482,904

14. DISCOUNTS AND LOANS, NET

	December 31, 2018	December 31, 2017
Loans	$ 1,014,096,799	$ 913,989,681
Inward/outward documentary bills	22,782,139	20,267,780
Non-performing loans	3,384,938	2,162,624
	$ 1,040,263,876	936,420,085
Discount and premium adjustments	559,913	741,351
Allowance for credit losses	(11,020,604)	(10,508,760)
	$ 1,029,803,185	$ 926,652,676

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

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

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

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchase or Original Credit Impairment on Financial Assets)	Lifetime ECLs (Purchase or Original Credit Impairment on Financial Assets)	Total
Discounts and loans						
Beginning on January 1, 2018	$ 901,424,075	$ 18,495,197	$ 11,837,870	$ 4,552,994	$ 109,949	$ 936,420,085
Changes due to financial assets recognized at the beginning of the period:						
Transfer to lifetime ECLs	(10,876,272)	5,742,157	4,947,536	143,141	-	(43,438)
Transfer to ECLs on financial assets	(1,304,764)	(788,532)	(127,033)	873,677	-	(1,346,652)
Transfer to 12-month ECLs	4,211,141	(9,737,955)	(2,092,607)	(227,182)	-	(7,846,603)
Financial assets derecognized in the current period	(211,236,865)	(4,352,921)	(3,703,292)	(498,455)	(27,373)	(219,818,906)
Purchased or original financial assets	315,426,232	1,448,622	2,822,440	-	19,847	319,717,141
Acquisitions through business combinations (Note 39)	7,068,137	56,850	-	90,598	-	7,215,585
Write-offs	(45,316)	(126,685)	-	(381,401)	-	(553,402)
Exchange rate and other changes	6,433,353	51,389	22,946	10,542	1,836	6,520,066
Balance at December 31, 2018	$ 1,011,099,721	$ 10,788,122	$ 13,707,860	$ 4,563,914	$ 104,259	$ 1,040,263,876

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchase or Original Credit Impairment on Financial Assets)	Lifetime ECLs (Purchase or Original Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The difference of impairment under the decree regulation	Total
Allowance								
January 1, 2018	$ 1,654,480	$ 1,689,363	$ 186,592	$ 731,304	$ 46,537	$ 4,308,276	$ 6,268,883	$ 10,577,159
Changes due to financial assets recognized at the beginning of the period:								
Transfer to lifetime ECLs	(31,592)	723,807	56,955	3,565	-	752,735	-	752,735
Transfer to ECLs on financial assets	(2,500)	(73,003)	(1,816)	345,875	-	268,556	-	268,556
Transfer to 12-month ECLs	103,177	(1,058,969)	(49,916)	(35,091)	-	(1,040,799)	-	(1,040,799)
Financial assets derecognized in the current period	(384,280)	(253,647)	(31,583)	(34,805)	(918)	(705,233)	-	(705,233)
Purchased or original financial assets	574,985	197,814	32,028	-		804,827	-	804,827
The difference of impairment under the decree regulation	-	-	-	-	-	-	414,132	414,132
Acquisitions through business combinations (Note 39)	72,263	4,836	-	82,600	-	159,699	-	159,699
Write-offs	(45,316)	(126,685)	-	(381,401)	-	(553,402)	-	(553,402)
Recoveries after write-off	-	-	-	193,193	-	193,193	-	193,193
Exchange rate and other changes	56,771	46,259	4,376	41,901	430	149,737	-	149,737
Balance at December 31, 2018	$ 1,997,988	$ 1,149,775	$ 196,636	$ 947,141	$ 46,049	$ 4,337,589	$ 6,683,015	$ 11,020,604

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

	For the Year Ended December 31, 2017
January 1, 2017	$10,242,623
Provisions	757,028
Write-offs	(482,279)
Recoveries	274,176
Effects of exchange rate changes	(282,788)
December 31, 2017	$10,508,760

Item	December 31, 2017	
	Total	Allowances
With objective evidence of impairment		
Individually assessed	$ 2,267,445	$ 592,864
Collectively assessed	7,132,495	1,779,209
With no objective evidence of impairment		
Collectively assessed	927,020,145	8,136,687
Total	$ 936,420,085	$ 10,508,760

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

	December 31	
	2018	2017
Provisions for loans and discounts	$ 494,218	$ 757,028
Provisions for receivables	117,419	2,085
Provisions for reserve for possible losses on guarantees	27,084	73,329
	$ 638,721	$ 832,442

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS-2017

	December 31, 2017
Bank debentures	$ 104,945,766
Corporate bonds	81,930,624
Negotiable certificates of deposit	65,594,624
Government bonds	39,133,662
Commercial papers	24,758,245
Shares	17,299,887
Beneficiary certificates	3,585,605
Treasury bonds	2,979,877
Asset backed securities	321,818
Total	$ 340,550,108

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

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

For more information on the pledged assets, see Note 40.

16. HELD-TO-MATURITY FINANCIAL ASSETS-2017

	December 31, 2017
Negotiable certificates of deposit	$ 98,800,000
Government bonds	11,282,971
Corporate bonds	2,356,690
Bank debentures	58,371
Total	$ 112,498,032

For more information on the pledged assets, see Note 40.

17. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

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

			Proportion of Ownership (%)		
Investor	Investee	Nature of Activities	December 31, 2018	December 31, 2017	Remark
Domestic subsidiaries					
The Bank	China Travel Service (Taiwan)	Traveling	99.99	99.99	
	SCSB Life Insurance Agency	Insurance agency	100.00	100.00	
	SCSB Property Insurance Agency	Insurance agency	100.00	100.00	
	SCSB Marketing Ltd.	Human resource services	100.00	100.00	
	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	Paofoong Insurance Company Ltd.	Insurance	40.00	40.00	
The Bank	AMK Microfinance Institution Plc.	Microfinance	80.01	-	
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)	Paofoong 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	
	Silver Wisdom Westpoint Investments Limited	Property holding	100.00	100.00	

Remarks:This entity is the subsidiary that is a material non-controlling subsidiary.

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

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

b. 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, 2018	December 31, 2017
Shanghai Commercial Bank (H.K.)	Hong Kong	42.4%	42.4%

Name of Subsidiary	Profit Allocated to Non-controlling Interests		Accumulated Non-controlling December 31	
	2018	2017	2018	2017
Shanghai Commercial Bank (H.K.) (excluding NCI in its subsidiaries)	$ 4,639,169	$ 4,005,443	$ 46,198,858	$ 40,524,110

Summarized financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

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

	December 31, 2018	December 31, 2017
Assets	$ 776,338,670	$ 701,302,572
Liabilities	(666,920,867)	(605,434,536)
Non-controlling interests of Shanghai Commercial Bank (H.K.)	(317,413)	(292,305)
Equity	$ 109,100,390	$ 95,575,731
Owners of Shanghai Commercial Bank (H.K.)	$ 62,901,532	$ 55,051,621
Non-controlling interests of Shanghai Commercial Bank (H.K.)	46,198,858	40,524,110
	$ 109,100,390	$ 95,575,731

	December 31	
	2018	2017
Revenue	$ 19,467,068	$ 18,161,848
Net profit for the period	$ 10,964,012	$ 9,470,448
Loss allocated to NCI in subsidiaries of Shanghai Commercial Bank (H.K.)	(22,575)	(23,648)
	10,941,437	9,446,800
Other comprehensive income for the period	5,782,896	(1,265,401)
Other comprehensive income (loss) allocated to NCI in subsidiaries of Shanghai Commercial Bank (H.K.)	173	(23,843)
Total comprehensive income for the period	$ 16,724,506	$ 8,157,556
Profit attributable to:		
Owners of Shanghai Commercial Bank (H.K.)	$ 6,302,268	$ 5,441,357
Non-controlling interests in Shanghai Commercial Bank (H.K.)	4,639,169	4,005,443
	$ 10,941,437	$ 9,446,800
Total comprehensive income attributable to:		
Owners of Shanghai Commercial Bank (H.K.)	$ 9,633,315	$ 4,698,752
Non-controlling interests of Shanghai Commercial Bank (H.K.)	7,091,191	3,458,804
	$ 16,724,506	$ 8,157,556
Net cash inflow (outflow) from:		
Operating activities	$ 2,545,286	$ (76,860,148)
Investing activities	(606,528)	77,090,511
Financing activities	(3,703,227)	4,131,951
Net cash inflow	$ (1,764,469)	$ 4,362,314
Dividends paid to non-controlling interests		
Shanghai Commercial Bank (H.K.)	$ 1,499,242	$ 1,542,977

18. INVESTMENTS UNDER THE EQUITY METHOD

	December 31, 2018	December 31, 2017
Investments in associates	$ 1,738,636	$ 1,472,690

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

Associates' information of business combinations were as follows:

	December 31,	
	2018	2017
Profit from continuing operations	$ 119,150	$ 237,742
Other comprehensive income (loss)	(86,834)	16,594
The comprehensive income for the period	$ 32,316	$ 254,336

19. OTHER FINANCIAL ASSETS, NET

	December 31, 2018	December 31, 2017
Due from other banks	$2,461,140	$ -
Non-performing receivables	3,164	45,838
Financial assets at cost	-	5,179
Buy remittance	201	635
	2,464,505	51,652
Allowance for non-performing credit card receivables	(3,172)	(45,838)
	$2,461,333	$ 5,814

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

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

The balance of credit cards receivable which were reported as non-performing was $3,164 thousand and $2,463 thousand as of December 31, 2018 and 2017, respectively. The unrecognized interest revenue on the receivables amounted to $33 thousand and $32 thousand for the year ended December 31,2018 and 2017, respectively.

20. PROPERTIES, NET

	December 31, 2018	December 31, 2017
Land	$ 14,633,963	$ 14,457,948
Buildings and improvements	5,009,771	5,060,612
Office equipment	394,351	346,656
Transportation equipment	103,616	29,023
Miscellaneous equipment	882,364	907,655
Construction-in-progress and prepayments	522,604	489,833
	$ 21,546,669	$ 21,291,727

	For the Year Ended December 31, 2018						
	Balance at January 1, 2018	Additions	Acquisitions through business combinations (Note 38)	Disposals	Internal Transfer	Effect of Exchange Rate Changes, Net	Balance at December 31, 2018
Cost							
Land	$ 15,007,964	$ 82,014	$ -	$ (178)	$ -	$ 181,093	$ 15,270,893
Buildings and improvements	8,398,678	49,805	-	(259,180)	-	130,933	8,320,236
Office equipment	2,122,833	145,782	118,680	(28,952)	-	41,354	2,399,697
Transportation equipment	91,939	32,359	119,959	(6,786)	-	5,326	242,797
Miscellaneous equipment	2,603,142	132,194	25,053	(131,040)	-	65,091	2,694,440
Construction-in-progress and prepayments	492,814	49,401	62,471	-	(97,935)	18,750	525,501
	$ 28,717,370	$ 491,555	$ 326,163	$ (426,136)	$ (97,935)	$ 442,547	$ 29,453,564
Accumulated depreciation							
Land	550,016	$ 66,944	$ -	$ -	$ -	$ 19,970	636,930
Buildings and improvements	3,338,066	193,626	-	(258,801)	-	37,574	3,310,465
Office equipment	1,776,177	127,052	94,199	(27,731)	-	35,649	2,005,346
Transportation equipment	62,916	12,540	67,162	(6,461)	-	3,024	139,181
Miscellaneous equipment	1,695,487	175,882	20,668	(119,401)	-	39,440	1,812,076
Construction-in-progress and prepayment	2,981	419	-	-	(599)	96	2,897
	$ 7,425,643	$ 576,463	$ 182,029	$ (412,394)	$ (599)	$ 135,753	$ 7,906,895
Net amount	$ 21,291,727						$ 21,546,669

	For the Year Ended December 31, 2017					
	Balance at January 1, 2017	Additions	Disposals	Internal Transfer	Effect of Exchange Rate Changes, Net	Balance at December 31, 2017
Cost						
Land	$ 16,151,114	$ -	$ (150,836)	$ (470,535)	$ (521,779)	$ 15,007,964
Buildings and improvements	8,880,407	5,153	(110,267)	(710)	(375,905)	8,398,678
Office equipment	2,076,748	171,321	(31,101)	-	(94,135)	2,122,833
Transportation equipment	93,078	9,651	(7,683)	-	(3,107)	91,939
Miscellaneous equipment	2,414,173	506,547	(156,024)	-	(161,554)	2,603,142
Construction-in-progress and prepayments	7,260	29,558	-	468,917	(12,921)	492,814
	$ 29,622,780	$ 722,230	$ (455,911)	$ (2,328)	$ (1,169,401)	$ 28,717,370
Accumulated depreciation						
Land	531,641	$ 67,980	$ -	$ (2,547)	$ (47,058)	550,016
Buildings and improvements	3,223,783	241,513	(21,821)	(23)	(105,386)	3,338,066
Office equipment	1,780,456	109,849	(28,450)	-	(85,678)	1,776,177
Transportation equipment	64,815	6,727	(6,842)	-	(1,784)	62,916
Miscellaneous equipment	1,741,835	199,578	(137,100)	-	(108,826)	1,695,487
Construction-in-progress and prepayment	-	535	-	2,528	(82)	2,981
	$ 7,342,530	$ 626,182	$ (194,213)	$ (42)	$ (348,814)	$ 7,425,643
Net amount	$ 22,280,250					$ 21,291,727

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

The amount of land disclosed above which was owned by SCB (HK) is a leasehold interest.

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

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

Depreciation expense of the land and buildings held by SCB (HK) is computed using the straight-line method over the useful lives of up to 40 years. Other equipment is computed using the declining balance method, and the rate is 25% in the year of purchasing and 20% in the subsequent years.

21. INVESTMENT PROPERTIES, NET

	December 31, 2018	December 31, 2017
Land	$ 4,444,014	$ 4,138,753
Buildings and improvements	1,217,376	1,153,644
	$ 5,661,390	$ 5,292,397

	For the Year Ended December 31, 2018				
	Balance at January 1, 2018	Additions	Internal Transfer	Effect of Exchange Rate Changes, Net	Balance at December 31, 2018
Cost					
Land	$ 4,171,684	$ -	$ 97,935	$ 211,840	$ 4,481,459
Buildings and improvements	1,206,980	54,847	-	42,213	1,304,040
	5,378,664	$ 54,847	$ 97,935	$ 254,053	5,785,499
Less: Accumulated depreciation					
Land	32,931	$ 3,322	$ 599	$ 593	37,445
Buildings and improvements	53,336	30,834	-	2,494	86,664
	86,267	$ 34,156	$ 599	$ 3,087	124,109
Net amount	$ 5,292,397				$ 5,661,390

	For the Year Ended December 31, 2017				
	Balance at January 1, 2017	Additions	Internal Transfer	Effect of Exchange Rate Changes, Net	Balance at December 31, 2017
Cost					
Land	$ 4,510,324	$ -	$ 1,618	$ (340,258)	$ 4,171,684
Buildings and improvements	1,315,811	4,009	710	(113,550)	1,206,980
	5,826,135	$ 4,009	$ 2,328	$ (453,808)	5,378,664
Less: Accumulated depreciation					
Land	40,503	$ 3,373	$ 19	$ (10,964)	32,931
Buildings and improvements	25,004	31,295	23	(2,986)	53,336
	65,507	$ 34,668	$ 42	$ (13,950)	86,267
Net amount	$ 5,760,628				$ 5,292,397

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

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 has been measured mainly be an independent appraiser, Cushman & Wakefield, on the balance sheet date. The valuation applies common 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:

	December 31, 2018	December 31, 2017
Fair value	$ 14,229,647	$ 12,687,784

The rental income from investment properties is stated below:

	For the Year Ended December 31	
	2018	2017
Rental income from investment properties	$ 303,575	$ 290,746

22. INTANGIBLE ASSETS, NET

	December 31, 2018	December 31, 2017
Operating license	$ 1,521,666	$ -
Computer software	223,005	120,099
Goodwill	92,660	-
	$ 1,837,331	$ 120,099

	For the Year Ended December 31, 2018					
	Balance at January 1, 2018	Acquisitions through business combinations (Note 38)	Additions	Disposals	Effects of Exchange Rate Changes, Net	Balance at December 31, 2018
Cost						
Operating license	$ -	$ 1,524,808	$ -	$ -	$ 2,932	$ 1,527,740
Computer software	282,087	220,981	73,603	(109,967)	847	467,551
Goodwill	-	92,482	-	-	178	92,660
	282,087	$ 1,838,271	$ 73,603	$ (109,967)	$ 3,957	2,087,951
Less: Accumulated depreciation						
Operating license	-	$ -	$ 6,081	$ -	$ (7)	6,074
Computer software	161,988	46,755	80,031	(44,300)	72	244,546
	161,988	$ 46,755	$ 86,112	$ (44,300)	$ 65	250,620
Net amount	$ 120,099					$ 1,837,331

	For the Year Ended December 31, 2017				
	Balance at January 1, 2017	Additions	Disposals	Effects of Exchange Rate Changes, Net	Balance at December 31, 2017
Cost					
Computer software	$ 282,364	$ 60,059	$ (57,424)	$ (2,912)	$ 282,087
Less: Accumulated depreciation					
Computer software	141,700	$ 68,183	$ (47,704)	$ (191)	161,988
Net amount	$ 140,664				$ 120,099

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

Bank license	84 years
Computer software	3-5 years

The Bank acquired the goodwill mainly from the control premium generated by the acquisition of Cambodian AMK on August 28, 2018. In addition, the consideration paid by the merger included the expected synergies, revenue growth, future market development and other values.

The Bank 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. According to the assessment, the Bank did not incur impairment loss on goodwill in 2018.

23. OTHER ASSETS, NET

	December 31, 2018	December 31, 2017
Prepaid expenses	$ 1,927,630	$ 1,488,796
Deferred charges	189,783	261,657
Refundable deposits, net of $17,618 thousand impairment loss	847,676	894,174
Temporary payments and suspense	160,655	90,759
Others	163,118	114,047
	$ 3,288,862	$ 2,849,433

24. DUE TO THE CENTRAL BANK AND BANKS

	December 31, 2018	December 31, 2017
Call loans from banks	$ 46,641,154	$ 23,854,791
Due to banks	8,531,281	4,916,117
Deposit transferred from Chunghwa Post Co., Ltd.	2,325,302	3,383,529
Overdraft on banks	1,843,453	1,587,298
Call loans from the central bank	922,140	-
	$ 60,263,330	$ 33,741,735

25. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

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

26. PAYABLES

	December 31, 2018	December 31, 2017
Dividends payable	$ 12,162,073	$ 11,842,528
Accounts payable	8,176,835	9,198,128
Liabilities on bank acceptances	4,052,269	3,812,355
Accrued interest	3,622,202	2,563,767
Accrued expenses	1,624,223	1,479,901
Others	475,973	386,287
	$ 30,113,575	$ 29,282,966

27. DEPOSITS AND REMITTANCES

	December 31, 2018	December 31, 2017
Time deposits	$ 748,953,809	$ 649,212,987
Savings deposits	451,965,944	448,189,639
Demand deposits	286,238,664	289,514,027
Checking deposits	11,063,284	9,906,049
Negotiable certificates of deposit	21,550,500	6,417,900
Remittances	853,414	540,002
	$ 1,520,625,615	$ 1,403,780,604

28. BANK DEBENTURES

a. The Bank

	December 31, 2018	December 31, 2017
The subordinate bank debenture - 7 year maturity; first issued in 2012; maturity date is on April 2019	$ 4,000,000	$ 4,000,000
The subordinate bank debenture - 7 year maturity; second issued in 2012; maturity date is on May 2019	1,000,000	1,000,000
The subordinate bank debenture - 7-10 year maturity, third issued in 2012; maturity date is from November 2019 to November 2022.	5,000,000	5,000,000
The subordinate bank debenture - 7-10 year maturity, fourth issued in 2012; maturity date is from December 2019 to December 2022.	10,000,000	10,000,000
The subordinate bank debenture - 7-10 year maturity, first issued in 2014; maturity date is from March 2021 to March 2024	6,700,000	6,700,000
The subordinate bank debenture - 7 year maturity, second issued in 2014; maturity date is on November 2021	3,300,000	3,300,000
The subordinate bank debenture - 7 year maturity; first issued in 2015; maturity date is on June 2022	2,150,000	2,150,000
The subordinate bank debenture - 8.5 year maturity; second issued in 2015; maturity date is on June 2024	3,000,000	3,000,000
The subordinate bank debenture - 7-10 year maturity; first issued in 2017; maturity date is from June 2024 to 2027	5,000,000	5,000,000
The subordinate bank debenture - 7-10 year maturity; second issued in 2017; maturity date is from December 2024 to 2027	5,000,000	5,000,000
The subordinate bank debenture - 7-10 year maturity; first issued in 2018; maturity date is from June 2025 to 2028	5,000,000	-
The subordinate bank; third issued in 2018; no maturity date	7,000,000	-
	$ 57,150,000	$ 45,150,000

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

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

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

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

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

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

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

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

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

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

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

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

b. SCB (HK)

	December 31, 2018	**December 31, 2017**
The subordinate bank debenture with a 10 year maturity and maturity date on November 2027	$ 7,635,252	$ 7,366,310

The first issuance of the 2017 subordinated bank debenture bears a fixed interest rate of 3.75% with interest paid twice annually.

In addition, SCB (HK) issued the first issuance of the 2019 bank debenture with the total amount of US$300,000 thousand and ten years of subordinate bank debenture at a fixed annual interest rate of 5%. Their interests are paid twice annually with repayment of principals at maturity.

29. OTHER FINANCIAL LIABILITIES

	December 31, 2018	December 31, 2017
Principals of structured instruments	$ 2,188,907	$ 971,217
Appropriated loan funds	1,504,200	2,077,200
Bank borrowings	252,951	235,691
Other financial liabilities	264,980	-
	$ 4,211,038	$ 3,284,108

30. PROVISIONS

	December 31, 2018	December 31, 2017
Reserve for employee benefits (Notes 32)	$ 1,295,274	$ 1,124,108
Reserve for guarantees liabilities	650,001	596,361
Reserve for other operations	363,149	375,146
Reserve for financing commitment	73,229	-
Reserve for unexpected losses	3,564	3,564
	$ 2,385,217	$ 2,099,179

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

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Original Credit Impairment on Financial Assets)	Lifetime ECLs (Purchased or Original Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The difference of impairment under the decree regulation	Total
Commitment and guarantee liability provisions								
January 1, 2018	$ 80,286	$ 106,515	$ 1,727	$ -	$ -	$ 188,528	$ 423,638	$ 612,166
Changes due to financial assets recognized at the beginning of the period:								
Transfer to 12-month ECLs	4,958	(3,529)	(652)	-	-	777	-	777
Purchased or original financial assets	66,857	13,288	4,404	-	-	84,549	-	84,549
The difference of impairment under the decree regulation	-	-	-	-	-	-	32,093	32,093
Exchange rate and other changes	(1,127)	(777)	(4,451)	-	-	(6,355)	-	(6,355)
December 31, 2018	$ 150,974	$ 115,497	$ 1,028	$ -	$ -	$ 267,499	$ 455,731	$ 723,230

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

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

31. OTHER LIABILITIES

	December 31, 2018	December 31, 2017
Guarantee deposits received	$ 1,714,413	$ 1,510,737
Deferred revenue	673,400	841,744
Temporary credit	67,248	40,983
Interest received in advance	32,821	41,294
Others	524,740	337,964

	$ 3,012,622	$ 2,772,722

32. PENSION PLAN

The Bank

a. Defined contribution plans

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

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

b. Defined benefit plans

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

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

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

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Assets
Balance at January 1, 2017	$ 2,543,556	$ (2,439,424)	$ 104,132
Service cost			
Current service cost	193,244	-	193,244
Interest expense (income)	46,719	(46,604)	115
Recognized in profit or loss	239,963	(46,604)	193,359
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	18,886	18,886

Actuarial (gain) loss

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Assets
Changes in demographic assumptions	8,936	-	8,936
Experience adjustments	52,700	-	52,700
Recognized in other comprehensive income	61,636	18,886	80,522
Contributions from the employer	-	(188,824)	(188,824)
Benefits paid	(192,999)	192,999	-
Balance at December 31, 2017	$ 2,652,156	$ (2,462,967)	$ 189,189
Balance at January 1, 2018	$ 2,652,156	$ (2,462,967)	$ 189,189
Service cost			
Current service cost	187,615	-	187,615
Interest expense (income)	48,507	(46,756)	1,751
Recognized in profit or loss	236,122	(46,756)	189,366
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(21,316)	(21,316)
Actuarial (gain) loss			
Changes in demographic assumptions	5,335	-	5,335
Changes in financial assumptions	103,330	-	103,330
Experience adjustments	(4,394)	-	(4,394)
Recognized in other comprehensive income	104,271	(21,316)	82,955
Contributions from the employer	-	(186,593)	(186,593)
Benefits paid	(226,284)	226,284	-
Balance at December 31, 2018	$ 2,766,265	$ (2,491,348)	$ 274,917

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

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

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

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

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

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

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

	December 31, 2018	December 31, 2017
Discount rate		
0.25% increase	$ (74,366)	$ (72,813)
0.25% decrease	$ 77,202	$ 75,666
Expected rate of salary increase		
0.25% increase	$ 74,932	$ 73,669
0.25% decrease	$ (72,562)	$ (71,257)

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

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

c. Employee discount deposit plan

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

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

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

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

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

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

in the other comprehensive loss in 2018 and 2017 is $19,670 thousand and $17,814 thousand, respectively

d. Other long-term employee benefit liabilities

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

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

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

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

SUBSIDIARIES

a. Defined contribution plans

The Bank adopted a pension plan under the LPA, which is a defined contribution plans. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Retirement funds provided by foreign subsidiaries in accordance with local laws and regulations are determined to be allocated, and the pension funds are allocated and separated from their assets and are held by independently managed funds.

The total amount to be paid in accordance with the defined contribution plans in the consolidated statement of profit or loss in 2018 and 2017 is $255,132 thousand and $231,012 thousand, respectively.

b. Defined benefit plans

Domestic and foreign subsidiaries recognize the relevant fees based on the results of the evaluation of the actuary. Defined benefit plans have been recognized in the consolidated statement of profit or loss in 2018 and 2017 and reach ($635) thousand and $258 thousand, respectively; in the other comprehensive profit or loss in 2018 and 2017 is $1,057 thousand and ($279) thousand, respectively

Defined benefit plan

	December 31, 2018	December 31, 2017
Defined benefit plan	$ 908,547	$ 783,605
Retired employees' preferential deposit liabilities	379,288	334,276
Other long-term employment benefits	7,439	6,227
	$ 1,295,274	$ 1,124,108

33. EQUITY

a. Share capital

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

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

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

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

b. Capital surplus

	December 31	
	2018	2017
Share premium	$ 3,189,155	$ 2,647,583
Treasury shares transaction	2,016,234	2,006,754
Proportionate share in equity-method investee's surplus from donated assets	1,218	1,218
Dividends not yet collected	686,631	-
	$ 5,893,238	$ 4,655,555

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

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

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

c. Retained earnings and dividend policy

According to the Bank's Articles of Incorporation, a legal reserve shall be appropriated at the amount equal to 30% of earnings after tax. The legal reserve shall be appropriated until it reaches the Bank's paid-in capital, the remaining profit together with undistributed retained earnings shall be as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be transferred to capital or distributed in cash. However, under the Banking Law, if legal reserve is less than its paid-in capital, the Bank may distribute cash earnings only up to 15% of its paid-in capital. For the basis of the employees' and directors' remuneration estimates, see Note 34 (e) "Employee benefits expense".

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

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

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

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

	Appropriation of Earnings	**Dividends Per Share (In NT Dollar)**
	2018	**2018**
Legal reserve	$ 4,113,591	
Special reserve	68,560	
Cash dividends - ordinary shares	8,203,206	$ 2.00
	$ 12,385,357	

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

d. Special reserve

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

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

e. Treasury shares

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

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

f. Non-controlling interests

	For the Year Ended December 31	
	2018	2017
Beginning balance (IAS39)	$ 40,623,295	$ 42,788,926
Retrospective application of the impact of IFRS 9	(16,386)	-
Beginning balance (IFRS9)	40,606,909	42,788,926
Attribution to non-controlling interests		
Acquisition of non-controlling interests in subsidiaries (Note 38)	613,984	-
Net income	4,649,675	4,233,739
Translation adjustments for foreign operations	1,180,682	(4,063,038)
Unrealized gain on available-for-sale financial assets	-	(950,418)
Unrealized gain on financial assets measured at FVTOCI	654,756	-
Share of equity-method other comprehensive profit and loss	(31,753)	7,042
Income tax effect	690,968	150,021
Cash dividends distribution	(1,499,242)	(1,542,977)
Ending balance	$ 46,865,979	$ 40,623,295

34. DETAILS OF COMPREHENSIVE INCOME STATEMENT ITEMS

a. Interest revenue, net

	For the Year Ended December 31	
	2018	2017
Interest revenue		
Discounts and loans	$ 28,646,475	$ 23,705,256
Securities investments	8,686,119	7,094,491
Due from banks	4,340,410	3,305,253
Others	360,445	419,484
	42,033,449	34,524,484
Interest expense		
Deposits	12,197,050	9,028,320
Bank debentures	1,094,198	674,102
Due to banks	1,341,317	663,608

	For the Year Ended December 31	
	2018	2017
Securities sold under repurchase agreements	104,648	83,376
Others	141,840	98,269
	14,879,053	10,547,675
Interest revenue, net	$ 27,154,396	$ 23,976,809

b. Service fee income, net

	For the Year Ended December 31	
	2018	2017
Service fee revenues		
Trust and custody services	$ 1,772,387	$ 1,710,789
Nominee and brokerage service charge	996,324	918,660
Loan service fees	940,710	773,434
Credit card related fees	443,747	408,742
Insurance commission fees	406,288	269,626
Exchange related fees	401,352	401,745
Inward/outward business	394,642	401,002
Guarantees related fees	383,300	357,819
Others	413,264	406,000
	6,152,014	5,647,817
Service fee expenses		
Credit card service charge	147,123	124,957
Nominee and brokerage service charge	80,931	76,296
Finance service charge	62,741	58,578
Custody service charge	36,870	46,664
Interbank service charge	17,896	18,617
Others	331,058	250,331
	676,619	575,443
	$ 5,475,395	$ 5,072,374

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

	For the Year Ended December 31, 2018		
	Realized (Loss) Gain	Unrealized Gain	Total
Financial assets mandatorily classified as at FVTPL	$ 3,930,912	$ (244,044)	$ 3,686,868
Held-for-trading financial liabilities	(3,561,215)	(127,744)	(3,688,959)
Financial liabilities designated as at FVTPL	-	(90,861)	(90,861)
	$ 369,697	$ (462,649)	$ (92,952)

	For the Year Ended December 31, 2017		
	Realized (Loss) Gain	Unrealized Gain	Total
Held-for-trading financial assets	$ 5,794,496	$ 101,452	$ 5,895,948
Financial assets mandatorily at FVTPL	25,856	(1,990)	23,866
Held-for-trading financial liabilities	(4,841,467)	243,067	(4,598,400)
	$ 978,885	$ 342,529	$ 1.321,414

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

	For the Year Ended December 31, 2018
Disposal of debt instruments	$ 227,456
Dividend income	879,565
	$ 1,107,021

e. Employment benefits expense

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	$ 6,940,506	$ 6,752,878
Retirement benefits		
Defined contribution plan	324,501	294,298
Defined benefit plan	190,001	193,101
Other employee benefits	337,233	322,309
	$ 7,792,241	$ 7,562,586

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

The employees' compensation and the remuneration of directors for 2018 and 2017 as approved in the board meetings on March 23, 2019 and March 24, 2018, respectively, were as follows:

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

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

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

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

f. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Depreciation expense		
Properties	$ 576,463	$ 626,182
Investment properties	34,156	34,668
	610,619	660,850
Amortization expense		
Other assets	129,094	193,198
Other intangible assets	86,112	68,183
	215,206	261,381
	$ 825,825	$ 922,231

35. INCOME TAX

a. Income tax expense recognized in profit or loss

The major components of tax expenses were as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	$ 4,112,648	$ 4,014,160
In respect of prior periods	(30,869)	(5,728)
	4,081,779	4,008,432
Deferred tax		
In respect of the current year	220,897	592,608
In respect of prior periods	25,510	(11,129)
Effect of change in tax rate	246,849	-
	493,256	581,479
Income tax expense recognized in profit or loss	$4,575,035	$4,589,911

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

	For the Year Ended December 31	
	2018	2017
Profit before tax from continuing operations	$ 22,936,681	$ 21,208,877
Income tax expense calculated at the statutory rate	$ 5,841,022	$ 5,097,268
Add (deduct) tax effect of：		
Tax-exempt cash dividend	(71,562)	(19,061)
Permanent difference- investment income	(705,758)	(35,418)
Tax-exempt loss (gain) on security transactions	9,117	(61,255)
Tax-exempt income from subsidiaries	(83,945)	(129,431)
Tax-exempt income from offshore banking unit (OBU)	(789,676)	(586,485)
Tax-exempt gain on sale of land	(5)	(40,054)
Others	15,998	73,784
	4,215,191	4,299,348
Tax on undistributed profit	118,354	197,195
Additional income tax under the Alternative Minimum Tax Act	-	110,225
Adjustments for prior years' current tax	(30,869)	(5,728)
Adjustments for prior years' deferred tax	25,510	(11,129)
Effect of tax rate changes	246,849	-

Income tax expense recognized in profit or loss	$ 4,575,035	$ 4,589,911

The applicable tax rate is 17%,which the Group applies according to the income tax law of ROC (Taiwan) in 2017. In 2018, it was announced that the Income Tax Act in the ROC (Taiwan) was amended, and starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. Tax rate used by subsidiary in Hong Kong is 16.5%, while the applicable tax rate used by subsidiary in China is 25%.

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

b. Income tax expense recognized in other comprehensive income

	For the Year Ended December 31	
	2018	**2017**
Deferred income tax expense		
Change in tax rate	$ 14,371	$ -
Arising on income and expenses recognized in other comprehensive income		
Translation adjustments for foreign operations	(479,871)	862,858
Unrealized gain or loss on available-for-sale financial assets	-	323,518
Unrealized gain or loss on financial assets measured at FVTOCI	1,514,260	-
Defined benefit plans remeasurement	20,525	16,717
Income tax expense recognized in other comprehensive income	$ 1,069,285	$ 1,203,093

c. Income tax assessments

	December 31	
	2018	**2017**
Current tax assets		
Tax refund receivable	$ 89,235	$ 90,429
Current tax liabilities		
Income tax payable	$ 1,168,875	$ 2,427,171

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2018

				Change in Tax Rate					
Deferred Tax Assets	**Opening Balance**	**Effects of Adopting IFRS9**	**Acquired by Business Combination (NOTE38)**	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Translation Difference**	**Closing Balance**
Temporary differences									
Doubtful debts	$ 549,182	($ 52,008)	$ 13,281	$ 74,186	$ -	($ 28,491)	$ -	$ 117,933	$ 674,083
Impairment loss on financial assets at FVTOCI	5,918	(1,445)	-	789	-	3,087	-	-	8,349
Unrealized loss on financial instruments	2,157	-	-	381	-	13,829	279,337	121	295,825
Investment loss of domestic subsidiaries recognized under equity method	28,902	-	-	5,100	-	(5,579)	-	-	28,423
Unrealized foreign exchange loss	18,192	-	-	3,210	-	(16,299)	-	-	5,103
Cumulative translation adjustment	-	-	-	-	1,471	-	3,877	8,335	13,683
Employee benefits plan	118,808	-		10,063	10,843	5,656	20,525	-	165,895
Others	30,708	-	30,989	237	-	13,083	-	59,618	134,635
	$ 753,867	($ 53,453)	$ 44,270	$ 93,966	$ 12,314	($ 14,714)	$ 303,739	$ 186,007	$ 1,325,996

Deferred Tax Liabilities	Opening Balance	Effects of adopting IFRS9	Acquire by Business Combination (NOTE38)	Change in Tax Rate: Recognized in Profit or Loss	Change in Tax Rate: Recognized in Other Comprehensive Income	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Translation Difference	Closing Balance
Temporary differences									
Unrealized gain on financial instruments	($ 1,360,613)	$ 48,662	$ -	($ 5,797)	$ 2,892	($ 74,134)	$ 1,234,923	$ 154,067	$ -
Investment gain of domestic subsidiaries recognized under equity method	(8,365,390)	5,881	-	(334,964)	(835)	(173,266)	(495,900)	110,007	(9,254,467)
Recognized deferred depreciation expenses	(158,572)	-	(7,827)	-	-	15,062	-	(4,695)	(156,032)
Cumulative translation adjustment	(12,152)	-	-	-	-	-	12,152	-	-
Others	(306)	-	-	(54)	-	(445)	-	1	(804)
	($ 9,897,033)	$ 54,543	($ 7,827)	($ 340,815)	$ 2,057	($ 232,783)	$ 751,175	$ 259,380	($ 9,411,303)

For the year ended December 31, 2017

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Translation Differences	Closing Balance
Temporary differences					
Doubtful debts	$ 771,957	$ (182,206)	$ -	$ (40,569)	$ 549,182
Impairment loss on available-for-sale financial assets	18,737	(14,264)	-	-	4,473
Unrealized loss on financial instruments	18,242	-	(16,085)	-	2,157
Investment loss of domestic subsidiaries recognized under equity method	33,142	(4,240)	-	-	28,902
Unrealized foreign exchange loss	-	18,192	-	-	18,192
Defined employee benefits plan	95,582	6,509	16,717	-	118,808
Impairment loss of financial assets carried at cost	1,445	-	-	-	1,445
Others	71,769	11,376	(19,695)	(32,742)	30,708
	$ 1,010,874	$ (164,633)	$ (19,063)	$ (73,311)	$ 753,867

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Translation Differences	Closing Balance
Temporary differences					
Unrealized gain on financial instruments	$ (1,913,481)	$ 39,481	$ 339,603	$ 173,784	$ (1,360,613)
Investment income and exchange differences on translation of foreign subsidiaries recognized under equity method	(8,705,635)	(414,106)	754,351	-	(8,365,390)
Recognized deferred depreciation expenses	(112,440)	(54,856)	-	8,724	(158,572)
Unrealized foreign exchange loss	(12,549)	12,549	-	-	-
Cumulative translation adjustment	(140,354)	-	128,202	-	(12,152)
Others	(392)	86	-	-	(306)
	$ (10,884,851)	$ (416,846)	$ 1,222,156	$ 182,508	$ (9,897,033)

e. Income tax assessments

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

Income tax returns of the Bank's domestic subsidiary through 2017 were assessed by the tax authorities, except for SCSB Property Insurance Agency and SCSB Life Insurance Agency in 2016.

36. 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	
	2018	2017
Basic earnings per share	$ 3.37	$ 3.04
Diluted earnings per share	$ 3.37	$ 3.04

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

Net Profit for the Period

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

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

	For the Year Ended December 31	
	2018	2017
Weighted average number of ordinary shares in computation of basic earnings per share	4,072,267	4,067,706
Effect of potentially dilutive ordinary shares:		
Employees' compensation	1,750	1,781
Weighted average number of ordinary shares used in the computation of diluted earnings per share	4,074,017	4,069,487

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

37. SHARE-BASED PAYMENT ARRANGEMENTS

Employee share option plan of the Bank

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

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

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

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

38. BUSINESS COMBINATION

a. Acquisition of subsidiaries

	Main Operating Activities	Acquisition Date	Voting Rights/ Proportion of Acquisition (%)	Transfer Consideration
AMK Microfinance Institution Plc. (AMK)	Microfinance business	2018/8/28	80.01	$ 2,457,470

The Bank acquired AMK at US$80,103 thousand (equivalent to NT$2,457,470 thousand) on August 28, 2018 to expand the layout of Southeast Asia and enhance its competitiveness of international financial business. The acquisition-related costs of US$1,702 thousand have been excluded from the transfer consideration and are recognized in the current period of the acquisition.

b. Assets acquired at the acquisition date and liabilities assumed

		AMK Microfinance
ASSETS		
Cash and cash equivalents		$ 524,548
Due from the Central Bank and call loans to banks, net		1,843,446
Discounts and loans, net		7,055,886
Properties, net		144,134
Deferred income tax assets		44,270
Other assets		230,145
Total assets		9,842,429
LIABILITIES		
Deposits and remittances		(4,099,760)
Other financial liabilities		(299,140)
Deferred income tax liabilities		(7,827)
Other liabilities		(4,077,019)
Total liabilities		(8,483,746)
Intangible assets		
Operating license	$ 1,524,808	
Computer software	95,481	1,620,289
		$ 2,978,972

The fair value of discounts and loans from business combination of AMK was 7,055,886 thousand, and the total amount of contract was 7,215,585 thousand. The best estimate of contractual cash flow that is expected to be unrecoverable on the acquisition date was 159,699 thousand.

c. Non-controlling Equity

The non-controlling equity of AMK is measured at the identifiable assets on the acquisition date.

d.Goodwill of acquisition

	Amount
Transfer consideration	$ 2,457,470
Add: Non-controlling equity (19.99% of AMK's equity)	613,984
Less: Identifiable assets at fair value of acquisition	(2,978,972)
Goodwill due to acquisition	$ 92,482

Goodwill on the acquisition date is mainly derived from controlling premium. In addition, the consideration paid by the merger includes the expected synergies, revenue growth, future market development and other values. However, these benefits do not meet the recognition criteria for identifiable intangible assets and are therefore not separately recognized.

e. Net cash outflow on acquisition of subsidiaries

	Amount
Consideration in cash	$ 2,457,470
Less: Balance of cash and cash equivalents which complies with IAS 7 on the acquisition date	(769,002)
	$ 1,688,468

f. Effects by business combinations

From the date of acquisition, the effects from AMK were as follows:

	August 28 to December 31, 2018
Net interest revenue	$ 274,559
Net income	$ 65,567

The fiscal year started on the date of acquisition. The operating results for the year ended December 31, 2018 were as follows. These amounts do not reflect the actual revenue and operating results of the combined company when the business combination is completed on the date of the acquisition, nor should it be used to predict future operating results.

	For the Year Ended December 31, 2018
Net interest revenue	$ 27,680,120
Net income	$ 18,497,341

39. RELATED-PARTY TRANSACTIONS

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

a. The Bank's related parties

Related Party	Relationship with the Bank
The SCSB Cultural & Educational Foundation	Fund donated by the Bank which exceed 1/3 of total fund
The SCSB Charity Foundation	Fund donated by the Bank which exceed 1/3 of total fund
Silks Place Taroko	Investment under equity method held by subsidiary

Related Party	Relationship with the Bank
Hung Ta Investment Corporation	The chairman and the Bank's chairman are related by marriage
Hung Shen Investment Corporation	The chairman and the Bank's chairman are related by marriage
GTM Corporation	The director of the Bank is the director of the company
Chi-Li Investment Co., Ltd.	The director of the Bank is the director of the company
Goldsun Co., Ltd	The director of the Bank is the director of the company
Qin Mao Consultants Ltd.	The chairman and the Bank's director are related by marriage
Lian Yi Investment Co., Ltd.	The director and the Bank's director are related by marriage
Other related parties	The Bank's directors and managers are the relatives of the Bank's directors and managers

b. Significant transactions between related partied

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.

1) Deposits

	December 31, 2018			For the Year Ended December 31, 2018
	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Expense
Directors and related management	$ 21,603,580	$ 21,506,184	0.00-4.90	$ 339,455
Employees	491,609	254,973	0.00-9.96	3,820
The SCSB Cultural & Educational Foundation	334,122	314,922	0.01-1.07	1,918
Others	91,667	59,811	0.00-1.03	333
	$ 22,520,978	$ 22,135,890		$ 345,526

	December 31, 2017			Year Ended December 31, 2017
	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Expense
Directors and related management	$ 16,916,369	$ 16,688,059	0.00-3.40	$ 58,953
The SCSB Cultural & Educational Foundation	440,089	216,980	0.00-9.96	3,027
Employees	332,374	311,573	0.01-1.24	1,921
Others	70,025	58,932	0.01-1.03	332
	$ 17,758,857	$ 17,275,544		$ 64,233

2) Interest receivable (accounted for as receivables, net)

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

3) Interest payable (accounted for as payables)

	December 31, 2018	December 31, 2017
Directors and related management	$ 289	$ 72
The SCSB Cultural & Educational Foundation	154	154
The SCSB Charity Foundation	12	17
	$ 455	$ 243

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

	December 31, 2018	December 31, 2017
The SCSB Cultural & Educational Foundation	$ 211	$ 211

5) Rental income (accounted for as other revenue, net)

	For the Year Ended December 31	
	2018	2017
The SCSB Cultural & Educational Foundation	$ 842	$ 842

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

6) Loans

December 31, 2018									For the Year Ended December 31, 2018
				Performance					
Category	Name	Maximum Balance	Ending Balance	Normal Loans	Non-performing Loans	Collateral	Interest Rate (%)	Difference of Terms of the Transactions with Unrelated Parties	Interest Income
Loans for personal house mortgages	Directors and related management (1)	$ 16,747	$ 8,469	$ 8,469	-	Real estate	2.09-2.10	None	$ 264
Others	Directors and related management (10)	1,775,640	1,733,519	1,733,519	-	Real estate/stock/ none	1.68-2.66	None	53,589
	Silks Place Taroko	5,000	-	-	-	Real estate	1.63	None	6
		$1,797,387	$1,741,988	$1,741,988					$53,859

December 31, 2017									For the Year Ended December 31, 2017
				Performance					
Category	Name	Maximum Balance	Ending Balance	Normal Loans	Non-performing Loans	Collateral	Interest Rate (%)	Difference of Terms of the Transactions with Unrelated Parties	Interest Income
Loans for personal house mortgages	Directors and related management (2)	$ 24,296	$ 16,184	$ 16,184	-	Real estate	1.86-2.10	None	$ 423
Others	Directors and related management (8)	619,686	614,326	614,326	-	Real estate/stock/ none	1.68-2.67	None	31,237
	Silks Place Taroko	10,000	-	-	-	Real estate	1.63	None	15
		$ 653,982	$ 630,510	$ 630,510					$31,675

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

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

c. Compensation of directors and management personnel

	For the Year Ended December 31	
	2018	2017
Salaries and other short-term employee benefits	$ 470,711	$ 403,942
Bonus to employees	79,267	73,542
Remuneration to directors	120,037	115,429
Post-employment benefits	37,082	36,059
Others	119	789
	$ 707,216	$ 629,761

40. PLEDGED ASSETS

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

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

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

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

On December 31, 2018 and 2017, SCB HK and its overseas branch provided its held-to-maturity financial assets and discounts and loans listed below for overseas branch operating guarantees.

	December 31		
	2018	2017	Guaranty Purpose
Financial assets at amortized cost	$ 9,317,130	$ -	Overseas branch operating guarantee
Held-to-maturity financial assets	-	9,002,542	Overseas branch operating guarantee

41. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

	December 31	
	2018	2017
Receivables under custody	$ 27,981,614	$ 30,714,450
Consigned travelers' checks	192,808	234,878
Guarantee notes payable	132,536,048	91,909,617
Assets under trust	164,466,181	141,739,679
Securities in custody	235,833,631	259,152,600
Government bonds in brokerage accounts	39,161,200	23,499,500
Short-term bills in brokerage accounts	974,600	1,312,500
Commitments of forward contracts with customers	315,736,359	69,226,070

b. Operational risk and legal risk

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

c. Legal risk of the subsidiary of Hong Kong Shanghai Commercial Bank

The subsidiary of SCB HK has not established and maintained effective measures in the anti-money laundering and counter financing terrorism, and fail to fulfill the responsibility resulting from violation of Hong Kong Anti-Money Laundering and Counter-terrorism Financing Ordinance on August 17, 2018. The subsidiary has been fined HK$5 million (equivalent to NT$19,480 thousand) and requested to make a supplement improvement measure.

42. FINANCIAL INSTRUMENTS

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

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

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

	December 31, 2018		December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Financial assets measured at amortized cost	$ 106,071,194	$ 106,046,775	$ -	$ -
Held-to-maturity financial assets	-	-	112,498,032	112,543,724
Financial liabilities				
Bank debentures	64,785,252	64,923,150	52,516,310	52,445,408

2) Fair value level

	December 31, 2018			
	Total	Level 1	Level 2	Level 3
Financial assets				
Debt in investment instrument measured at amortized cost	$ 106,046,775	$ 13,444,185	$ 92,602,590	$ -
Financial liabilities				
Bank debentures	64,923,150	-	64,923,150	-

	December 31, 2017			
	Total	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity financial assets	$ 112,543,724	$ 9,980,698	$ 102,563,026	$ -
Financial liabilities				
Bank debentures	52,445,408	-	52,445,408	-

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

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

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

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

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

1) Fair value level

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

Financial Instruments Measured at Fair Value	December 31, 2018 Total	Level 1	Level 2	Level 3
Non-derivative instruments				
Assets				
Financial assets measured at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Shares	$ 891,791	$ 868,172	$ 23,619	$ -
Bonds	8,294,566	113,451	7,193,091	988,024
Others	2,631,922	2,631,922	-	-
Financial assets measured at FVTOCI				
Equity instruments	$ 19,245,827	$ 17,503,079	$ -	$ 1,742,748
Debt instruments	416,762,690	165,861,711	250,122,983	777,996
	$ 447,826,796	$ 186,978,335	$ 257,339,693	$ 3,508,768
Liabilities				
Financial liabilities measured at FVTPL	$ 2,242,521	$ -	$ 2,242,521	$ -
Derivative instruments				
Assets				
Financial assets measured at FVTPL	$ 1,761,753	$ 35,606	$ 1,585,947	$ 140,200
Liabilities				
Financial liabilities measured at FVTPL	$ 1,538,953	$ 6,980	$ 1,494,144	$ 37,829

Financial Instruments Measured at Fair Value	December 31, 2017 Total	Level 1	Level 2	Level 3
Non-derivative instruments				
Assets				
Financial assets at FVTPL				
Held-for-trading financial assets				
Shares	$ 137,537	$ 137,537	$ -	$ -
Bonds	7,333,152	4,362,878	2,970,274	-
Others	226	226	-	-
Financial assets designated at FVTPL	2,217,576	-	1,512,158	705,418
Available-for-sale financial assets				
Shares	17,299,887	15,350,795	-	1,949,092
Bonds	226,331,870	107,407,670	117,990,175	934,025
Others	96,918,351	4,190,550	92,727,801	-
	$ 350,238,599	$ 131,449,656	$ 215,200,408	$ 3,588,535
Derivative instruments				
Assets				
Financial assets at FVTPL	$ 1,079,363	$ 15,946	$ 1,032,672	$ 30,745
Liabilities				
Financial liabilities at FVTPL	$ 872,808	$ -	$ 840,545	$ 32,263

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

2) Reconciliation of Level 3 fair value measurement

For the year ended December 31, 2018

Item	Beginning Balance	Amount of Valuation Gain or Loss		Addition		Reduction		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		
Assets									
Financial assets at fair value through profit or loss									
Financial assets mandatorily classified as at fair value through profit or loss	$ 736,163	$ 138,200	$ -	$ 632,069	$ -	$ (227,714)	$ (150,494)	$ -	$ 1,128,224
Financial assets at FVTOCI	2,883,117	-	(189,291)	31,582	-	(34,951)	(175,079)	5,366	2,520,744
Liabilities									
Financial liabilities at FVTPL									
Held-for-trading financial liabilities	32,263	20,261	-	-	-	(8,512)	(6,183)	-	37,829

For the year ended December 31, 2017

Item	Beginning Balance	Amount of Valuation Gain or Loss		Addition		Reduction		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		
Assets									
Financial assets at FVTPL									
Held-for-trading financial assets	$ 29,305	$ (1,026)	$ -	$ 8,102	$ -	$ (5,636)	$ -	$ -	$ 30,745
Financial assets designated as at fair value	768,160	(70,112)	-	581,160	-	(573,790)	-	-	705,418
Available-for-sale financial assets financial assets	2,613,045	-	63,600	494,442	-	(275,732)	-	(12,238)	2,883,117
Liabilities									
Financial liabilities at FVTPL									
Held-for-trading financial liabilities	23,180	7,848	-	4,052	-	(2,817)	-	-	32,263

Some of the Group's investments became listed between January 1 and March 31, 2018. After the assessment, the fair market values are available for reference. Therefore, such targets have been transferred from Level 3 to Level 1. There was no transfer in or out from Level 3 in 2017.

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

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

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

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

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

	Fair Value December 31, 2018	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Notes
Non-derivative financial assets					
Financial assets measured at fair value through profit or loss					
Bonds	$ 988,025	Counterparty quote and check with other quotations	Discount lack of market liquidity	0%-10%	The higher of the discount lack of liquidity, and the lower the fair value.
Financial assets measured at fair value through other comprehensive income					
Shares	1,742,748	1. Market approach	1. Market liquidity reduction	1. 10%-19%	1. The higher the liquidity

					reduction, and the lower of the fair value.
		2. Net asset value method	2. Market liquidity reduction	2. 10%-19%	2. The higher the liquidity reduction, and the lower of the fair value.
Bonds	777,996	1.Counterparty quote 2.Discounted cash flow method	Discount rate	0%-10%	The higher of the discount rate, and the lower of the fair value.
Derivative financial assets					
Financial assets measured at fair value through profit or loss					
Interest rate exchange	140,200	Discounted cash flow method	Discount rate	0%-10%	The higher of the discount rate, and the lower of the fair value.
Derivative financial liabilities					
Financial liabilities measured at fair value through profit or loss					
Sell options	37,829	Black-Scholes Model	Volatility	0%-15%	The higher of the volatility, and the higher of the fair value.

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

The 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, 2018

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflected in Other Comprehensive Income	
	Favorable	**Unfavorable**	**Favorable**	**Unfavorable**
Assets				
Financial assets measured at FVTPL				
Financial assets mandatorily classified as at FVTPL	$ 236	$ (4,156)	$ -	$ -
	Changes in Fair Value Reflected in Profit or Loss		**Changes in Fair Value Reflected in Other Comprehensive Income**	
	Favorable	**Unfavorable**	**Favorable**	**Unfavorable**
Financial assets measured at FVTOCI	-	-	19,552	(28,099)

December 31, 2017

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflected in Other Comprehensive Income	
	Favorable	**Unfavorable**	**Favorable**	**Unfavorable**
Assets				

Financial assets measured at FVTPL				
Held-for-trading financial assets	$ 19,351	$ (3,902)	$ -	$ -
Financial assets designated as at fair value	-	(1,530)	-	-
Available-for-sale financial assets	-	-	19,536	(29,708)
Liabilities				
Financial liabilities measured at FVTPL				
Held-for-trading financial liabilities	42	(19,351)	-	-

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

December 31, 2018

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflected in Other Comprehensive Income	
	Favorable	**Unfavorable**	**Favorable**	**Unfavorable**
Assets				
Financial assets measured at FVTPL				
Financial assets mandatorily classified as at FVTPL	$ 4,156	$ (236)	$ -	$ -
Financial assets measured at FVTOCI	-	-	28,652	(18,759)

December 31, 2017

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflected in Other Comprehensive Income	
	Favorable	**Unfavorable**	**Favorable**	**Unfavorable**
Assets				
Financial assets measured at FVTPL				
Held-for-trading financial assets	$ 17,772	$ (5,767)	$ -	$ -
Financial assets designated as at fair value	1,530	-	-	-
Available-for-sale financial assets	-	-	31,777	(19,536)
Liabilities				
Financial liabilities measured at FVTPL				
Held-for-trading financial liabilities	1,987	(17,772)	-	-

c. Financial risk management

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

2) Credit risks

Credit risk is the risk of counterparties' failure to fulfill their contractual obligations causing the 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.

a) Procedures of credit risk management

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

i. Credit business (including loan commitments and guarantees)

2018

The Bank

a. The credit risk has increased significantly after original recognition

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

- Changes in internal and external credit ratings from the significant increase in credit risk
- Information of overdue status (e.g. if the payment is overdue for more than 30 days).

- Unfavorable changes in current or projected operating, financial or economic conditions that are expected to result in significant changes in the ability of the debtor to perform its debt obligations.

- Significant changes in actual or expected results of the debtor’s operations.

- The credit risk of other financial instruments of the same debtor has increased significantly.

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

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

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

- Information of overdue status (e.g. if the payment is overdue for more than 90 days).
- The debtor has become bankrupt or may file for bankruptcy or financial restructuring.

- The debtor has died or been dissolved.

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

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

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

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

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

c. Measurement of expected credit loss

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

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

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

d. Forward-looking information considerations

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

SCB(HK)

a. The credit risk has increased significantly after original recognition

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

- Changes in internal and external credit ratings (e.g. external TCRI ratings are above the high risk level).
- Information of overdue status (e.g. if the payment is overdue for more than 30 days).
- Unfavorable changes in current or projected operating, financial or economic conditions that are expected to result in significant changes in the ability of the debtor to perform its debt obligations.
- Significant changes in actual or expected results of the debtor’s operations.
- The credit risk of other financial instruments of the same debtor has increased significantly.
- 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.
- There are unfavorable changes in the business of the debtor industry which are affected by the surrounding economy or policy.
- 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:

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

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

- The debtor has died or been dissolved.

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

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

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

- The debtor's overall debt rises and is not proportional to its business growth.

- 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.

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

- 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 original recognition, SCB measures the allowance 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 original 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, 2018.

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.

2017

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

a. Classification of credit assets

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

b. Credit quality rating

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

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

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

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

ii. Due from and call loans to bank

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

iii. Debt investments and derivative financial instruments

For the credit risk management of debt investments, the 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.

b) Policies of credit risk hedging or mitigation

i. 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.

ii. Limitation of credit risk 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.

iii. 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 setoff. 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 sheet:

December 31, 2018

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	$ 651,093	$ 1,100,340	$ -	$ 372,945	$ 1,473,285
Discounts and loans	4,668,173	477,590,582	-	60,280,795	537,871,377

December 31, 2017

	Maximum Exposure to Credit Risk Mitigated by: Collateral	Master Netting Arrangement	Other Credit Enhancements	Total
Receivables	$ 1,001,320	$ 237,666	$ 325,008	$ 1,563,994
Discounts and loans	675,102,674	-	67,827,337	742,930,011

Held-for-trading financial assets - short-term securities	-	-	4,885,811	4,885,811
Available-for-sale financial assets - bonds	-	-	699,996	699,996

c) Credit risk exposures

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

	December 31	
	2018	**2017**
Developed and non-cancelable loan commitments	$ 55,979,093	$ 45,128,830
Non-cancelable credit card commitments	706,663	723,940
Issued but unused letters of credit	36,814,452	40,071,454
Other guarantees	60,305,984	54,027,628

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.

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

	December 31, 2018			
	12-Month ECLs	**Lifetime ECLs - Unimpaired**	**Lifetime ECLs - Impaired**	**Total**
Discounts and loans				
Consumer banking				
-Residential mortgage loans	$ 240,611,439	$ 2,744,852	$ 866,384	$ 244,222,675
-Small scale credit loans	10,798,037	227,797	114,221	11,140,055
-Others	46,960,063	328,238	139,010	47,427,311
Corporate banking				
-Secured	455,365,600	12,078,587	2,691,675	470,135,862
-Unsecured	257,364,582	9,116,508	856,883	267,337,973
Total	$ 1,011,099,721	$ 24,495,982	$ 4,668,173	$1,040,263,876
Accounts receivable (including non-performing credit card receivables)				
Credit cards	$ 2,554,994	$ 199,408	$ 73,959	$ 2,828,361
Others	13,673,245	402,125	577,134	14,652,504
Total	$ 16,228,239	$ 601,533	$ 651,093	$ 17,480,865
Debt instruments measured at fair value through other comprehensive income	$ 418,496,103	$ -	$ -	$ 418,496,103
Debt instruments investment measured at amortized cost	$ 106,072,961	$ -	$ -	$ 106,072,961

d) Information on concentration of credit risk

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

Concentration of credit risk can be on assets, liabilities or off-balance sheet items and can arise in the course of the enforcement and implementation of transactions (regardless of products or service) or in the combination of exposures across categories, including credit, due from and call loans to banks, marketable securities, receivables and derivatives, etc. The 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:

i. Industry

	December 31			
	2018		2017	
Sector	Amount	% to Total	Amount	% to Total
Private sector	$ 627,579,912	60	$ 574,780,027	62
Consumer	337,724,944	33	293,075,878	31
Financial institution	62,411,715	6	56,434,808	6
Others	12,547,305	1	12,129,372	1
	$1,040,263,876	100	$ 936,420,085	100

ii. Region

	December 31			
	2018		2017	
Region	Amount	% to Total	Amount	% to Total
Taiwan	$ 592,985,754	57	$ 545,495,672	58
Asia Pacific except Taiwan	336,871,857	32	300,072,958	32
Others	110,406,265	11	90,851,455	10
	$1,040,263,876	100	$ 936,420,085	100

iii. Collateral

	December 31			
	2018		2017	
Collaterals Assumed	Amount	% to Total	Amount	% to Total
Unsecured	$ 218,274,179	21	$196,309,942	21
Secured				

Properties	677,924,678	65	596,744,027	64
Guarantee	66,298,162	6	72,127,646	8
Financial collateral	45,782,975	4	42,595,036	5
Movable properties	4,820,936	1	5,083,199	1
Other collaterals	27,162,946	3	23,560,235	1
	$1,040,263,876	100	$936,420,085	100

e) 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.

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

i. Credit quality analysis of discounts and loans and receivables

i) The Bank and its domestic subsidiaries

December 31, 2017	Neither Past Due Nor Impaired				Overdue but Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Allowance for Impairment (D)		Net Amount (A)+(B)+(C)-(D)
	Strong	Moderate	Special Mention	Subtotal (A)				Objective Evidence of Impairment	No Objective Evidence of Impairment	
Receivables										
Credit cards	$ 1,138,410	$ 590,339	$ 68,632	$ 1,797,381	$ 43,898	$ 61,895	$ 1,903,174	$ 54,761	$ 153,871	$ 1,694,542
Others	3,645,049	2,834,591	54,729	6,534,369	25,605	172,461	6,732,435	94,985	164,310	6,473,140
Discounts and loans	399,724,446	171,189,472	54,047,553	624,961,471	7,328,708	7,160,105	639,450,284	2,231,706	6,961,871	630,256,707

ii) SCB (HK)

December 31, 2017	Neither Past Due Nor Impaired Amount						Past Due but Not Impaired Amount (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Allowance for Impairment (D)		Net Amount (A)+(B)+(C)-(D)
	Pass	Special Mentioned	Sub-Standard	Doubtful	Loss	Subtotal (A)				Objective Evidence of Impairment	No Objective Evidence of Impairment	
Receivables												
Credit cards	$ 880,362	$ 21,332	$ -	$ -	$ -	$ 901,694	$ 12,054	$ 4,396	$ 918,144	$ 1,230	$ 13,747	$ 903,167
Others	7,634,862	-	-	-	-	7,634,862	-	-	7,634,862	-	-	7,634,862
Discounts and loans	275,148,695	10,583,450	-	-	-	285,732,145	8,997,822	2,239,834	296,969,801	140,367	1,174,816	295,654,618

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

i) The Bank and its domestic subsidiaries

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

ii) SCB (HK)

December 31, 2017	Neither Past Due Not Impaired					
	Pass	Special Mentioned	Sub-Standard	Doubtful	Loss	Subtotal
Consumer banking						
Housing mortgages	$ 31,260,005	$ 1,913,866	$ -	$ -	$ -	$ 33,173,871
Credit loans	1,764,707	37,091	-	-	-	1,801,798
Others	21,521,166	595,089	-	-	-	22,116,255
Corporate banking						
Secured	160,638,063	4,124,718	-	-	-	164,762,781
Unsecured	40,600,800	405,736	-	-	-	41,006,536
Discounts	-	-	-	-	-	-
Overdrafts	7,891,931	2,391,180	-	-	-	10,283,111
Inward/outward documentary bills	11,472,023	1,115,770	-	-	-	12,587,793
Total	$ 275,148,695	$ 10,583,450	$ -	$ -	$ -	$ 285,732,145

iii. The delay in the borrowers' processing and other administrative reasons may be the reason for the past due but not impaired financial assets.

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

Items	December 31, 2017		
	Overdue less than one Month	Overdue 1-3 Month	Total
Receivables			
Credit cards	$ 50,842	$ 5,110	$ 55,952
Others	19,677	5,928	25,605
Discounts and loans			
Consumer banking			
Housing mortgages	2,512,443	1,089,669	3,602,112
Credit loans	25,502	5,906	31,408
Others	241,098	118,638	359,736
Corporate banking			
Secured	9,294,962	1,441,179	10,736,141
Unsecured	895,206	502,575	1,397,781
Overdrafts	-	4,548	4,548
Inward/outward documentary bills	159,554	35,250	194,804
Total	$ 13,128,765	$ 3,197,765	$ 16,326,530

iv. Credit quality analysis of security investment

i) The Bank and its domestic subsidiaries

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

ii) SCB (HK)

December 31, 2017	Neither Past Due Nor Impaired						Past Due but Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Allowance for Impairment (D)	Net Amount (A)+(B)+ (C)-(D)
	Excellent	Good	Moderate	Substandard	Unrated	Subtotal (A)					
Available-for-sale financial assets											
Bonds	$ 107,833,224	$ -	$ -	$ -	$ -	$ 107,833,224	$ -	$ -	$ 107,833,224	$ -	$ 107,833,224
Shares	13,733,145	-	-	-	-	13,733,145	-		13,733,145		13,733,145
Bills	65,571,464	-	-	-	-	65,571,464	-	-	65,571,464	-	65,571,464
Held-to-maturity financial assets											
Bonds	9,053,099	-	-	-	-	9,053,099	-	-	9,053,099	-	9,053,099
Bills	1,512,158	-	-	-	-	1,512,158	-	-	1,512,158	-	1,512,158

3) Market risk

a) The sources and definition of market risk

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

b) 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.

c) Market risk management process

i. 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 (PVO1, Delta, Beta) etc. Measurement of investment portfolio is affected by interest rate risk, foreign exchange risk and price of equity securities.

ii. Monitoring and reporting

The 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.

d) Interest rate management policies

i. Definition of interest rate risk

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

ii. Purpose of interest risk management

Interest rate risk management enhances the 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.

iii. 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, trading personnel and trading commodity, etc. which are approved by top management and the board of directors.

The Group identifies re-pricing risk of interest rate and yield curve risk and measures possible effects on the Group's earnings and economic values of changes in interest rate. On a monthly basis, 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.

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

iv. Measurement methods

The 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.

e) Foreign exchange rate risk management

i. Definition of foreign exchange risk

Foreign exchange risk means losses resulting from currencies exchange at different times. The 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.

ii. 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 trading personnel 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.

f) Equity securities price risk management

i. 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.

ii. Purpose of equity security price risk management

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

iii. Procedures of equity security price risk management

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

iv. Measurement method

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

g) 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.

i. Sensitivity analysis

i) Interest rate risk

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

ii) Foreign exchange rate risk

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

The functional currency of SCB (HK) is HKD, and the net on-balance-sheet position of SCB (HK) was denominated in USD; as the two currencies were under the Linked Exchange Rate System, there was insignificant foreign exchange rate risk.

iii) Equity securities price risk

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

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

ii. Sensitivity analysis is summarized as follows:

December 31,2018			
Major Risk	**Fluctuation Range**	**Amount**	
		Equity	**Profit or Loss**
Foreign exchange risk	Foreign currency appreciated 1% against NTD	$ 656,270	$ 2,292
	Foreign currency depreciated 1% against NTD	(656,270)	(2,292)
Interest rate risk	Interest rate curve edged up 1bp	(59,634)	(5,691)
	Interest rate curve edged down1bp	59,634	5,691
Equity price risk	Equity price increased 1%	182,157	12,568
	Equity price decreased 1%	(182,157)	(12,568)

December 31,2017			
Major Risk	**Variation Range**	**Amount**	
		Equity	**Profit or Loss**
Foreign exchange risk	Foreign currency appreciated 1% against NTD	$ 586,018	$ 9,901
	Foreign currency depreciated 1% against NTD	(586,018)	(9,901)
Interest rate risk	Interest rate curve edged up 1bp	(41,514)	(1,256)
	Interest rate curve edged down 1bp	41,514	1,256
Equity price risk	Equity price increased 1%	128,261	911
	Equity price decreased 1%	(128,261)	(911)

4) Liquidity risk

a) 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.

b) The management policies are as follows:

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

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

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

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

iv. Managing the maturity date of debt instruments.

The procedures for monitoring and reporting liquidity risk are applied and measured based on the estimated cash flows (the time gap is based on how the 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.

c) Maturity analysis

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

December 31, 2018	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Due to the Central Bank and other banks	$ 33,101,058	$ 17,095,169	$ 4,282,054	$ 3,941,937	$ 1,843,112	$ 60,263,330
Financial liabilities measured at FVTPL	-	-	-	-	2,250,590	2,250,590
Securities sold under repurchase agreements	10,835,957	3,010,998	219,247	563,328	-	14,629,530
Payables	28,565,460	667,076	349,849	507,933	23,257	30,113,575
Deposits and remittances	864,477,888	298,164,617	145,988,475	201,793,787	10,200,848	1,520,625,615
Bank debentures	-	-	5,144,083	5,444,083	54,197,086	64,785,252
Other financial liabilities	2,799,494	28,842	126,049	253,286	1,003,367	4,211,038

December 31, 2017	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Due to the Central Bank and banks	$ 14,237,024	$ 13,462,190	$ 1,973,301	$ 4,069,220	$ -	$ 33,741,735
Securities sold under repurchase agreements	23,183,519	6,461,947	135,398	11,203	-	29,792,067
Payables	27,340,806	1,145,431	603,131	185,438	8,160	29,282,966
Deposits and remittances	864,239,367	272,802,063	130,489,985	127,637,545	8,611,644	1,403,780,604
Bank debentures	-	-	139,125	139,125	52,238,060	52,516,310
Other financial liabilities	2,077,200	-	1,206,908	-	-	3,284,108

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

i. Derivative financial liabilities in net settlement

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

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

ii. Derivative financial liabilities in total settlement

December 31, 2018	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial liabilities measured at FVTPL						
Foreign exchange derivatives						
Cash inflow	$ 49,621,207	$ 54,381,089	$ 65,116,337	$ 105,005,353	$ 78,396,809	$ 352,520,795
Cash outflow	49,798,017	54,672,679	65,481,678	105,091,508	78,396,809	353,440,691

December 31, 2017	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial liabilities at FVTPL						
Foreign exchange derivatives						
Cash inflow	$ 22,829,837	$ 15,526,414	$ 7,654,489	$ 6,784,448	$ 33,185,750	$ 85,980,938
Cash outflow	23,078,672	15,479,520	7,685,355	6,821,903	33,185,750	86,251,200

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

December 31, 2018	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Developed and non-cancelable loan commitments	$ 4,817,873	$ 3,536,654	$ 1,990,655	$ 4,153,507	$ 41,480,404	$ 55,979,093
Non-cancelable credit card commitments	68,122	136,174	204,296	298,071	-	706,663
Issued but unused letters of credit	33,223,391	3,012,705	442,615	118,119	17,622	36,814,452
Other guarantees	13,737,286	11,674,979	6,496,931	12,678,166	15,718,622	60,305,984

December 31, 2017	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Developed and non-cancelable loan commitments	$ 462,269	$ 545,745	$ 785,050	$ 1,160,470	$ 42,175,296	$ 45,128,830
Non-cancelable credit card commitments	69,788	139,503	209,291	305,358	-	723,940
Issued but unused letters of credit	35,075,325	3,923,988	715,471	271,530	85,140	40,071,454
Other guarantees	5,004,188	8,793,636	5,794,198	18,758,569	15,677,037	54,027,628

d. 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 do not qualified for derecognition and related financial liabilities.

December 31, 2018

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

December 31, 2017

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

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

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

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

a. The Bank

	For Year Ended December 31, 2018	
	Average Balance	Average Rate (%)
Interest-earning assets		
Cash and cash equivalents - due from other banks	$ 15,967,582	1.11
Due from the Central Bank and call loans to banks	96,912,415	1.09
Financial assets measured at FVTPL	20,971	0.94
Securities purchased under resale agreements	149,578	1.17
Credit card revolving balances	671,432	13.67
Discounts and loans (excluding non-performing loans)	662,857,612	2.37
Financial assets measured at FVTOCI – debt instrument investment	172,775,047	1.57
Financial assets measured at amortized cost	97,018,014	0.58
Bills purchased	2,276	2.00
Other financial assets – due from other banks (time deposits with an original maturity date of more than three months)	2,461,140	1.12

(Continued)

	For Year Ended December 31, 2018	
	Average Balance	Average Rate (%)
Interest-bearing liabilities		
Due to the Central Bank and banks	$ 17,614,950	1.78
Financial liabilities measured at FVTPL	376,596	4.89
Securities sold under repurchase agreements	28,753,372	0.36
Negotiable certificates of deposits	13,735,056	0.55
Demand deposits	210,324,230	0.23
Savings deposits	134,649,679	0.31
Time deposits	374,292,689	1.10
Time-savings	136,213,709	1.03
Bank debentures	48,165,233	1.63
Structured deposit instruments principal	2,876,124	2.42

	For Year Ended December 31, 2017	
	Average Balance	Average Rate (%)
Interest-earning assets		
Cash and cash equivalents - due from other banks	$ 14,197,759	0.39
Due from the Central Bank and call loans to banks	86,322,902	0.94
Financial assets measured at FVTPL	2,390,672	1.60
Securities purchased under resale agreements	94,808	0.32
Credit card revolving balances	692,383	12.83
Discounts and loans (excluding non-performing loans)	611,856,214	2.23
Available-for-sale financial assets	157,259,879	1.56
Held-to-maturity financial assets	80,709,990	0.56
Bills purchased	3,901	2.44
Interest-bearing liabilities		
Due to the Central Bank and banks	12,435,877	1.67
Securities sold under repurchase agreements	24,878,497	0.34
Negotiable certificates of deposits	6,277,153	0.48
Demand deposits	222,297,456	0.14
Savings deposits	130,647,358	0.31
Time deposits	312,626,818	0.88
Time-savings	134,171,025	1.03
Bank debentures	40,991,398	1.64
Structured deposit instruments principal	1,894,661	1.41

(Concluded)

b. SCB (HK)

	For Year Ended December 31, 2018	
	Average Balance	Average Rate (%)
Interest-earning assets		
Due from other banks	$ 177,380,772	1.71
Discounts and loans (excluding non-performing loans)	196,562,544	2.81
Credit card revolving balances	169,260	31.31
Debt instruments (including financial assets measured at FVTOCI and amortized cost)	315,677,851	4.03
Interest-bearing liabilities		
Due to other banks	41,703,409	2.10
Demand deposits	256,498,496	0.03
Time deposits	325,069,316	1.83
Bank debentures	7,638,638	3.87

	For Year Ended December 31, 2017	
	Average Balance	Average Rate (%)
Interest-earning assets		
Due from other banks	$ 181,211,996	1.31
Discounts and loans (excluding non-performing loans)	278,755,499	3.49
Credit card revolving balances	177,340	30.43
Debt instruments (including available-for-sale financial assets, and held-to-maturity financial assets	173,603,467	2.49
Interest-bearing liabilities		
Due to other banks	29,341,333	1.62
Demand deposits	233,768,648	0.03
Time deposits	305,835,904	1.36

44. 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 Bank's own capital to the risky assets shall not be less than 9.25% in 2017 and not less than 9.875% in 2018; where the actual ratio is lower than the prescribed standard, the authorities may impose limit on its capital surplus distribution.

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

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

	December 31	
	2018	**2017**
Analysis items		
Eligible capital		
Common equity	$ 142,880,909	$ 131,558,520
Other Tier I capital	5,218,499	-
Tier II capital	48,468,535	38,799,107
Eligible capital	$ 196,567,943	$ 170,357,627
Risk-weighted assets		
Credit risk		
Standardized approach	$ 1,277,834,582	$ 1,155,796,074
Credit valuation adjustment	1,173,616	582,289
Internal rating based approach	N/A	N/A
Synthetic securitization	109,717	128,727
Operational risk		
Basic indicator approach	62,268,390	58,480,032
Standardized approach /alternative standardized approach	N/A	N/A
Advanced measurement approach	N/A	N/A
Market risk		
Standardized approach	53,052,379	41,936,975
Internal models approach	N/A	N/A
Total risk-weighted assets	$ 1,394,438,684	$ 1,256,924,097
Capital adequacy ratio	14.10%	13.55%
Ratio of common equity to risk-weighted assets	10.25%	10.47%
Ratio of Tier I capital to risk-weighted assets	10.62%	10.47%
Leverage ratio	7.34%	7.14%

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

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

a. Assets quality: As stated in Table 1

b. Concentration of credit risks

Top 10 credit extensions information of head office and SCB (HK) was as below:

Ranking (Note 1)	December 31, 2018					
	The Bank			SCB (HK)		
	Categorized by Sector (Note 2)	Credit Amount (Note 3)	Ratio of Credit Amount (%)	Categorized by Sector (Note 2)	Credit Amount (Note 3)	Ratio of Credit Amount (%) (Note 4)
1	A Group (real-estate selling and leasing)	5,733,267	4.37%	a Group (automobile retail)	11,409,641	10.42%
2	B Group (general management agency)	5,385,673	4.11%	b Group (hotel property development)	9,458,664	8.64%
3	C Group (chemical material and wholesale of chemical products)	5,298,681	4.04%	c Group (construction industry)	6,692,676	6.11%
4	D Group (computer manufacturing)	4,666,708	3.56%	d Group (investment holding and steel sales)	5,879,623	5.37%
5	E Group (metallic furniture manufacturing)	4,599,252	3.51%	e Group (hotel property development)	5,529,185	5.05%
6	F Group (computer manufacturing)	4,343,939	3.31%	f Group (import and export of garments and accessories)	5,325,142	4.86%
7	G Group (wiring and cable system manufacturing)	4,138,604	3.16%	g Group (property investment and reconstruction)	5,065,495	4.62%
8	H Group (apparel manufacturing)	3,697,879	2.82%	h Group (property development)	4,676,231	4.27%
9	I Group (integrated circuit manufacturing)	3,510,792	2.68%	i Group (property investment)	3,978,295	3.63%
10	J Group (retail industry via e-shopping and mail order)	3,104,632	2.37%	j Group (property development)	3,887,320	3.55%

(import and export of garments and accessories

Ranking (Note 1)	December 31, 2017					
	The Bank			SCB (HK)		
	Group with Industry Sector (Note 2)	Credit Amount (Note 3)	Ratio of Credit Amount (%)	Group with Industry Sector (Note 2)	Credit Amount (Note 3)	Ratio of Credit Amount (%) (Note 4)
1	A Group (real estate activities for sale and rental with own or leased property)	6,984,188	5.71%	a Group (automobile retail)	12,296,661	12.38%
2	B Group (general management agency)	6,047,732	4.94%	c Group (construction industry)	7,648,175	7.70%
3	H Group (apparel manufacturing)	4,384,764	3.58%	b Group (hotel property development)	7,485,257	7.53%
4	F Group (computer manufacturing)	4,197,543	3.43%	f Group (import and export of garments and accessories)	5,421,534	5.46%
5	E Group (metallic furniture manufacturing)	3,892,169	3.18%	d Group (investment holding and steel sales)	4,405,474	4.43%
6	C Group (chemical material and chemical product wholesale)	3,510,810	2.87%	e Group (hotel property development)	4,293,122	4.32%
7	D Group (computer manufacturing)	3,507,761	2.87%	i Group (property investment)	3,889,379	3.91%
8	K Group (television program design and broadcasting)	3,329,000	2.72%	k Group (securities trading)	3,587,670	3.61%
9	G Group (wiring and cable system manufacturing)	3,305,735	2.70%	h Group (property investment)	3,487,615	3.51%
10	L Group (packaging and testing of semi-conductors)	3,000,000	2.45%	l Group (property investment and development)	3,391,006	3.41%

Note 1: The top 10 credit extensions ranking is made by total credit balance, which excluded government-owned or state-run enterprises. If the borrower is an affiliate of a group enterprise, the credit balance of the borrower is then aggregated to the 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 grantees issued.

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

c. Interest rate sensitivity information

1) The Bank

Interest Rate Sensitivity Analysis
December 31, 2018

(In NT$ Thousands)

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

Interest Rate Sensitivity Analysis
December 31, 2017

(In NT$ Thousands)

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

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

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

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

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

Interest Rate Sensitivity Analysis
December 31, 2018

(In US$ Thousands)

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

Interest Rate Sensitivity Analysis
December 31, 2017

(In US$ Thousands)

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

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

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

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

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

2) SCB (HK)

Interest Rate Sensitivity Analysis
December 31, 2018

(In US$ Thousands)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate sensitive assets	$ 6,323,254	$ 526,771	$ 148,642	$ 1,227,561	$ 8,226,228
Interest rate sensitive liabilities	5,567,714	722,225	509,214	248,398	7,047,551
Interest rate sensitivity gap	755,540	(195,454)	(360,572)	979,163	1,178,677
Net equity					3,519,204
Ratio of interest rate sensitive assets to liabilities					116.72%
Ratio of interest rate sensitivity gap to net equity					33.49%

Interest Rate Sensitivity Analysis
December 31, 2017

(In US$ Thousands)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate sensitive assets	$ 5,214,212	$ 546,956	$ 236,550	$ 917,152	$ 6,914,870
Interest rate sensitive liabilities	4,934,452	653,656	419,047	251,934	6,259,089
Interest rate sensitivity gap	279,760	(106,700)	(182,497)	665,218	655,781
Net equity					3,220,280
Ratio of interest rate sensitive assets to liabilities					110.48%
Ratio of interest rate sensitivity gap to net equity					20.36%

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

d. Profitability

The Group

Items		December 31, 2018	December 31, 2017
Return on total assets	Before income tax	1.27	1.25
	After income tax	1.01	0.98
Return on equity	Before income tax	13.45	13.01
	After income tax	10.77	10.19
Profit margin		49.52	47.80

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

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

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

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

e. Maturity analysis of assets and liabilities

1) The Bank

a) New Taiwan dollars (thousands)

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

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

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

b) U.S. dollars (thousands)

	Total	December 31, 2018 by remaining period to maturity date				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow at maturity	$ 19,753,818	$ 1,671,324	$ 880,960	$ 969,044	$ 5,444,378	$ 10,780,112
Major cash outflow at maturity	23,053,481	2,132,552	1,573,116	2,199,215	4,426,529	12,722,069
Gap	(3,299,663)	(461,228)	(684,156)	(1,230,171)	1,017,849	(1,941,957)

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

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

2) SCB (HK)

U.S. dollars (thousands)

	Total	December 31, 2018 by remaining period to maturity date				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow at maturity	$ 8,571,979	$ 1,999,315	$ 821,408	$ 593,124	$ 732,877	$ 4,425,255
Major cash outflow at maturity	7,706,111	4,478,987	1,778,223	680,776	512,287	255,838
Gap	865,868	(2,479,672)	(956,815)	(87,652)	220,590	4,169,417

	Total	December 31, 2017 by remaining period to maturity date				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow at maturity	$ 7,754,319	$ 1,278,187	$ 720,210	$ 928,803	$ 578,458	$ 4,248,661
Major cash outflow at maturity	6,860,449	4,058,496	1,479,999	661,071	411,820	249,063
Gap	893,870	(2,780,309)	(759,789)	267,732	166,638	3,999,598

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

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

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

Balance Sheet of Trust Account

Trust Assets	December 31, 2018	December 31, 2017
Bank deposit	$ 2,674,179	$ 1,941,919
Short-term investments	81,749,855	76,465,160
Net asset value of collective investment trust fund	2,854,520	2,061,025
Account receivable	1,966	13,974
Land	18,269,878	12,314,494
Buildings and improvement, net	210,482	177,267
Construction in progress	861,566	1,286,794
Depository of security	57,599,477	47,209,686
Other assets	54,071	60,838
Total trust assets	$ 164,275,994	$ 141,531,157

Trust Liabilities	December 31, 2018	December 31, 2017
Account payables	$ 196	$ 201
Depository of security payable	57,599,477	47,209,686
Trust capital	106,676,741	110,708,014
Accumulated loss and equity	(420)	(16,386,744)
Total trust liabilities	$ 164,275,994	$ 141,531,157

Trust Asset Lists

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

Income Statements of Trust Account

	For the Year Ended December 31	
	2018	2017
Trust income		
Cash dividends revenue	$ 83,787	$ 100,616
Interest revenue	11,365	7,703
Donation revenue	1,517	2,144
Realized investment gains	2,571	4,350
Unrealized investment gains	102,252	96,258
Other revenue	4,189	1,516
	205,681	212,587
Trust expenses		
Tax expenditures	14,950	7,567
Management fees	3,145	3,333
Service fees	3,948	1,519

	For the Year Ended December 31	
	2018	2017
Realized investment losses	137	892
Unrealized investment losses	80,010	2,990
Donation expenses	1,933	-
Other expenses	25	21
	104,148	16,322
Income before income tax	101,533	196,265
Income tax expense	-	-
Net income	$ 101,533	$ 196,265

47. EXCHANGE RATE INFORMATION FOR FOREIGN FINANCIAL ASSETS AND LIABILITIES

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

a. The Bank

	December 31					
	2018			2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Finance assets						
Monetary items						
Cash and cash equivalents						
USD	$ 86,998	30.7380	$ 2,674,145	$ 149,419	29.6800	$ 4,434,756
JPY	9,475,621	0.2776	2,630,432	23,858,401	0.2632	6,279,531
CNY	576,705	4.4748	2,580,640	1,809,507	4.5498	8,232,895
Due from the Central Bank and call loans to banks						
USD	611,964	30.7380	18,810,549	594,049	29.6800	17,631,374
CNY	2,747,600	4.4748	12,294,960	1,023,300	4.5498	4,655,810
CAD	79,000	21.6549	1,710,737	11,000	23.1326	254,459
Receivables						
USD	379,719	30.7380	11,671,803	36,079	29.6800	1,070,825
ZAR	1,103,239	2.1208	2,339,749	17,255	2.392	41,274
JPY	4,191,823	0.2776	1,163,650	2,126,413	0.2632	559,672
Discounts and loans						
USD	4,747,030	30.7380	145,914,423	4,974,317	29.6800	147,637,729
HKD	3,642,937	3.9238	14,294,156	2,634,690	3.7963	10,002,074
EUR	249,512	35.1889	8,780,053	187,457	35.4453	6,644,470
Financial assets at FVTOCI						
USD	1,695,157	30.7380	52,105,736	-	-	-
CNY	1,161,447	4.4748	5,197,243	-	-	-
AUD	125,471	21.6549	2,717,062	-	-	-
Available-for-sale financial assets						
USD	-	-	-	1,653,716	29.6800	49,082,291
AUD	-	-	-	181,849	23.1326	4,206,640
CNY	-	-	-	820,434	4.5498	3,732,811
Financial assets measured at amortized cost						
USD	49,602	30.7380	1,524,666	-	-	-
SGD	47,481	22.4398	1,065,464	-	-	-
AUD	15,004	21.6549	324,910	-	-	-
Held-to-maturity financial assets						
USD	-	-	-	19,985	29.6800	593,155
AUD	-	-	-	15,006	23.1326	347,128
Financial assets at FVTPL						
USD	59,055	30.7380	1,815,233	34,357	29.6800	1,019,716
EUR	1,525	35.1889	53,663	92	35.4453	3,261
HKD	1,564	3.9238	6,137	3,090	3.7963	11,731
Other financial assets						
CNY	550,000	4.4748	2,461,140	-	-	-
Non-monetary items						
Structured corporate bonds contracts						
USD	-	-	-	23,767	29.6800	705,405

	December 31					
	2018			2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Equity investments under the equity method						
USD	2,208,320	30.7380	67,879,340	1,967,774	29.6800	58,403,532
HKD	74,718	3.9238	293,178	98,324	3.7963	373,267
Financial liabilities						
Monetary items						
Payables						
USD	252,902	30.7380	7,773,702	83,571	29.6800	2,480,387
HKD	950,916	3.9238	3,731,204	18,650	3.7963	70,801
EUR	55,700	35.1889	1,960,022	3,421	35.4453	121,258
Due to the Central Bank and banks						
USD	418,733	30.7380	12,871,015	249,843	29.6800	7,415,340
HKD	306,003	3.9238	1,200,695	60,000	3.7963	227,778
VND	405,000,000	0.0013	526,500	353,000,000	0.0013	458,900
Deposits and remittances						
USD	7,066,331	30.7380	217,204,882	7,375,340	29.6800	218,900,091
CNY	5,712,780	4.4748	25,563,548	4,265,705	4.5498	19,408,105
EUR	328,192	35.1889	11,548,715	375,405	35.4453	13,306,343
Financial liabilities at FVTPL						
USD	79,475	30.7380	2,442,903	9,884	29.6800	293,357
EUR	373	35.1889	13,125	125	35.4453	4,431
CAD	55	22.5683	1,241	2	23.6249	47

b. SCB (HK)

	December 31					
	2018			2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Finance assets						
Monetary items						
Cash and cash equivalents						
USD	$ 465,724	30.7380	$ 14,315,424	$ 46,118	29.6800	$ 1,368,782
CNY	870,680	4.4748	3,896,119	467,338	4.5498	2,126,294
EUR	110,618	35.1889	3,892,526	95,274	35.4453	3,377,016
Due from the Central Bank and call loans to banks						
USD	1,542,648	30.7380	47,417,914	1,760,922	29.6800	52,264,165
CNY	2,469,584	4.4748	11,050,894	4,277,708	4.5498	19,462,716
Receivables						
USD	39,349	30.7380	1,209,510	87,759	29.6800	2,604,687
CNY	16,245	4.4748	72,693	6,252	4.5498	28,445
Discounts and loans						
USD	3,727,568	30.7380	114,577,985	3,340,999	29.6800	99,160,850
CNY	4,336,849	4.4748	19,406,532	-	-	-
Nonmonetary items						
Forward exchange contract						
CNY	190,678	4.4748	853,246	102,315	4.5498	465,513
Financial liabilities						
Monetary items						
Payables						
USD	39,761	30.7380	1,222,174	110,071	29.6800	3,266,907
CNY	5,799	4.4748	25,949	18,742	4.5498	85,272
Due to the central bank and banks						
GBP	1,075,600	38.8989	41,839,657	77,429	39.9166	3,090,702
USD	668,415	30.7380	20,545,740	499,460	29.6800	14,823,973
CNY	2,001,865	4.4748	8,957,946	906,421	4.5498	4,124,034
Deposits and remittances						
USD	6,719,250	30.7380	206,536,307	5,989,729	29.6800	177,775,157
CNY	11,672,250	4.4748	52,230,984	13,003,772	4.5498	59,164,562
Non-monetary items						
Forward exchange contract						
CNY	188,464	4.4748	843,339	109,113	4.5498	496,442
USD	9,286	30.7380	285,433	1,118	29.6800	33,182

48. ADDITIONAL DISCLOSURES

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

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

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

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

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

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

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

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

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

9) Sale of non-performing loans: None.

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

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

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

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

c. Investments in mainland China:

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

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

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

49. SEGMENT INFORMATION

Information reported to the chief operating decision makers 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 makers 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, 2018				
	Taiwan	Hong Kong	Others	Other Adjustments	Total
Net interest	$ 12,886,007	$ 13,894,454	$ 373,935	$ -	$ 27,154,396
Net revenue other than from interest	3,756,995	5,623,270	438,286	(13,723)	9,804,828
Net revenue	16,643,002	19,517,724	812,221	(13,723)	36,959,224
Bad debt expenses and reserve for possible losses on guarantees	(499,993)	(97,958)	(40,770)	-	(638,721)
Operating expenses	(6,874,736)	(6,037,964)	(582,048)	(8,224)	(13,502,972)
Profit before income tax	$ 9,268,273	$ 13,381,802	$ 189,403	$ (21,947)	$ 22,817,531

	For the Year Ended December 31, 2017				
	Taiwan	Hong Kong	Others	Other Adjustments	Total
Net interest	$ 11,781,632	$ 12,114,030	$ 81,147	$ -	$ 23,976,809
Net revenue other than from interest	4,345,938	5,872,452	344,574	(13,065)	10,549,899
Net revenue	16,127,570	17,986,482	425,721	(13,065)	34,526,708
Bad debt expenses and reserve for possible losses on guarantees	(599,928)	(231,463)	(1,051)	-	(832,442)
Operating expenses	(6,566,790)	(5,946,168)	(215,336)	5,163	(12,723,131)
Profit before income tax	$ 8,960,852	$ 11,808,851	$ 209,334	$ (7,902)	$ 20,971,135

The Group did not periodically provide all information of assets of each operating segment to the operating decision maker, thus the measurement of assets were zero.

Main operating clients

The Group's revenue from 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 RECEIVABLE
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, %)

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

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

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

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

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

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

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

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

TABLE 1-1

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

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

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

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

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

TABLE 2

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

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

Information of lenders borrowers and others

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

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

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

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

A. Individual fund loans and limits

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

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

B. Capital loans and total loan limits

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

TABLE 3

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

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

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

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

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

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

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

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

Note 2：When the consolidated financial report was prepared, it has been fully written off.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

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

Investee Company	Location	Main Businesses and Products	Percentage of Ownership (%)	Carrying Amount	Investment Income (Loss) Recognized	Consolidated Investment (Note 2)				Note
						Shares (In Thousands)	Shares (Pro forma)	Shares (In Thousands)	Percentage of Ownership (%)	
Equity investments under the equity method										
Financial business										
SCSB Asset Management Ltd.	Taiwan	Purchase and management of creditor's rights of financial institutions	100.00	$ 1,589,390	$ 34,640	160,000	-	160,000	100.00	
SCSB Life Insurance Agency	Taiwan	Insurance	100.00	139,993	32,639	5,000	-	5,000	100.00	
SCSB Property Insurance Agency	Taiwan	Insurance	100.00	58,869	2,122	5,000	-	5,000	100.00	
SCSB Marketing Ltd.	Taiwan	Marketing	100.00	8,142	1,612	500	-	500	100.00	
Paofoong Insurance Company Ltd.	Hong Kong	Insurance	40.00	293,178	14,079	500	-	500	100.00	
Shanghai Commercial Bank (HK)	Hong Kong	Banking and financial	57.60	63,087,281	6,294,649	11,520	-	11,520	57.60	
SCSB Leasing (China) Co., Ltd.	China	Leasing operation	100.00	934,291	41,868	N/A	-	N/A	100.00	
AMK Microfinance Institution Plc.	Cambodia	Microfinance Institution	80.01	2,515,083	42,059	3,851		3,851	80.01	
Non-financial business										
China Travel Service (Taiwan)	Taiwan	Travel services	99.99	345,234	27,898	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	65,068,986	6,296,417	5	-	5	100.00	
Wresqueue Limitada	Liberia	Securities investment	100.00	334,493	10,747	176	-	176	100.00	
Empresa Inversiones Generales, S.A.	Panama	Securities investment	100.00	1,741,564	1,749,410	1	-	1	100.00	
Krinein Company	Cayman Islands	Securities investment	100.00	504,711	354,436	2	-	2	100.00	
Safehaven Investment Corporation	Liberia	Securities investment	100.00	49,123	361	1	-	1	100.00	
Prosperity Realty Inc.	America	Real estate services	100.00	70,697	9,232	4	-	4	100.00	
Silks Place Taroko	Taiwan	Travel services	45.00	213,849	27,834	20,372	-	20,372	45.00	
CTS Travel International Ltd.	Taiwan	Travel services	100.00	6,973	20	600	-	600	100.00	

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

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

TABLE 6

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

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

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

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

2. Upper limit on investments in mainland China:

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

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

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

Note 2: It should be specified by the accounting firm associated with the parent company in ROC(Taiwan).

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

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

TABLE 7-1

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts 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 Life Insurance Agency	From parent company to subsidiary	Accounts receivable	$ 29,396	Note 4	-
		SCSB Life Insurance Agency	From parent company to subsidiary	Accounts payable	76	Note 4	-
		SCSB Life Insurance Agency	From parent company to subsidiary	Deposits and remittances	156,911	Note 4	-
		SCSB Life Insurance Agency	From parent company to subsidiary	Other liabilities	197	Note 4	-
		SCSB Life Insurance Agency	From parent company to subsidiary	Interest expenses	1,492	Note 4	-
		SCSB Life Insurance Agency	From parent company to subsidiary	Service fee income, net	376,625	Note 4	-
		SCSB Life Insurance Agency	From parent company to subsidiary	Net revenue other than from interest	790	Note 4	-
		SCSB Property Insurance Agency	From parent company to subsidiary	Accounts receivable	1,005	Note 4	-
		SCSB Property Insurance Agency	From parent company to subsidiary	Accounts payable	17	Note 4	-
		SCSB Property Insurance Agency	From parent company to subsidiary	Deposits and remittances	60,540	Note 4	-
		SCSB Property Insurance Agency	From parent company to subsidiary	Other liabilities	197	Note 4	-
		SCSB Property Insurance Agency	From parent company to subsidiary	Interest expenses	536	Note 4	-
		SCSB Property Insurance Agency	From parent company to subsidiary	Service fee income, net	12,132	Note 4	-
		SCSB Property Insurance Agency	From parent company to subsidiary	Net revenue other than from interest	790	Note 4	-
		SCSB Asset Management Ltd.	From parent company to subsidiary	Accounts payable	100	Note 4	-
		SCSB Asset Management Ltd.	From parent company to subsidiary	Deposits and remittances	279,796	Note 4	-
		SCSB Asset Management Ltd.	From parent company to subsidiary	Other liabilities	47	Note 4	-
		SCSB Asset Management Ltd.	From parent company to subsidiary	Interest expenses	2,982	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	Accounts payable	6,945	Note 4	-
		SCSB Marketing	From parent company to subsidiary	Deposits and remittances	11,998	Note 4	-
		SCSB Marketing	From parent company to subsidiary	Other liabilities	20	Note 4	-
		SCSB Marketing	From parent company to subsidiary	Interest expenses	76	Note 4	-
		SCSB Marketing	From parent company to subsidiary	Net revenue other than from interest	84	Note 4	-
		SCSB Marketing	From parent company to subsidiary	Other general and administrative	82,424	Note 4	-
		China Travel Service (Taiwan)	From parent company to subsidiary	Accounts payable	20	Note 4	-
		China Travel Service (Taiwan)	From parent company to subsidiary	Deposits and remittances	85,848	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	774	Note 4	-
		China Travel Service (Taiwan)	From parent company to subsidiary	Net revenue other than from interest	738	Note 4	-
		China Travel Service (Taiwan)	From parent company to subsidiary	Other general and administrative expenses	1,674	Note 4	-
		CTS Travel International Ltd.	From parent company to subsidiary	Deposits and remittances	7,764	Note 4	-
		CTS Travel International Ltd.	From parent company to subsidiary	Interest expenses	59	Note 4	
		CTS Travel International Ltd.	From parent company to subsidiary	Accounts payable	21	Note 4	

(Continued)

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.	Shancom Reconstruction Inc.	From parent company to subsidiary	Cash and cash equivalents	$ 430,110	Note 4	
		Shancom Reconstruction Inc.	From parent company to subsidiary	Due from the Central Bank and call loans to banks	969	Note 4	-
		Shancom Reconstruction Inc.	From parent company to subsidiary	Accounts payable	1,084	Note 4	-
		Shancom Reconstruction Inc.	From parent company to subsidiary	Deposits and remittances	1,445,468	Note 4	-
		Shancom Reconstruction Inc.	From parent company to subsidiary	Interest expenses	42,099	Note 4	-
1	SCSB Life Insurance Agency	The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Cash and cash equivalents	156,911	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Accounts receivable	76	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Other assets	197	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Accounts payable	29,396	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Interest revenue	1,492	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Net revenue other than from interest	790	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Other general and administrative expenses	376,625	Note 4	-
2	SCSB Property Insurance Agency	The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Cash and cash equivalents	60,540	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Accounts receivable	17	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Other assets	197	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Accounts payable	1,005	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Interest revenue	536	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Net revenue other than from interest	790	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Other general and administrative expenses	12,132	Note 4	-
3	SCSB Asset Management Ltd.	The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Cash and cash equivalents	279,796	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Accounts receivable	100	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Other assets	47	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Interest revenue	2,982	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Net revenue other than from interest	170	Note 4	-
4	SCSB Marketing	The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Cash and cash equivalents	11,998	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Accounts receivable	6,945	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	76	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Net revenue other than from interest	84	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Net revenue other than from interest	82,424	Note 4	-
5	China Travel Service (Taiwan)	The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Accounts receivable	20	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Cash and cash equivalents	85,848	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	774	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Net revenue other than from interest	738	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Net revenue other than from interest	1,674	Note 4	-
		Shancom Reconstruction Inc.	From subsidiary to subsidiary	Cash and cash equivalents	740	Note 4	-
		CTS Travel International Ltd.	From subsidiary to subsidiary	Net revenue other than from interest	120	Note 4	-
		CTS Travel International Ltd.	From subsidiary to subsidiary	Other general and administrative expenses	2,633	Note 4	-

(Continued)

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)
6	CTS Travel International Ltd.	The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Cash and cash equivalents	$ 7,764	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Interests revenue	59	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Accounts receivable	21	Note 4	
		China Travel Service (Taiwan)	From subsidiary to subsidiary	Net revenue other than from interest	120	Note 4	-
		China Travel Service (Taiwan)	From subsidiary to subsidiary	Net revenue other than from interest	2,633	Note 4	-
7	Shancom Reconstruction Inc.	The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Cash and cash equivalents	1,445,468	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Due from other banks	969	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Accounts receivable	1,084	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Due to the Central Bank and banks	431,110	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Interest revenue	42,099	Note 4	
		China Travel Service (Taiwan)	From subsidiary to subsidiary	Deposits and remittances	740	Note 4	-

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

a. Parent company: 0.
b. Subsidiaries: 1 onward.

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

a. Transactions from parent company to subsidiary.
b. Transactions from subsidiary to parent company.
c. Transactions from subsidiary to subsidiary.
d. Transactions from parent company to indirect subsidiary.
e. Transactions from indirect subsidiary to parent company.

Note 3: The percentages are rcalculated 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.

(Concluded)

TABLE 7-2

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Amounts in Thousands of New Taiwan Dollars)

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transaction			
				Financial Statements Item	Amount	Term	Percentage of Consolidated Total Gross Sales or Total Assets (Note 3)
0	The Shanghai Commercial & Savings Bank, Ltd.	SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Accounts receivables	$ 35,188	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Accounts payables	87	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Deposits and remittances	218,605	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Other liabilities	197	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Interest expenses	1,618	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Service fee incomes, net	280,637	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Net revenues other than interest	790	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Accounts receivables	657	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Accounts payables	17	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Deposits and remittances	56,367	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Other liabilities	197	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Interest expenses	540	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Service fee incomes, net	11,916	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Net revenues other than interest	790	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Accounts payables	165	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Deposits and remittances	409,217	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Other liabilities	47	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Interest expenses	2,904	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Net revenues other than interest	170	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Accounts payables	5,893	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Deposits and remittances	11,085	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Other liabilities	20	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Interest expenses	74	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Net revenues other than interest	84	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Other general and administrative	72,921	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Accounts payables	215	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Deposits and remittances	98,392	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Other liabilities	180	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Interest expenses	656	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Net revenues other than interest	732	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Other general and administrative	2,599	Note 4	-

(Continued)

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transaction			
				Financial Statements Item	Amount	Term	Percentage of Consolidated Total Gross Sales or Total Assets (Note 3)
0	The Shanghai Commercial & Savings Bank, Ltd.	CTS Travel International Ltd.	Represents the transactions from parent company to subsidiary	Accounts payables	$ 21	Note 4	-
		CTS Travel International Ltd.	Represents the transactions from parent company to subsidiary	Deposits and remittances	7,598	Note 4	-
		CTS Travel International Ltd.	Represents the transactions from parent company to subsidiary	Interest expenses	59	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from parent company to subsidiary	Cash and cash equivalents	231,068	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from parent company to subsidiary	Due from the Central Bank and call loans to banks	24	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from parent company to subsidiary	Accounts payables	4,365	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from parent company to subsidiary	Deposits and remittances	1,368,785	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from parent company to subsidiary	Interest expenses	26,027	Note 4	-
1	SCSB Life Insurance Agency	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	218,605	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts receivables	87	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other liabilities	197	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts payables	35,188	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenues	1,618	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	790	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other general and administrative expense	280,637	Note 4	-
2	SCSB Property Insurance Agency	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	56,367	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts receivables	17	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other liabilities	197	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts Payables	657	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenues	540	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	790	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other general and administrative expense	11,916	Note 4	-
3	SCSB Asset Management Ltd.	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	409,217	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts receivables	165	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other assets	47	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenues	2,904	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	170	Note 4	-
4	SCSB Marketing	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	11,805	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts receivables	5,893	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other assets	20	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenues	74	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	72,791	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	84	Note 4	-
5	China Travel Service (Taiwan)	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts receivables	215	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	98,392	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other assets	180	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenues	656	Note 4	-

(Continued)

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transaction			
				Financial Statements Item	Amount	Term	Percentage of Consolidated Total Gross Sales or Total Assets (Note 3)
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	$ 732	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	2,599	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from subsidiary to subsidiary	Cash and cash equivalents	1,069	Note 4	-
		CTS Travel International Ltd.	Represents the transactions from subsidiary to subsidiary	Net revenues other than interest	120	Note 4	-
		CTS Travel International Ltd.	Represents the transactions from subsidiary to subsidiary	Other general and administrative expense	2,693	Note 4	-
6	CTS Travel International Ltd.	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	7,598	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interests revenues	59	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts receivables	21	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from subsidiary to subsidiary	Net revenues other than interest	2,693	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from subsidiary to subsidiary	Net revenues other than interest	120	Note 4	-
7	Shancom Reconstruction Inc.	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	24	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Due from other banks	1,368,785	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts receivables	4,365	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Due to the Central Bank and banks	231,068	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenue	26,027	Note 4	
		China Travel Service (Taiwan)	Represents the transactions from subsidiary to subsidiary	Deposits and remittances	1,069	Note 4	-

Note 1: The transactions between the parent company and its subsidiaries are as follows:

a. Parent company: 0.
b. Subsidiaries are numbered sequentially from 1 in accordance to company type.

Note 2: There are five transactional relationships, and they are as follows:

a. Transactions from parent company to subsidiary.
b. Transactions from subsidiary to parent company.
c. Transactions from subsidiary to subsidiary.
d. Transactions from parent company to indirect subsidiary.
e. Transactions from Indirect subsidiary to parent company.

Note 3: The percentages are calculated by the consolidated total assets or the consolidated total net sales. If the account refers only to the financial assets/liabilities on the balance sheets, it will be counted by the percentage of its final amount divided by the consolidated total assets. Otherwise, if the account refers to income statement, it will be counted by the percentage of its average amount divided by the consolidated total net revenue.

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