

# **The Shanghai Commercial & Savings Bank,Ltd.**

## **Minutes for the 2020 Annual General Meeting of Shareholders**

Meeting Time : June 19, 2020, at 9:00am

Place : 2F, No. 6, Sec. 3, Minsheng East Road, Taipei, Taiwan

Attendance: The total outstanding shares of the Company are 4,481,603,140 shares. After subtracting the reserved shares of shareholders in Mainland China 582,420,149 shares and the shares of a subordinate company 11,397,439 shares, the net shares are 3,887,785,552 shares. The shares represented by the shareholders present at the meeting in person or by proxy are 2,762,333,911 shares (including 984,909,902 shares represented by the shareholders by means of electronic voting method), representing 71.05% of the total issued shares of the Company (Net shares).

Chairman: Yih-Pin Chen     Minutes taken down by Shiu-Yen Lin

Attending :

Director: John Con-Sing Yung , George Chao-Chi Gu , Kar-Wah Cheng , Yi-Jen Chiou ,  
Shan-Chung Chen

Independent Director: Yung-San Lee , Mu-Tsai Chen , Miles King-Hu Hsieh

Attorney : HOPKINGS TSAI, Li Mo & Associates Attorneys-at-Law

Robin Chang , Lee and Li, Attorneys-at-Law

Philip Fang, Fang & Fang    LAW OFFICE

CPA : Chun-Hung Chen and Tzu-Jung Kuo , CPA from Deloitte & Touche, Taiwan

1. Announced the commencement of the Meeting (Report of the number of shares represented by shareholders present at the meeting, Chairman's announcement of the commencement of the Meeting)
2. Chairman's Remarks(omitted)
3. Report Items
  - (1). The 2019 Business Report. (Proposed by the Board of Directors, Please refer to the Attachment for the Business Report)
  - (2). The 2019 Audit Committee's Review Report. (Proposed by the Board of Directors, Please refer to the Attachment for the Review Report)
  - (3).The 2019 Directors and Employees Remuneration Distribution Report. (Proposed by the Board of Directors, Please refer to the Attachment for Handbook for the Annual General Meeting of Shareholders)

- (4). The Company's Bank Debentures Issued in 2019 Report. (Proposed by the Board of Directors, Please refer to the Attachment for Handbook for the Annual General Meeting of Shareholders)
- (5). Amendment to the Company's " Ethical Corporate Management Best Practice Principles" Report. (Proposed by the Board of Directors, Please refer to the Attachment for Handbook for the Annual General Meeting of Shareholders)
- (6). The Company will re-elect directors at the 2021 Annual General Shareholders' Meeting, and hereby reminds shareholders to pay attention to the relevant provisions of Article 25 of Banking Act. (Proposed by the Board of Directors, Please refer to the Attachment for Handbook for the Annual General Meeting of Shareholders)

Above Reports noted

#### 4. Ratification Items

- (1). Agenda : To accept 2019 Business report and Financial statements. (Proposed by the Board of Directors)

Explanation :

The 2019 Financial Reports of the Company were audited by Chun-Hung Cheng, CPA, and Tzu-Jung Kuo, CPA, Deloitte Taiwan. These Financial and Business Reports had been approved by the Board and reviewed by the Audit Committee. The 2019 Business Reports and the above-mentioned Financial Reports please refer to the Attachment.

Resolution:

This proposal is approved by vote as the following. The chairman declared this proposal is approved by vote.

( ) voting by electronic voting method

Total Votes	Approval Votes	Disapproval Votes	Invalid Votes /Abstention Votes/No Votes
2,765,157,419	2,573,758,753 (802,496,123)	691,970 (691,970)	190,706,696 (181,721,809)
100%	93.07%		

- (2). Agenda : To approve the Proposal for Distribution of 2019 Earnings. (Proposed by the Board of Directors)

Explanation :

1. Pursuant to Article 228 of the Company Act and Article 37 of the Articles of Incorporation, the Company's earnings for 2019 are proposed to be distributed.
2. The beginning undistributed earnings for 2019 amounted to NT\$11,113,678,349. With the retrospective adjustment of deducting NT\$22,797,392 on the initial adoption of IFRS16 (International Financial Report Standards 16), the beginning undistributed earnings after adjustment amounted to NT\$11,090,880,957.
3. Deducting the actuarial loss NT\$75,632,851 on defined benefit plans recognized in Retained Earnings and the loss NT\$110,087,039 on disposal of Investments in Equity Instruments Measured at Fair Value through Other Comprehensive Income recognized in Retained Earnings, the total undistributed earnings decreased from NT\$11,090,880,957 to NT\$10,905,161,067.
4. The Company's net income for the period amounted to NT\$14,661,111,315. After the reserves set aside 30% legal reserve of NT\$4,398,333,395, the total distributable earnings amounted to NT\$21,167,938,987. It is planned to distribute cash dividend of NT2.05 per common share with the total amount of NT\$9,187,286,437. (For the Earnings Distribution Plan for 2019, please refer to Attachment)
5. It is planned to give priority to handle all kinds of distributions with earnings in 2019. The cash dividends are distributed pro rata and are rounded down to the nearest whole number. The fractional balance of dividends less than NT\$1 will be summed up and recognized as other income of the Company.
6. Once resolved at the Annual General Meeting, the Board of Directors is authorized to set the ex-dividend date.
7. If, subsequently due to capital increase or decrease, buying back (selling) the shares of the Company, etc., the number of shares outstanding on the record date are affected, and the common share dividend payout ratio is changed therefore, it is planned that the Board of Directors is authorized to handle matters regarding the change of payout ratio.
8. It is also proposed to authorize the Board of Directors to revise the distribution plan due to changes of law and regulations, market conditions, or receiving instructions from government authorities.

Resolution:

This proposal is approved by vote as the following. The chairman declared this proposal is approved by vote.

( ) voting by electronic voting method

Total Votes	Approval Votes	Disapproval Votes	Invalid Votes /Abstention Votes/No Votes
2,765,157,419	2,576,007,157 (804,744,527)	2,786,060 (2,786,060)	186,364,202 (177,379,315)
100%	93.15%		

#### 5. Extempore Motions

##### Statement Summary :

Shareholder (No.11275) expressed his opinions about the staff's salary and contribution matching, workload and human resource allocation, information security and system update, etc.

Shareholder (No.3728) expressed his opinions about operation of the subsidiary bank in Hongkong.

The above questions were responded by the chairman and assigned relevant personnel.

6. Adjournment : The chairman announced Meeting adjourned (at about 09:46AM the same day.)

(This Meeting Minutes only recorded a summary of the essential points of the proceedings and the results of the meeting. The content, procedures and shareholder speeches of the meeting are still subject to the audio-visual records of the meeting.)

Chairman: Yih-Pin Chen     Minutes taken down by Shiu-Yen Lin

#### **Notice to Readers**

For the convenience of readers, the Minutes has been translated into English from the original Chinese version prepared. 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 shall prevail.

# The Shanghai Commercial & Savings Bank, Ltd.

## 2019 Business Report

### I. Foreword

In 2019, growth in the global economy slowed due to the impact of international trade disputes and an increase of geopolitical risks. The Shanghai Commercial & Savings Bank, Ltd. (SCSB) upheld its principles for “asset safety, liquidity sufficiency and capital adequacy” to stably expand businesses and create solid returns in its operating performance. The profit after income tax gained 6.9% to NT\$14.66 billion year over year. The year-end NPL ratio was 0.20%, the liquidity ratio was 32.90%, and the capital adequacy ratio was 14.56%.

The results of SCSB’s operating performance in 2019, business plans and future development strategies for 2020, the impact of external competitive environment, regulatory environment and macroeconomic environment, and the latest affirmed credit ratings are illustrated as follows:

### II. Operating Performance in 2019

#### 1. Overview of Global & Domestic Financial Environment

Growth in global trade volume declined in 2019 due to the trade disputes between the United States and China. However, the domestic market benefited from transferred purchase orders and return of funds from Taiwanese businesses, resulting in increased economic momentum quarter by quarter. The annual economic growth in 2019 was 2.71%. Owing to the decrease in interest rate in the United States and continuous influx of foreign capital, the exchange rate for NTD against

USD closed at 30.106, showing a 2.1% annual appreciation. With continuous foreign investment in Taiwan's stock market, the TWSE closed at 11,997 at the end of the year with a 23.3% annual increase which was the best performance in the last decade. The Central Bank maintained interest rates unchanged for 14 consecutive quarters as domestic funds remained plentiful and inflation had been moderate, and continued to adopt an accommodative monetary policy.

## 2.Organizational Changes

To strengthen the expansion of bancassurance, SCSB merged its life insurance and property insurance agency subsidiaries in May and established the Insurance Agency Department in the Headquarters. To expand services, SCSB added three smart branches in June including the Chu Ko Branch in Hsinchu City, Lin Kou Branch in New Taipei City, and Yongji Branch in Taipei City. To establish a more comprehensive financial service network in Asia Pacific, SCSB obtained approval for the establishment of Wuxi Branch in China in November and it is now actively preparing the opening of the Branch.

To improve interdepartmental communication at the Headquarters and develop coordination and integration skills of department heads, SCSB has established functional integration meetings in business departments. To enhance corporate governance, SCSB appointed a dedicated Corporate Governance Officer. To comply with FSC policies, SCSB established the "Whistle-blowing Affair Review Committee" and "Consumer Protection Committee". To promote financial inclusion, SCSB increased investments in the Cambodian subsidiary AMK Microfinance Institution and raised its shareholding ratio to 84.9%.

SCSB's stocks were selected as constituent stocks of the MSCI Taiwan Index and TWSE Taiwan High Compensation 100 Index in 2019, indicating investors' recognition of its business performance. In response to the FSC's amendment of capital calculation regulations, SCSB issued 380 million common shares in October and successfully raised NT\$13.68 billion in capital to further enhance the soundness of its capital base. At the end of the year, SCSB's capital reached NT\$44.816 billion and total market value reached NT\$233.04 billion. In addition, to comply with the government's urban renewal strategy for dangerous and old buildings, SCSB's Headquarters building on Minchuan East Road will be demolished for reconstruction and the Headquarters will be temporarily relocated to the Minsheng Building.

### 3. Operational Plans, Strategies and Results

Corporate banking remained the core business in the 2019 business plan, but SCSB also gave consideration to personal banking, wealth management, treasury marketing, deposits and remittances, and digital banking. SCSB continued developing innovative financial products and services, enhancing FinTech applications, cultivating talents, actively fulfilling corporate social responsibility, and improving corporate image. The results of 2019 business plans and strategies were reflected on the growth of main businesses and profits, year on year, in which the average deposit balance was NT\$955.7 billion, up 7.8%, and average loan balance was NT\$708.1 billion, up 8.1%; profit before income tax was NT\$16.56 billion, up 5.2%, net income after income tax was NT\$14.66 billion, up 6.9%; EPS was NT\$3.50, up 3.9%; after-tax return on assets and after-tax return on equity were 1.20% and 10.30%

respectively.

#### 4. Budget Implementation

As for main businesses and net income after income tax, the achieving ratio of operational targets for average deposit balance was 96.5%, average loan balance was 97.0%, and net income after income tax was 102.5%.

#### 5. Income, Expense and Profit

Unit: NT\$ Billion, except as indicated

Item \ Year	2019	2018	Change(%)
Net interest	12.93	12.89	0%
Total non-interest revenue	11.92	10.27	16%
Net revenue	24.85	23.16	7%
Provisions for bad-debt expense, commitment and guarantee liability	0.6	0.5	20%
Total operating expenses	7.69	6.92	11%
Profit before income tax	16.56	15.74	5%
Net income	14.66	13.71	7%
Earnings Per Share (in dollars)	3.50	3.37	4%
ROA (after income tax)	1.20%	1.21%	-0.01%
ROE (after income tax)	10.30%	10.82%	-0.52%

#### 6. Research and Development

SCSB continued its customer-centric approach in 2019 and provided innovative digital banking services to satisfy customer demands and provide customers with new financial service experience. In terms of corporate banking, SCSB made full use of credit guarantee fund mechanisms and expanded financing services for small and medium enterprises and overseas Taiwanese businesses. SCSB also created preferential loans for startup industries, reconstruction of dangerous and



old residences, and government projects. In terms of personal banking, SCSB entered a strategic alliance with Universal Studios and Master Card and launched the exclusive “Minions Master Card” in Taiwan. SCSB became the first to launch a 3D fragrance credit card catered to young users. In terms of wealth management, SCSB launched the new Target Maturity Emerging Market Bond Fund, Global Multiple Income Balance Fund, Senior Asset Secured Bond Fund, Target Maturity Bond Trust Collective Investment Management Account, asset heritage and asset allocation insurance portfolio marketing plans, and customized principal-guaranteed structured investment products to satisfy customer wealth management demands.

In terms of deposits and remittances, SCSB provided flexible product portfolios and launched multiple deposit promotion programs through interdepartmental collaboration. SCSB also continued to promote settlements for security firms with separate accounts to increase demand deposits. In terms of digital banking and promotion of diverse payment collection channels, SCSB launched the “Financial Collection System Platform” (eFCS businesses) of Taiwan Clearing House and launched the integrated diverse mobile payment tool “One Code Go” payment collection service. The service was the first to incorporate parking lots, chain stores and traditional night markets. In response to the implementation of the “Open Banking” system, SCSB became one of the first banks in the “open API platform”. To provide customers with brand-new smart financial services, SCSB introduced innovative services such as AI applications in new smart branches, smart speaker customer service bots, mobile phone QR code scan for paperless ticketing, and Taiwan Pay ATM cardless withdrawals.

### III. Business Plans for 2020

#### 1.Business Guidelines

In 2020, SCSB will adopt strategies based on “smart finance for innovation and sustainability”. SCSB shall enhance the incorporation of smart technologies, expedite digital development, promote financial inclusion, innovate products and services, drive revenue growth and profitability, enhance business management, fulfill social responsibilities, and create sustainable value.

#### 2.Business Targets

Taking into account factors including economic growth forecasts, market competition, as well as the growth result in 2019 and business strategies for 2020, SCSB is setting up appropriate growth for 2020 targets.

#### 3.Business Policies

A.Fundamental Policy: Conduct business with integrity and trustworthiness to achieve stable, sound, balanced and sustainable development, as well as excellent operating performance.

B.Operating Policy: Corporate banking continues to be core business for SCSB, but SCSB will also continue incorporating personal banking, wealth management, treasury marketing, deposits and remittances businesses, and strengthening its digital banking services.

C.Sales Policy: Unite sales personnel on four business lines to promote integrated marketing, deepen relationships with core customers, develop potential high-quality customers, pay attention to financial consumer protection, and treat customers with fairness.

D.Management Policy: Effectively implement three lines of defense in internal control, optimize risk management and strengthen the culture of compliance in order to improve financial and business development.

#### IV. Future Development Strategies

SCSB's main development strategies for 2020 are as follows:

- 1.Overall Operations: Maintain stable and sustainable operations, achieve balanced and progressive growth, place equal emphasis on operations and management, and create good financial and business performance.
- 2.Channel Development: Actively gain greater presence in Asia-Pacific, expand into China's market, make use of strategic alliances, and strengthen virtual channels.
- 3.Business Development: Enhance niche businesses, strengthen cross-border sales and cross-selling, promote integrated marketing, and expand business scale.
- 4.Customer Relations: Treat customers with fairness, secure core customers, develop high-quality customer groups, and create customer value.
- 5.Digital Banking: Innovate in smart finance, optimize customer experience, promote virtual-physical integration, and develop inclusive finance.
- 6.Information Technology: Improve system equipment, strengthen information applications, stabilize system operations and maintenance, and ensure information security.
- 7.Human Resource: Cultivate a diverse workforce, enhance core and professional competencies, strengthen management succession, and enrich human capital.
- 8.Internal Control: Implement internal control, optimize risk management,

strengthen the culture of compliance, and fully implement the three lines of defense.

9. Corporate Relations: Enhance corporate governance, fulfill corporate social responsibility, be responsible to both the environment and the society, and create sustainable value.

## V. The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Environment

### 1. External Competitive Environment

Although the consolidation of domestic banks has continued in recent years, the number of banks is still excessively high. Price competition has intensified and the interest spread has decreased. The FSC approved the establishment of three Internet-only banks. They are expected to join the market and commence operations in 2020 and their participation will further intensify competition in banking businesses. SCSB will cautiously expand its business in response to the competitive external environment and focus on value competition instead of price competition. SCSB shall actively enhance digital banking products and services and continue to create positive momentum for business growth.

### 2. Regulatory Environment

To meet international standards, the FSC has completed the screening structure for domestic systemically important banks and enhanced relevant supervision measures. It also enhanced capital requirements for banks investing in other financial or banking related businesses, raised the maximum penalty for violations of regulations by banks, and added methods for administrative penalties. In response to the rapid

development of FinTech, the FSC has also encouraged banks to develop a diverse range of online financial services and promoted Open Banking. SCSB shall continue to enhance operation management, improve finance and business, strengthen FinTech applications, and promote digital banking competitiveness.

### 3. Macroeconomic Environment

The global economy still faces many risk factors such as COVID-19 in 2020 and Taiwan's economic outlook expects to be cautious and conservative. However, the banking industry remains under pressure from over-banking and excess capital in the market. In the face of such volatile external challenges, SCSB will examine changes to the business environment and adopt flexible and appropriate business strategies to grasp business opportunities in the market. SCSB will steadily expand businesses, increase sources of revenue, and create profit.

## VI. Credit Ratings

Rating Agency	Ratings		Outlook	Release Date
	Long-term	Short-term		
Taiwan Ratings	twAA	twA-1+	Stable	2019.12.3
Fitch	AA(twn)	F1+(twn)	Stable	2019.5.24
Standard & Poor's	BBB+	A-2	Stable	2020.1.10
Fitch	A-	F2	Stable	2019.5.24

In 2020, SCSB shall continue to uphold the business motto of “serving society and supporting industry”, mid-term development strategy of “deepening in Taiwan, linking Greater China, and expanding international business”, and strategy for 2020 of “smart finance for innovation and

sustainability”. Also, SCSB shall continue to expand stable business development and focus on the environment protection, corporate social responsibility, and corporate governance and all employees will continue to uphold the service ideals for “considerate, efficient and respectful” and “always placing customers’ needs first” and work together to continue the outstanding performance. SCSB welcomes and appreciates the continued guidance and support from all shareholders.

Chairman: Yung, Hung-Ching

President: Chen, Shan-Chung

Chief Accountant: Hsu, Shou-Ming

The Shanghai Commercial & Savings Bank, Ltd.

### Audit Committee's Review Report

The board of directors has complied and submitted the company's 2019 financial statements audited by Certified Public Accountants Chun-Hung Chen and Tzu-Jung Kuo of Deloitte & Touche, who issued the unqualified opinions, business report and profit distribution plan to the Audit Committee. The above statements and reports have been examined by the Audit Committee and no irregularities were found. This report is hereby prepared in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please kindly approve.

To : The Shanghai Commercial & Savings Bank, Ltd.  
2020 Annual General Meeting

The Shanghai Commercial & Savings Bank, Ltd.  
Convener of Audit Committee



Yung-San Lee  
March 23, 2020

The Issuing Guidelines  
for The Shanghai Commercial & Savings Bank Ltd.  
1<sup>st</sup> Unsecured Senior Financial Debentures in 2019

Pursuant to the letter (no. 10702257390) of approval by the Financial Supervisory Commission dated 14 Jan., 2019, The Shanghai Commercial & Savings Bank, Ltd. (hereinafter referred to as "the Bank") issues the Bank's 1<sup>st</sup> Unsecured Senior Financial Debentures in 2019 with the following issuing guidelines:

Article 1      Name of the Bank Debentures:

The Shanghai Commercial & Savings Bank Ltd. 1<sup>st</sup> Unsecured Senior Financial Debentures in 2019 (hereinafter referred to as "the Debentures").

Article 2      The Bank's credit rating is twAA (Taiwan Ratings Corp. December 26, 2018). The Bank does not commission rating agencies to issue individual credit rating for the Debentures. Investors of the Debentures should be aware of this and heed the risks associated with the Debentures themselves.

Article 3      The Order of Priority of Claims:

The right of the holders of the Debentures to be compensated for repayment of the Debentures (including principal and interest) ranks *pari passu* with the right of the other senior unsecured creditors of the Bank.

Article 4      Investment Risk:

1. The Debentures are unsecured.
2. The Debentures are not bank deposits and not insured by the Central Deposit Insurance Corporation.

Article 5      Amount of Issuance and Par Value:

1. Amount of Issuance :

The total amount of issuance is NT\$ 10,000,000,000, divided into 2 series as follows:

Series A - The total amount of issuance is NT\$ 3,100,000,000.

Series B - The total amount of issuance is NT\$ 6,900,000,000.

2. Par Value:



The par value of each debenture is NT\$ 10,000,000.

Article 6 Issuance Period (the Issuing and Maturity Dates):

Series A – 3 years (from Sep. 25, 2019 to Sep. 25, 2022)

Series B – 5 years (from Sep. 25, 2019 to Sep. 25, 2024)

Article 7 Issue Price:

The Debentures will be issued at 100% of the par value.

Article 8 Coupon Rate:

Series A –Coupon rate is 0.65% fixed per annum.

Series B –Coupon rate is 0.69% fixed per annum.

Article 9 Method of Interest Calculation, Interest Payment and Principal Repayment:

1. Starting from the date of issuance, interest will be calculated once every year with simple interest method and paid once per year, based on the actual/actual basis.
2. Subject to the Bank's calculation, the amount of interest payment will be calculated based on the par value of each debenture and rounded to the nearest NT dollar.
3. The principal of the Debentures is due at maturity and will be repaid 100% of par value in full.
4. If the date of principal repayment and/or interest payment is not a business day for the paying bank, the principal and/or interest will be paid on the first following day that is a business day and no additional interest will be accrued/paid.
5. If the holders of the Debentures collect the principal and/or interest after the respective payment dates, no additional interest will be accrued or imposed further for such late payment.

Article 10 Agent Handling Principal Repayment and Interest Payment:

The Business Department of the Bank's Head Office is in charge of principal repayment and interest payment services, and handles the book-entry transfer of principal and interest in accordance with the list of the holders of the Debentures and the statement of principal repayment and/or interest payment provided by the Taiwan Depository & Clearing Corporation.

Article 11 Sales Objects of the Debentures:

The Debentures must sell to "professional investor" as defined under Article 3 of the "Regulations Governing Offshore Structured Products".

Article 12     Announcement:

Matters relating to the Debentures required to be notified to the holders of the Debentures may be announced on the Market Observation Post System or by other means of announcement (including the Bank's website).

Article 13     Other Provisions:

1. The Debentures are issued in registered form without the printing of physical certificates, and the registration will be handled by the Taiwan Depository & Clearing Corporation.
2. The Debentures will be traded on the Taipei Exchange.
3. The Debentures may be freely transferred and provided as security.
4. The principal of the Debentures shall be payable within 15 years from the date the principal is due, and the interest shall be payable within 5 years from the interest payment date. No payment will be made after the foregoing periods.
5. When making interest payments, the Business Department shall withhold or deduct taxes, supplementary insurance premiums and other fees pursuant to the Income Tax Act, the National Health Insurance Act and other applicable laws.
6. The Debentures shall be handled in accordance with the applicable laws when there is liquidation, clearance, bankruptcy or reorganization of the Bank. Except for the aforementioned circumstances, the holders or creditors of the Debentures cannot cancel the contract midway through the term of the Debentures, cannot sell the Debentures back to the Bank and may not require the Bank to pay the outstanding principal and interest in advance. If the Bank carries out liquidation proceedings or declares bankruptcy, the interest of the Debentures shall cease to be accrued from the date of commencement of the liquidation proceedings or the date of the declaration of bankruptcy, and the principal and interest shall be deemed to have expired. The holders of the Debentures should waive the exercise of the right of set-off.
7. The handling of the transfer, provision as security, inheritance, gift, book-entry transfer of the Debentures and related operations shall be in accordance with the Taiwan Depository & Clearing Corporation related provisions and relevant laws and regulations, and the relevant handling

## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying financial statements of The Shanghai Commercial & Savings Bank, Ltd. (the "Bank"), which comprise the balance sheets as of December 31, 2019 and 2018, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years ended December 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in Taiwan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with The Norm of Professional Ethics for Certified Public Accountant of Taiwan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Emphasis of Matter**

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

## **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in the Bank's financial statements as of and for the year ended December 31, 2019 is described as follows:

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

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

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

1. We understood and tested the Bank's internal control on loans and discounts and performed substantive procedures relevant in assessing loan impairment.
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 reflected the actual situations and also calculated the amount of impairment losses.
3. We reviewed the loan accounts in which credit impairments had occurred and assessed the reasonableness of the estimated future cash flows and the value of collateral held.
4. We tested the classification of credit assets to assess whether the allowance for impairment met the requirements of competent authorities' regulations.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms for such internal control as management determines is necessary to ensure the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in Taiwan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the Bank audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chun-Hung Chen, and Tzu-Jung Kuo.

Deloitte & Touche  
Taipei, Taiwan

March 21, 2020

Notice to Readers

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

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

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

**Balance Sheets**

**December 31, 2019 and 2018**

(Expressed in Thousands of New Taiwan Dollars)

<b>Codes</b>	<b>ASSETS</b>	<b>December 31, 2019</b>		<b>December 31, 2018 (restated)</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
11000	Cash and cash equivalents (Note 6)	\$ 22,497,324	2	\$ 20,028,202	2
11500	Due from the Central Bank and call loans to banks (Note 7)	112,615,345	9	82,203,377	7
12000	Financial assets measured at fair value through profit or loss (Note 8)	3,171,234	-	5,052,827	1
12100	Financial assets measured at fair value through other comprehensive income (Notes 9, 11 and 36)	207,965,724	16	187,598,121	16
12200	Debt instrument investments measured at amortized cost (Notes 10, 11 and 36)	99,749,266	8	96,596,605	8
12500	Securities purchased under resell agreements (Note 12)	1,899,574	-	438,017	-
13000	Receivables, net (Notes 13 and 35)	7,932,983	1	8,713,604	1
13200	Current income tax assets (Note 33)	37,830	-	37,655	-
13500	Discounts and loans, net (Notes 14 and 35)	722,895,002	57	682,776,179	58
15000	Investments under the equity method, net (Note 15)	75,261,305	6	70,154,506	6
15500	Other financial assets, net (Note 16)	5,284,234	-	2,461,333	-
18500	Properties, net (Note 17)	11,968,217	1	12,094,497	1
18600	Right-of-use assets, net (Note 18)	788,251	-	-	-
19000	Intangible assets, net (Note 19)	100,332	-	112,377	-
19300	Deferred income tax assets (Note 32)	622,133	-	797,096	-
19500	Other assets, net (Note 20)	2,816,729	-	2,709,751	-
10000	Total assets	\$ 1,275,605,483	100	\$ 1,171,774,147	100
<b>Codes</b>	<b>LIABILITIES AND EQUITY</b>				
21000	Due to the Central Bank and banks (Note 21)	\$ 25,743,767	2	\$ 16,473,754	2
22000	Financial liabilities measured at fair value through profit or loss (Note 8)	2,710,483	-	2,581,351	-
22500	Securities sold under repurchase agreements (Note 22)	11,060,621	1	14,629,530	1
23000	Payables (Notes 23 and 35)	20,012,828	2	22,210,581	2
23200	Current income tax liabilities (Note 32)	611,581	-	790,372	-
23500	Deposits and remittances (Notes 24 and 35)	988,279,059	78	911,646,479	78
24000	Bank debentures (Note 25)	56,850,000	4	57,150,000	5
25500	Other financial liabilities (Note 26)	3,591,874	-	3,693,107	-
25600	Provisions (Note 27 and 29)	1,500,049	-	1,341,663	-
26000	Lease liabilities (Note 18)	790,378	-	-	-
29300	Deferred income tax liabilities (Note 32)	9,643,656	1	9,235,350	1
29500	Other liabilities (Notes 28 and 35)	1,243,568	-	866,013	-
20000	Total liabilities	1,122,037,864	88	1,040,618,200	89
	Equity (Note 30)				
31101	Ordinary shares	44,816,031	3	41,016,031	4
31500	Capital surplus	16,432,561	1	5,893,238	-
	Retained earnings				
32001	Legal reserve	51,946,585	4	47,832,994	4
32003	Special reserve	7,669,374	1	7,600,814	1
32005	Unappropriated earnings	25,566,273	2	23,499,036	2
32000	Total retained earnings	85,182,232	7	78,932,844	7
32500	Other equity	7,219,939	1	5,396,978	-
32600	Treasury shares	( 83,144)	-	( 83,144)	-
30000	Total equity	153,567,619	12	131,155,947	11
	Total liabilities and equity	\$ 1,275,605,483	100	\$ 1,171,774,147	100

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

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

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

(Continued)



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

**Statements of Comprehensive Income  
For the Year Ended December 31, 2019 and 2018**

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

Codes	2019		2018 (restated)		Change (%)
	Amount	%	Amount	%	
65207 Proportionate share of other comprehensive income of associates and joint ventures under the equity method	\$ 747,481	3	\$ 1,208,452	5	(42 )
65220 Income tax relating to items that may not be reclassified subsequently to profit or loss (Note 32)	18,856	-	31,368	-	(40 )
65200 Subtotal of items that will not be reclassified subsequently to profit or loss	620,204	3	757,117	3	(18 )
Items that may be reclassified subsequently to profit or loss:					
65301 Exchange differences on translating foreign operations	(2,017,728)	(8 )	2,298,372	10	(188 )
65307 Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	622,222	2	(469,430)	(2 )	233
65309 Gain(loss) on debt instruments measured at fair value through other comprehensive income	2,481,981	10	(1,221,107)	(5 )	303
65310 Gain(loss) allowance on debt instruments measured at fair value through other comprehensive income (Note 11)	(4,171)	-	15,387	-	(127 )
65320 Income tax relating to items that may be reclassified subsequently to profit or loss (Note 32)	(65,267)	-	(87,194)	-	(25 )
65300 Subtotal of items that may be reclassified subsequently to profit or loss	1,017,037	4	536,028	3	90
65000 Other comprehensive income for the period, net of income tax	1,637,241	7	1,293,145	6	27
66000 Total comprehensive income for the period	\$ 16,298,352	66	\$ 15,005,116	65	9
Earnings per share (Note 33)					
67500 Basic	\$3.50		\$3.37		
67700 Diluted	\$3.50		\$3.37		

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

(Concluded)

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

**Statements of Changes in Equity**

**For the Year Ended December 31, 2019 and 2018**

(Expressed in Thousands of New Taiwan Dollars)

		Equity Attributable to Owners of the Bank (Note 30)										
		Share Capital		Retained Earnings			Other Equity					
Codes		Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Change in Financial Assets at FVTOCI	Change in Credit Risk From Financial Liabilities Designated at FVTPL	Treasury Shares	Total Equity Attributable to Owners of the Bank
A1	Balance at January 1, 2018	\$ 40,791,031	\$ 4,655,555	\$ 44,117,426	\$ 7,538,888	\$ 21,066,873	\$ (1,564,469)	\$ 5,887,639	\$ -	\$ -	\$ (83,144)	\$ 122,409,799
A3	Effect of retrospective application and retrospective restatement	-	-	-	-	55,374	-	(5,887,639)	5,453,000	-	-	(379,265)
A5	Balance at January 1, 2018 as restated	\$ 40,791,031	\$ 4,655,555	\$ 44,117,426	\$ 7,538,888	\$ 21,122,247	\$ (1,564,469)	\$ -	\$ 5,453,000	\$ -	\$ (83,144)	\$ 122,030,534
	Appropriation of 2017 earnings											
B1	Legal reserve	-	-	3,715,568	-	(3,715,568)	-	-	-	-	-	-
B3	Special reserve	-	-	-	61,926	(61,926)	-	-	-	-	-	-
B5	Cash dividends	-	-	-	-	(7,342,386)	-	-	-	-	-	(7,342,386)
C7	Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	9,480	-	-	-	-	-	-	-	-	9,480
C17	Dividends not yet collected	-	686,631	-	-	-	-	-	-	-	-	686,631
D1	Net profit for the year ended December 31, 2018	-	-	-	-	13,711,971	-	-	-	-	-	13,711,971
D3	Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	(70,200)	1,398,760	-	(35,415)	-	-	1,293,145
D5	Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	13,641,771	1,398,760	-	(35,415)	-	-	15,005,116
E1	Issue of ordinary shares for capital increase by cash	225,000	533,797	-	-	-	-	-	-	-	-	758,797
N1	Share-based payment transaction	-	7,775	-	-	-	-	-	-	-	-	7,775
Q1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	(145,102)	-	-	145,102	-	-	-
Z1	Balance at December 31, 2018	41,016,031	5,893,238	47,832,994	7,600,814	23,499,036	(165,709)	-	5,562,687	-	(83,144)	131,155,947
A3	Effect of retrospective application and retrospective restatement	-	-	-	-	(22,797)	-	-	-	-	-	(22,797)
A5	Balance at January 1, 2019 as restated	41,016,031	5,893,238	47,832,994	7,600,814	23,476,239	(165,709)	-	5,562,687	-	(83,144)	131,133,150
	Appropriation of 2018 earnings											
B1	Legal reserve	-	-	4,113,591	-	(4,113,591)	-	-	-	-	-	-
B3	Special reserve	-	-	-	68,560	(68,560)	-	-	-	-	-	-
B5	Cash dividends	-	-	-	-	(8,203,206)	-	-	-	-	-	(8,203,206)
C7	Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	10,534	-	-	-	-	-	-	-	-	10,534
C17	Dividends not yet collected	-	200,523	-	-	-	-	-	-	-	-	200,523
M7	Changes in equity of subsidiaries	-	85,518	-	-	-	-	-	-	-	-	85,518
D1	Net profit for the year ended December 31, 2019	-	-	-	-	14,661,111	-	-	-	-	-	14,661,111
D3	Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	(75,633)	(1,739,772)	-	3,498,065	(45,419)	-	1,637,241
D5	Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	14,585,478	(1,739,772)	-	3,498,065	(45,419)	-	16,298,352
E1	Issue of ordinary shares for capital increase by cash	3,800,000	9,880,000	-	-	-	-	-	-	-	-	13,680,000
N1	Share-based payment transaction	-	362,748	-	-	-	-	-	-	-	-	362,748
Q1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	(110,087)	-	-	110,087	-	-	-
Z1	Balance at December 31, 2019	<u>\$ 44,816,031</u>	<u>\$ 16,432,561</u>	<u>\$ 51,946,585</u>	<u>\$ 7,669,374</u>	<u>\$ 25,566,273</u>	<u>\$ (1,905,481)</u>	<u>\$ -</u>	<u>\$ 9,170,839</u>	<u>\$ (45,419)</u>	<u>\$ (83,144)</u>	<u>\$ 153,567,619</u>

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

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

**Statements of Cash Flows**  
**For the Year Ended December 31, 2019 and 2018**  
(Expressed in Thousands of New Taiwan Dollars)

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

(Continued)

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

**Statements of Cash Flows**

**For the Year Ended December 31, 2019 and 2018**

(Expressed in Thousands of New Taiwan Dollars)

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

(Concluded)

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

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

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



**勤業眾信**

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying consolidated financial statements of The Shanghai Commercial & Savings Bank, Ltd. (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2019 and 2018, 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, 2019 and 2018, its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and SIC interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of Taiwan.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in Taiwan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of Taiwan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. 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 matter related to the Group's consolidated financial statements as of and for the year ended December 31, 2019 is described as follows:

## **Allowance for Credit Losses on Discounts and Loans**

The Group primarily engages in the loan business. As of December 31, 2019, the Group's balance of discounts and loans amounted to NT\$1,123,388,959 thousand, which was significant to the accompanying consolidated financial statements. The Bank conducted its impairment assessment on discounts and loans following the requirement of IFRS No. 9 and the authorities' regulations in recognizing allowance for bad debt. The Bank's management assessed the impairment on discounts and loans by using the expected credit loss model. The Group assesses whether the credit risk has increased significantly since initial recognition by taking into consideration factors like the amount of loss on impairment, past experience, current market situation, etc. In addition, credit-impaired loans are also evaluated for possible future recovery. Refer to Notes 4, 5, 14 and 41 to the consolidated financial statements for disclosures related to impairment of loan portfolios. As the cash flow forecasts involved management's critical judgments in accounting estimation and the underlying assumptions, we then determined the impairment of loan portfolios as a key audit matter.

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

1. We understood and tested the Group's internal control procedures that were relevant to the assessment of loan impairment.
2. We verified that the method and important parameters (default rate, default loss rate, default exposure amount and forward-looking information) adopted in the expected credit loss model had properly reflected actual situations and calculated the amount of impairment loss.
3. We reviewed the loan portfolios in which credit impairment had occurred to assess the reasonableness of estimated future cash flows and the value of collateral held.
4. We tested the classification of credit assets to assess that the allowance for loss met the requirements of the competent authorities' regulations.

## **Other Matter**

We have also audited the parent company only financial statements of the Bank as of and for the years ended December 31, 2019 and 2018 on which we have issued an unqualified opinion.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in Taiwan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimation and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chun-Hung Chen and Tzu-Jung Kuo.

Deloitte & Touche  
Taipei, Taiwan

March 21, 2020

Notice to Readers

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

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



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

**Consolidated Balance Sheets**

**December 31, 2019 and 2018**

(Expressed in Thousands of New Taiwan Dollars)

<b>Codes</b>	<b>ASSETS</b>	<b>December 31, 2019</b>		<b>December 31, 2018</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
11000	Cash and cash equivalents (Note 6)	\$ 57,667,823	3	\$ 60,496,417	3
11500	Due from the Central Bank and call loans to banks (Note 7)	239,210,172	12	191,069,205	10
12000	Financial assets measured at fair value through profit or loss (Note 8)	11,516,965	1	13,580,032	1
12100	Financial assets measured at fair value through other comprehensive income (Notes 9, 11 and 39)	483,080,348	23	436,008,517	23
12200	Debt instrument investments measured at amortized cost (Notes 10, 11 and 39)	109,307,916	5	106,071,194	6
12500	Securities purchased under resell agreements (Note 12)	1,899,574	-	438,017	-
13000	Receivables, net (Notes 13 and 38)	17,797,050	1	16,993,738	1
13200	Current income tax assets (Note 34)	116,128	-	89,235	-
13500	Discounts and loans, net (Notes 14 and 38)	1,112,129,414	54	1,029,803,185	55
15000	Investments under the equity method, net (Note 16)	1,851,065	-	1,738,636	-
15500	Other financial assets, net (Note 17)	5,289,234	-	2,461,333	-
18500	Properties, net (Note 18)	21,213,428	1	21,546,669	1
18600	Right-of-use assets, net (Note 19)	2,344,427	-	-	-
18700	Investment properties, net (Note 20)	5,650,641	-	5,661,390	-
19000	Intangible assets, net (Note 21)	1,807,755	-	1,837,331	-
19300	Deferred income tax assets (Note 34)	1,152,968	-	1,325,996	-
19500	Other assets, net (Note 22)	3,521,826	-	3,288,862	-
10000	Total assets	<u>\$ 2,075,556,734</u>	<u>100</u>	<u>\$ 1,892,409,757</u>	<u>100</u>
<b>Codes</b>	<b>LIABILITIES AND EQUITY</b>				
21000	Due to the Central Bank and banks (Note 23)	\$73,492,530	4	\$60,263,330	3
22000	Financial liabilities measured at fair value through profit or loss (Note 8)	3,837,825	-	3,781,474	-
22500	Securities sold under repurchase agreements (Note 24)	11,060,621	1	14,629,530	1
23000	Payables (Notes 25 and 38)	27,226,499	1	30,113,575	2
23200	Current income tax liabilities (Note 34)	2,568,931	-	1,168,875	-
23500	Deposits and remittances (Notes 26 and 38)	1,655,067,703	80	1,520,625,615	80
24000	Bank debentures (Note 27)	73,254,112	4	64,785,252	4
25500	Other financial liabilities (Note 28)	6,038,982	-	4,211,038	-
25600	Provisions (Note 29)	2,631,696	-	2,385,217	-
26000	Lease liabilities (Note 19)	2,415,515	-	-	-
29300	Deferred income tax liabilities (Note 34)	10,044,216	-	9,411,303	1
29500	Other liabilities (Notes 30 and 38)	3,691,779	-	3,012,622	-
20000	Total liabilities	<u>1,871,330,409</u>	<u>90</u>	<u>1,714,387,831</u>	<u>91</u>
	Equity (Note 32)				
	Equity attributable to owners of the Bank				
	Share capital				
31101	Ordinary shares	44,816,031	2	41,016,031	2
31500	Capital surplus	16,432,561	1	5,893,238	1
	Retained earnings				
32001	Legal reserve	51,946,585	3	47,832,994	3
32003	Special reserve	7,669,374	-	7,600,814	-
32005	Unappropriated earnings	25,566,273	1	23,499,036	1
32000	Total retained earnings	85,182,232	4	78,932,844	4
32500	Other equity	7,219,939	-	5,396,978	-
32600	Treasury shares	(83,144)	-	(83,144)	-
31000	Total equity attributable to owners of the Bank	153,567,619	7	131,155,947	7
38000	Non-controlling interests	50,658,706	3	46,865,979	2
30000	Total equity	<u>204,226,325</u>	<u>10</u>	<u>178,021,926</u>	<u>9</u>
	Total liabilities and equity	<u>\$ 2,075,556,734</u>	<u>100</u>	<u>\$ 1,892,409,757</u>	<u>100</u>

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

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

Codes	2019		2018		Change (%)
	Amount	%	Amount	%	
41000 Interest income	\$ 50,914,621	124	\$ 42,033,449	113	21
51000 Interest expenses	20,968,852	51	14,879,053	40	41
49010 Net interest (Notes 33 and 38)	29,945,769	73	27,154,396	73	10
Non-interest income					
49100 Service fee income, net (Note 33)	6,259,180	16	5,475,395	15	19
49200 Gain (loss) on financial assets and liabilities measured at fair value through profit or loss (Note 33)	992,805	2	(92,952)	-	1,168
49310 Realized gain on financial assets measured at fair value through other comprehensive income (Note 33)	1,418,151	4	1,107,021	3	28
49450 Gain (loss) on derecognition of financial assets measured at amortized cost	(231)	-	(1,824)	-	(87 )
49600 Foreign exchange gain, net	957,910	2	1,558,656	4	(39 )
49700 Impairment gain (loss) on assets (Note 11)	8,707	-	(27,552)	-	132
49750 Proportionate share of profit of subsidiaries, associates and joint ventures under the equity method (Note 16)	178,969	1	119,150	-	50
49800 Other non-interest revenue (Note 38)	920,012	2	1,786,084	5	(48 )
49020 Total non-interest revenue	11,005,503	27	9,923,978	27	11
4xxxx Consolidated net revenue	40,951,272	100	37,078,374	100	10
58200 Provisions for bad-debt expense, commitment and guarantee liability (Note 14)	907,741	2	638,721	2	42
Operating expenses					
58500 Employee benefits (Notes 31, 33 and 38)	9,347,180	23	7,792,241	21	20
59000 Depreciation and amortization (Note 33)	1,804,184	4	825,825	2	118
59500 Other general and administrative	4,261,344	11	4,884,906	13	(13 )
58400 Total operating expenses	15,412,708	38	13,502,972	36	14
61001 Profit before income tax	24,630,823	60	22,936,681	62	7
61003 Income tax expense (Note 34)	(4,906,344)	(12 )	(4,575,035)	(12 )	7
64000 Consolidated net income	19,724,479	48	18,361,646	50	7
Other comprehensive income (loss)					
Items that will be not reclassified subsequently to profit or loss:					
65201 Remeasurement of defined benefit plans	(94,779)	-	(101,568)	-	(7 )
65204 Gain on investments in equity instruments measured at fair value through other comprehensive income	1,376,376	3	437,529	1	215
65205 Financial liabilities designated at FVTPL which the amount of change derived from credit risk	(45,419)	-	-	-	-

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

Codes	2019		2018		Change (%)
	Amount	%	Amount	%	
65207 Proportionate share of other comprehensive income of associates and joint ventures under the equity method	\$ (50)	-	\$ (114)	-	(56 )
65220 Income tax relating to items that may not be reclassified subsequently to profit or loss (Note 34)	(4,908)	-	1,617,775	4	(100 )
65200 Subtotal of items that will not be reclassified subsequently to profit or loss	1,231,220	3	1,953,622	5	(37 )
Items that may be reclassified subsequently to profit or loss:					
65301 Exchange differences on translating foreign operations	(2,907,989)	(7 )	3,910,667	11	(174 )
65307 Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	70,295	-	(86,834)	-	181
65309 Gain (loss) on debt instruments measured at fair value through other comprehensive income	3,910,409	10	(1,482,897)	(4 )	364
65310 Gain (loss) allowance on debt instruments measured at fair value through other comprehensive income (Note 11)	(9,004)	-	28,193	-	(132 )
65320 Income tax relating to items that may be reclassified subsequently to profit or loss (Note 34)	(247,245)	(1 )	(548,490)	(2 )	(55 )
65300 Subtotal of items that may be reclassified subsequently to profit or loss	816,466	2	1,820,639	5	(55 )
65000 Other comprehensive income for the period, net of income tax	2,047,686	5	3,774,261	10	(46 )
66000 Total comprehensive income for the period	<u>\$ 21,772,165</u>	<u>53</u>	<u>\$ 22,135,907</u>	<u>60</u>	<u>(2 )</u>
Net profit attributable to:					
67101 Owners of the Bank	\$ 14,661,111	36	\$ 13,711,971	37	7
67111 Non-controlling interests	5,063,368	12	4,649,675	13	9
67100	<u>\$ 19,724,479</u>	<u>48</u>	<u>\$ 18,361,646</u>	<u>50</u>	<u>7</u>
Total comprehensive income attributable to:					
67301 Owners of the Bank	\$ 16,298,352	40	\$ 15,005,116	41	9
67311 Non-controlling interests	5,473,813	13	7,130,791	19	(23 )
67300	<u>\$ 21,772,165</u>	<u>53</u>	<u>\$ 22,135,907</u>	<u>60</u>	<u>(2 )</u>
Earnings per share (Note 35)					
67500 Basic	<u>\$3.50</u>		<u>\$3.37</u>		
67700 Diluted	<u>\$3.50</u>		<u>\$3.37</u>		

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, 2019 and 2018**

(Expressed in Thousands of New Taiwan Dollars)

		Equity Attributable to Owners of the Bank (Note 32)												
		Share Capital		Retained Earnings			Other Equity							
Codes		Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Change in Financial Assets at FVTOCI	Change in Credit Risk From Financial Liabilities Designated at FVTPL	Treasury Shares	Total Equity Attributable to Owners of the Bank	Non-controlling Interests (Note 32)	Total Equity
A1	Balance at January 1, 2018	\$ 40,791,031	\$ 4,655,555	\$ 44,117,426	\$ 7,538,888	\$ 21,066,873	\$ (1,564,469)	\$ 5,887,639	\$ -	\$ -	\$ (83,144)	\$ 122,409,799	\$ 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 (loss) 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 (loss) 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	Issue of ordinary shares for capital increase by cash	225,000	533,797	-	-	-	-	-	-	-	-	758,797	-	758,797
N1	Share-based payment transaction	-	7,775	-	-	-	-	-	-	-	-	7,775	-	7,775
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
A3	Effect of retrospective application and retrospective restatement	-	-	-	-	(22,797)	-	-	-	-	-	(22,797)	(15,229)	(38,026)
A5	Balance at January 1, 2019 as restated	41,016,031	5,893,238	47,832,994	7,600,814	23,476,239	(165,709)	-	5,562,687	-	(83,144)	131,133,150	46,850,750	177,983,900
	Appropriation of 2018 earnings													
B1	Legal reserve	-	-	4,113,591	-	(4,113,591)	-	-	-	-	-	-	-	-
B3	Special reserve	-	-	-	68,560	(68,560)	-	-	-	-	-	-	-	-
B5	Cash dividends	-	-	-	-	(8,203,206)	-	-	-	-	-	(8,203,206)	-	(8,203,206)
C7	Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	10,534	-	-	-	-	-	-	-	-	10,534	-	10,534
C17	Dividends not yet collected	-	200,523	-	-	-	-	-	-	-	-	200,523	-	200,523
M7	Changes in equity of subsidiaries	-	85,518	-	-	-	-	-	-	-	-	85,518	(85,518)	-
D1	Net profit or the year ended December 31, 2019	-	-	-	-	14,661,111	-	-	-	-	-	14,661,111	5,063,368	19,724,479
D3	Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	(75,633)	(1,739,772)	-	3,498,065	(45,419)	-	1,637,241	410,445	2,047,686
D5	Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	14,585,478	(1,739,772)	-	3,498,065	(45,419)	-	16,298,352	5,473,813	21,772,165
E1	Issue of ordinary shares for capital increase by cash	3,800,000	9,880,000	-	-	-	-	-	-	-	-	13,680,000	-	13,680,000
N1	Share-based payment transaction	-	362,748	-	-	-	-	-	-	-	-	362,748	-	362,748
Q1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	(110,087)	-	-	110,087	-	-	-	-	-
O1	Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(1,580,339)	(1,580,339)
Z1	Balance at December 31, 2019	\$ 44,816,031	\$ 16,432,561	\$ 51,946,585	\$ 7,669,374	\$ 25,566,273	\$ (1,905,481)	\$ -	\$ 9,170,839	\$ (45,419)	\$ (83,144)	\$ 153,567,619	\$ 50,658,706	\$ 204,226,325

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, 2019 and 2018**

(Expressed in Thousands of New Taiwan Dollars)

<u>Codes</u>		<u>2019</u>	<u>2018</u>
	Cash flows from operating activities		
A00010	Consolidated net profit before income tax	\$ 24,630,823	\$ 22,936,681
A20010	Adjustments for:		
A20100	Depreciation expenses	1,590,085	610,619
A20200	Amortization expenses	214,099	215,206
A20300	Bad debt expense, commitment and guarantee liability provisions	907,741	638,721
A20400	(Gain) loss on financial assets and liabilities at fair value through profit or loss	(332,884)	462,649
A20900	Interest expenses	20,968,852	14,879,053
A21200	Interest income	(50,914,621)	(42,033,449)
A21300	Dividend income	(1,010,804)	(927,358)
A21900	Share-based payment transaction	362,748	7,775
A22400	Proportionate share of profit of associates and joint ventures	(178,969)	(119,150)
A22500	(Gain) loss on disposal of properties and equipment, net	(12,246)	8,952
A23500	Expected credit impairment (gain) loss	(8,707)	27,552
A29900	Other adjustments	(83,881)	64,085
A40000	Changes in operating assets and liabilities		
A41110	(Increase) decrease in due from the Central Bank and call loans to banks	(6,128,527)	4,046,667
A41120	Decrease in financial assets measured at fair value through profit or loss	2,199,921	36,087
A41123	Increase in financial assets measured at fair value through other comprehensive income	(50,946,484)	(95,142,727)
A41125	(Increase) decrease in debt instrument investments measured at amortized cost	(815,711)	7,457,341
A41150	(Increase) decrease in receivables	(1,279,604)	1,194,661
A41160	Increase in discounts and loans	(90,691,727)	(86,214,535)
A41190	Increase in other financial assets	(2,827,787)	(2,457,351)
A42110	Increase in due to the Central Bank and banks	15,611,650	23,597,626
A42120	Increase in financial liabilities at fair value through profit or loss	70,927	510,677
A42140	Decrease in securities sold under repurchase agreements	(3,568,909)	(15,162,537)
A42150	Decrease in payables	(3,201,170)	(82,153)
A42160	Increase in deposits and remittances	147,249,149	112,758,463
A42170	Increase in other financial liabilities	406,167	644,690
A42180	Increase in employee benefit provisions	91,685	105,028
A42990	Increase (decrease) in other liabilities	322,358	(409,940)
A33000	Cash generated from (used in) operations	2,624,174	(52,346,667)
A33100	Interest received	51,329,476	41,568,705
A33200	Dividends received	1,007,400	917,878
A33300	Interest paid	(20,561,741)	(14,094,516)
A33500	Income tax paid	(2,944,395)	(5,383,458)
AAAA	Net cash generated from (used in) operating activities	31,454,914	(29,338,058)

(Continued)

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

**Consolidated Statements of Cash Flows**  
**For the Years Ended December 31, 2019 and 2018**  
(Expressed in Thousands of New Taiwan Dollars)

<b>Codes</b>		<b>2019</b>	<b>2018</b>
	Cash flows from investing activities		
B02700	Acquisition of properties	\$ (701,632)	\$ (491,555)
B02800	Proceeds from disposal of properties	73,920	4,790
B03700	Increase in refundable deposits	70,451	(64)
B03800	Decrease in refundable deposits	(27,410)	51,873
B04500	Acquisition of intangible assets	(140,868)	(73,530)
B05000	Acquisition of subsidiaries	-	(1,688,468)
B05400	Acquisition of investment properties	(591)	(54,847)
B06700	Decrease (increase) in other assets	13,132	(724,788)
BBBB	Net cash used in investing activities	(799,080)	(2,976,589)
	Cash flows from financing activities		
C01400	Issuance of financial bonds	19,209,891	14,155,462
C01500	Payments for financial bonds	(10,300,000)	-
C03000	Increase in guarantee deposits received	544,691	185,909
C03100	Decrease in guarantee deposits received	(1,304)	-
C04020	Payments for principals of lease liabilities	(694,598)	-
C04600	Cash capital increase	13,680,000	758,797
C05600	Payment of cash dividend	(8,192,672)	(7,332,906)
C05800	Changes in non-controlling interests	(1,580,339)	(1,499,242)
CCCC	Net cash generated from financing activities	12,665,669	6,268,020
DDDD	Effects of exchange rate changes on the balance of cash held in foreign currencies	(1,733,869)	1,679,527
EEEE	Net increase (decrease) in cash and cash equivalents	41,587,634	(24,367,100)
E00100	Cash and cash equivalents at the beginning of the period	166,837,301	191,204,401
E00200	Cash and cash equivalents at the end of the period	\$208,424,935	\$166,837,301

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, 2019 and 2018:

<b>Codes</b>		<b>2019</b>	<b>2018</b>
E00210	Cash and cash equivalents in consolidated balance sheets	\$ 57,667,823	\$ 60,496,417
E00220	Due from the Central Bank and call loans to banks which fall within the definition of cash and cash equivalents under IAS 7	148,857,538	105,902,867
E00230	Securities purchased under resell agreements which fall within the definition of cash and cash equivalents under IAS 7	1,899,574	438,017
E00200	Cash and cash equivalents in consolidated statements of cash flows	\$ 208,424,935	\$ 166,837,301

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

# THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

## 2019 Earnings Distribution Plan

Unit : NT\$

Items	Total
Beginning Undistributed Retained Earnings	\$11,113,678,349
Less : Adjustment under retrospective applicationon of IFRS16	(22,797,392)
Beginning Undistributed Retained Earnings after adjustment	\$11,090,880,957
Less : Actuarial loss on defined benefit plans included in Retained Earnings	(75,632,851)
Less : Loss on disposal of Investments in Equity Instruments Measured at Fair Value through Other Comprehensive Income recognized in Retained Earnings	(110,087,039)
Undistributed Retained Earnings after adjustment	\$10,905,161,067
Add : Net Income for the period	14,661,111,315
Subtotal	25,566,272,382
Less : Legal reserve	(4,398,333,395)
Distributable net profit	21,167,938,987
Distributable item :	
Cash dividend of common shares @NT\$2.05 per share	(9,187,286,437)
Undistributed Earnings Balance	\$11,980,652,550

Note :

1. It is planned to give priority to handle all kinds of distributions with earnings in 2019.
2. The cash dividends are distributed pro rata and are rounded down to the nearest whole number. The fractional balance of dividends less than NT\$1 will be summed up and recognized as other income of the Company.