THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Nanyang Holdings Limited, you should at once hand this circular and the enclosed form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

NANYANG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 212)

MAJOR AND CONNECTED TRANSACTION
SUBSCRIPTION OF SHARES IN
THE SHANGHAI COMMERCIAL & SAVINGS BANK LIMITED

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders

PLATINUM
Securities

A letter from the Board is set out on pages 4 to 13 of this circular. A letter from the Independent Board Committee is set out on pages 14 to 15 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 32 of this circular.

The notice convening the SGM to be held at 20th Floor, St. George's Building, 2 Ice House Street, Central, Hong Kong on Friday, 2 December 2022 at 2:30 p.m. to approve the matters referred to in this circular is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the principal place of business of the Company, Room 1808, St. George's Building, 2 Ice House Street, Central, Hong Kong not less than 48 hours before the time appointed for holding the SGM, or any adjournment thereof (as the case may be). Completion and return of the accompanying form of proxy will not preclude you from attending and voting at the SGM or any adjournment thereof (as the case may be) should you so wish.

15 November 2022

CONTENTS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

"associates", "connected persons" and "subsidiary(ies)"	shall have the meaning as ascribed to it under the Listing Rules;
"Board"	the board of Directors of the Company;
"circular"	this circular, including the appendices hereto;
"Company"	Nanyang Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 212);
"Director(s)"	the directors of the Company;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"HKFRS"	Hong Kong Financial Reporting Standards;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"IFRS"	International Financial Reporting Standards;
"Independent Board Committee"	an independent board committee of the Company comprising Mr. Rudolf Bischof, Mr. Robert T.T. Sze and Mr. Wong Chi Kwong Patrick, being all the independent non-executive Directors;
"Independent Financial Adviser"	Platinum Securities Company Limited, a corporation licensed under the SFO to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, being appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Subscription;
"Independent Shareholders"	Shareholders other than Mr. Lincoln C.K. Yung and Mr. John Con-sing Yung and their respective associates;

"Last Trading Date"	24 October 2022, being the last trading day in the SCSB Shares immediately preceding the date of the announcement of the Company dated 25 October 2022 in relation to, among others, the Proposed Subscription;
"Latest Practicable Date"	8 November 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"NT$"	New Taiwan dollars, the lawful currency of the Republic of China;
"Procedures"	Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities (臺灣證券交易所股份有限公司對有價證券上市公司重大訊息之查證暨公開處理程序);
"Proposed Subscription"	the proposed subscription of up to 13,016,904 new SCSB Shares under the SCSB Share Offer;
"Resolution"	the resolution to approve the Proposed Subscription and to grant the Directors the authority to conduct the Proposed Subscription;
"SCSB"	The Shanghai Commercial & Savings Bank, Ltd., a company incorporated in Taiwan, the shares of which are listed on the Taiwan Stock Exchange Corporation (Stock Code: 5876);
"SCSB Announcements"	the announcements made by SCSB on 13 August 2022, 13 October 2022 and 24 October 2022 in relation to the SCSB Share Offer;
"SCSB Group"	SCSB and its subsidiaries;
"SCSB Share Offer"	the offering for subscription of a total of 380,000,000 new SCSB Shares at a subscription price of NT$37 per new SCSB Share as more particularly described in the section headed "Background" in the "Letter from the Board" of this circular;

"SCSB Share(s)"	share(s) with nominal value of NT$10 each in the share capital of SCSB;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"SGM"	the special general meeting of the Company to be held at 20th Floor, St. George's Building, 2 Ice House Street, Central, Hong Kong on Friday, 2 December 2022 at 2:30 p.m. at which the Resolution will be proposed, the notice of which is set out on pages SGM-1 to SGM-3 of this circular;
"Shanghai Commercial Bank"	Shanghai Commercial Bank Limited, a licensed bank in Hong Kong;
"Shareholders"	holders of the Shares;
"Shares"	ordinary shares in the share capital of the Company;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Taiwan Deloitte"	SCSB's auditors, Deloitte & Touche;
"TWSE"	Taiwan Stock Exchange;
"US$"	United States dollars, the lawful currency of the United States of America; and
"%"	per cent.

Note: For the purpose of this circular, conversions of NT$ into HK$ are based on the exchange rate of HK$1 to NT$4.11 for the purposes of illustration only. No representation is made that any amount of HK$ or NT$ has been, could have been or could be converted at the above rate or at any other rates.

NANYANG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 212)

Chairman and Independent Non-Executive Director:
Rudolf Bischof

Executive Directors:
Lincoln C. K. Yung, *JP, FHKIB (Managing Director)*
Jennie Chen *(Financial Controller)*

Non-Executive Director:
John Con-sing Yung

Independent Non-Executive Directors:
Robert T. T. Sze
Wong Chi Kwong Patrick

Registered Office:
Victoria Place
5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

Head Office and Principal Place of Business in Hong Kong:
Room 1808
St. George's Building
2 Ice House Street
Central
Hong Kong

15 November 2022

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION SUBSCRIPTION OF SHARES IN THE SHANGHAI COMMERCIAL & SAVINGS BANK LIMITED

INTRODUCTION

Reference is made to the announcement of the Company dated 25 October 2022 in which the Company announced its intention to carry out the Proposed Subscription.

The Independent Board Committee has been formed to advise the Independent Shareholders in relation to the Proposed Subscription. Platinum Securities Company Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposed Subscription.

The purpose of this circular is to provide you with further information in respect of the Proposed Subscription and contains, a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Subscription, a letter of advice containing the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Proposed Subscription, a notice of the SGM and other related information.

BACKGROUND

On 13 August 2022, 13 October 2022 and 24 October 2022, SCSB announced the SCSB Share Offer, pursuant to which a total number of 380,000,000 new SCSB Shares will be offered for subscription at the subscription price of NT$37 each (equivalent to approximately HK$9), of which 285,000,000 new SCSB Shares, representing 75% of the total number of new SCSB Shares to be issued under the SCSB Share Offer, will be offered to the eligible shareholders of SCSB on the basis of 73.30651245 new SCSB Shares for every 1,000 SCSB Shares held on the record date of 6 November 2022. The remaining 57,000,000 and 38,000,000 new SCSB Shares, representing 15% and 10% of the total number of new SCSB Shares to be issued under the SCSB Share Offer, will be offered to employees and to the public for subscription, respectively. Payment for subscription by the eligible shareholders of SCSB shall be made between 8 November 2022 and 8 December 2022.

The total issued share capital of SCSB before the SCSB Share Offer is NT$44,816,031,400. According to the SCSB Announcements, the proceeds from the SCSB Share Offer will be used to improve capital adequacy and increase working capital of SCSB. According to the SCSB Announcements, the chairman of SCSB is authorised to allocate fractional shares and shares under the SCSB Share Offer not taken up to other parties as appropriate.

Set out below is the timetable published by SCSB in the SCSB Announcements for the SCSB Share Offer:

Event	**Date (Taiwan date)**
Last date before book closure	1 November 2022
Book closure start date	2 November 2022
Book closure ending date	6 November 2022
Record date	6 November 2022
Payment period for existing shareholders and employees of SCSB	8 November 2022 to 8 December 2022

THE PROPOSED SUBSCRIPTION OF SCSB SHARES

The Company held in aggregate 177,568,191 SCSB Shares as at the Latest Practicable Date through its two indirect wholly-owned subsidiaries, Bright Honest Investment Limited (as to 172,834,744 SCSB Shares) and Infinity Peace Limited (as to 4,733,447 SCSB Shares). The Company intends to pursue the Proposed Subscription through these subsidiaries by subscribing up to 13,016,904 new SCSB Shares, representing approximately 0.27% of the issued share capital of SCSB as enlarged by the SCSB Share Offer, being its full entitlement under the SCSB Share Offer. The Company is an investment holding company which holds investment properties and a portfolio of investment assets. The Group holds SCSB as one of the investments under its investment portfolio but otherwise has no business or other dealings with SCSB. While the Group's investment in SCSB has provided solid return in investment to the Group, the Board has and will remain cautious in respect of the Group's investments in SCSB having considered the current global economy and equity market. The Company therefore has no intention to increase its shareholding in SCSB Shares or dispose of its investment in SCSB within 12 months from the date of this circular. Based on the subscription price of NT$37 per new SCSB Share (equivalent to approximately HK$9), the aggregate consideration payable by the Group under the Proposed Subscription in taking up the Company's full entitlement under the SCSB Share Offer will be approximately NT$481.6 million (equivalent to approximately HK$117.2 million).

As at the Latest Practicable Date, the closing price of SCSB Share is NT$45.3. The subscription price of NT$37 per new SCSB Share (equivalent to approximately HK$9) under the SCSB Share Offer represents:

(i) a discount of approximately 19.6% to the closing price of NT$46 per SCSB Share as quoted on the Taiwan Stock Exchange Corporation on the Last Trading Date; or

(ii) a discount of approximately 20.7% to the average closing price of approximately NT$46.63 per SCSB Share as quoted on the Taiwan Stock Exchange Corporation for the five consecutive trading days up to and including the Last Trading Date;

(iii) a premium of approximately 11.3% over the net asset value per SCSB Share of NT$33.25; and

(iv) a discount of approximately 18.3% to the theoretical ex-rights price of NT$45.3 per SCSB Share (after taking into account the effect of the SCSB Share Offer) based on the closing price of NT$46 per SCSB Share as quoted on the Taiwan Stock Exchange Corporation on the Last Trading Date.

The cash and cash equivalents of the Group is HK$119,884,000 as at 30 June 2022.

Payment of the consideration for the Proposed Subscription will be funded by the Company's existing funds and working capital.

As at the Latest Practicable Date, the Group through its indirect wholly-owned subsidiaries owns 177,568,191 SCSB Shares, representing approximately 3.96% of the issued share capital of SCSB. Following completion of the Proposed Subscription, the Group will own a total number of up to 190,585,095 SCSB Shares, representing approximately 3.92% of the enlarged issued share capital of SCSB and a slight decrease in the Group's ownership in SCSB. If the Company does not pursue the Proposed Subscription, following completion of the SCSB Share Offer, the Group's interest in SCSB by virtue of its shareholding in the 177,568,191 SCSB Shares will drop from approximately 3.96% to approximately 3.65% of the enlarged issued share capital of SCSB.

The Proposed Subscription is subject to approval of the Independent Shareholders and foreign investment approval of Investment Commission of the Ministry of Economic Affairs in Taiwan. As such, the Proposed Subscription may or may not proceed to completion. Securities holders and potential investors should therefore exercise caution when dealing in the securities of the Company.

INFORMATION ON SCSB

SCSB is a company incorporated under the laws of Taiwan with limited liability whose shares are listed on the Taiwan Stock Exchange Corporation. SCSB is principally carrying on a banking business in Taiwan and is the holding company of Shanghai Commercial Bank, a licensed bank in Hong Kong, holding an approximately 57.6% interest therein.

The following audited consolidated financial information is extracted from the annual reports of SCSB for the years ended 31 December 2021 and 31 December 2020:

	Year ended 31 December	
	2021	**2020**
	NT$' million	*NT$' million*
Consolidated net revenue	38,172.5	37,831.8
Profit before income tax	22,139.3	21,553.8
Consolidated net income	18,670.6	17,814.6

The audited consolidated total equity of SCSB as at 30 June 2022 was approximately NT$201,915,400,000. The audited consolidated financial statements of SCSB were prepared in accordance with the IFRS.

INFORMATION ON THE COMPANY

The Company is an investment holding company which holds investment properties and a portfolio of investment assets.

REASONS FOR AND BENEFIT OF THE TRANSACTION

The Directors believe that the Proposed Subscription allows the Group to maintain the Company's pro rata interest in SCSB to the extent permissible under the terms of the SCSB Share Offer. SCSB, a licensed bank in Taiwan, was established in 1915. As at the Latest Practicable Date, SCSB had: (i) 72 branches in Taiwan, one each in Hong Kong, Vietnam, Singapore and Wuxi, China; and (ii) three representative offices, one each in Jakarta, Indonesia, Bangkok, Thailand and Phnom Penh, Cambodia. As at the Latest Practicable Date, SCSB held an approximately 57.6% interest in Shanghai Commercial Bank in Hong Kong, which had 44 branches in Hong Kong, three in China and four branches overseas.

The Group's shareholding interest in SCSB plays a relatively significant part under the investment portfolio of the Group and provide solid contribution to the revenue of the Group. During the period from 2018 to 2021, the Group consistently received a relatively stable and substantial amounts of dividend income from its investment in SCSB. The Group received a net cash dividend of approximately HK$66.1 million, HK$74.6 million, HK$64.3 million and HK$59.5 million from SCSB for the financial years ended 31 December 2021, 2020, 2019 and 2018 respectively, representing approximately 39.2%, 40.6%, 37.1% and 36.3% of the Group's total revenue for the respective years. Based on the past performance of SCSB and the dividend income generated from the Group's investment in SCSB, the Directors considered that the Group's investment in SCSB will provide reasonable return in investment to the Group and will be beneficial to the Group to maintain its interest in SCSB.

At the Board meeting convened to approve the Proposed Subscription, Mr. Lincoln C. K. Yung and Mr. John Con-sing Yung were considered to have material interest by virtue of their directorships and, together with members of their families, shareholding interests in SCSB. As at the Latest Practicable Date, Mr. Lincoln C.K. Yung, Mr. John Con-sing Yung and their respective close associates are collectively interested in more than 10% but less than 20% of the issued share capital of SCSB, of which Mr. Lincoln C.K. Yung is personally interested in approximately 0.1% of the issued share capital of SCSB and Mr. John Con-sing Yung , as legal representative of Magnetic Holdings Limited, is interested in approximately 2.7% of the issued share capital of SCSB. In view of their material interest in the Proposed Subscription as aforementioned, each of Mr. Lincoln C. K. Yung and Mr. John Con-sing Yung has abstained from voting on the board resolution(s) of the Company approving the Proposed Subscription.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Proposed Subscription is more than 25% but less than 100%, the Proposed Subscription constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As Mr. Lincoln C. K. Yung and Mr. John Con-sing Yung, both being Directors of the Company, and Mr. Lincoln C. K. Yung being also a non-executive director of SCSB while Mr. John Con-sing Yung being also a managing director of SCSB, are together with members of their families, collectively interested in more than 10% of SCSB's issued share capital, the Proposed Subscription also constitutes a connected transaction of the Company under Rule 14A.28 of the Listing Rules and is subject to the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Lincoln C. K. Yung, Mr. John Con-sing Yung, and their respective associates shall abstain from voting at the SGM on the resolutions in connection with the approval of the Proposed Subscription.

FINANCIAL EFFECTS OF THE PROPOSED SUBSCRIPTION

Upon completion of the Proposed Subscription, the Group will continue to hold its interest in SCSB as "financial assets at fair value through other comprehensive income" in its financial reports. Accordingly, the financial results and financial position of SCSB will not be consolidated into the accounts of the Group.

EFFECTS ON ASSETS AND LIABILITIES

According to the unaudited pro forma financial information of the Group following completion of the Proposed Subscription as set out in Appendix III to this circular, assuming that completion had taken place on 30 June 2022, (i) the non-current assets would have increased by approximately HK$0.12 billion to approximately HK$5.17 billion (ii) the total current assets would have decreased by approximately HK$0.12 billion to approximately HK$0.46 billion; (iii) the total current liabilities would have increased by approximately HK$3.5 million to approximately HK$77.6 million; and (iv) the net assets of the Group would not be affected.

EFFECTS ON EARNINGS

According to the financial report of SCSB set out in Appendix II to this circular, the audited consolidated net revenue and the audited consolidated net income of SCSB for the year ended 31 December 2021 were approximately NT$38.17 billion (equivalent to approximately HK$9.29 billion) and approximately NT$18.67 billion (equivalent to approximately HK$4.54 billion), respectively. However, as the results of SCSB will not be consolidated into the Group's accounts, there will not be any immediate impact on the earnings of the Group. The actual effect on earnings of the Group arising from the Proposed Subscription will depend on the dividend income to be received from the SCSB Shares held by the Group upon the completion of the Proposed Subscription.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Since the beginning of 2022, the global economy and equity markets have been volatile and were affected by the increases in interest rates to curb inflation, geopolitical tensions, the war between Russia and Ukraine, higher energy and commodity prices and the continued effort by the Chinese government to contain the pandemic which affected the global supply chain. During this period, we decreased investments in U.S., China and Japan equities. Rising interest rates to clamp down inflation, elevated energy prices, the war in Ukraine, tension between the United States and China, and policies taken to contain the pandemic in China will continue to create uncertainty in the markets. The economy in Hong Kong has been affected by the coronavirus control measures during the coronavirus outbreak. However, we hope the economy will open up as the local Government eases pandemic restrictions. Going forward, we will remain cautious and will be on the lookout for any sudden changes in the markets.

WAIVER FROM STRICT COMPLIANCE WITH RULE 14.67(6)(a)(i) AND RULE 14.67(7) OF THE LISTING RULES

(I) Accountant's Report

Pursuant to Rule 14.67(6)(a)(i) of the Listing Rules, the Company is required to include in this circular an accountants' report on SCSB and its subsidiaries for the three financial years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2022 prepared under HKFRS.

Reasons for the Waiver Application

The Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 14.67(6)(a)(i) of the Listing Rules on the following grounds:

(a) SCSB is not and will not become a subsidiary of the Company incidental to the Proposed Subscription. The Company's interest in SCSB is not consolidated into the Company's financial statements and will remain so upon completion of the Proposed Subscription; and

(b) it would be impermissible for SCSB to release its non-public books and financial information which are not generally available to other shareholders of SCSB to the Company as such release would (i) contravene Article 10 of the Corporate Governance Best Practice Principles (上市上櫃公司治理實務守則) promulgated by TWSE for TWSE-listed companies to treat all shareholders of a TWSE-listed company equally; (ii) violate Paragraph 2, Article 3 of the Procedures, which prohibits a TWSE-listed company from disclosing any material information to the public in the absence of prior disclosure of such information in accordance with the Procedures; and (iii) may trigger the inside trading issue in case the non-public books and financial information of SCSB constitute "information that will have a material impact on the price of the securities of the issuing company" under Article 157-1 of the Securities and Exchange Act (證券交易法).

In view of the above, the Company would have practical difficulty in complying with Rule 14.67(6)(a)(i) as it has no right to gain access to the underlying books and records of SCSB Group.

Separately, Shareholders and public investors have information to assess the merits of the Proposed Subscription and will not be materially prejudiced in the absence of an accountants' report on, and a discussion and analysis of results of, SCSB Group in that:

(a) SCSB Group publishes audited financial statements on a yearly basis (including for the last three financial years) and reviewed financial statements on a quarterly basis, which are available for public inspection on SCSB's website at https://www.scsb.com.tw. Such financial statements have been audited or reviewed by SCSB's auditors, Taiwan Deloitte and have been prepared in accordance with IFRS, which has no material difference from HKFRS. While Taiwan Deloitte is not registered under the Hong Kong Professional Accountants Ordinance, it is a firm with international name and reputation and registered with a recognised body of accountants, namely Federation of CPA Associations of Chinese Taiwan, a member of the International Federation of Accountants; and

(b) based on the comparison between HKFRS and IFRS as at 31 December 2021 published by Hong Kong Institute of Certified Public Accountants, the Board considers that there is no material difference between HKFRS and IFRS that will have a material practical impact on the financial statements of SCSB in this circular.

Alternative Disclosure

The Company has included in Appendix II to this circular the published audited financial statements for the three financial years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2022 audited by Taiwan Deloitte in accordance with IFRS as alternative disclosure to an accountants' report under Chapter 4 of the Listing Rules.

Based on the information provided by the Company and the alternative disclosure above, the Stock Exchange has granted the waiver from strict compliance with Rule 14.67(6)(a)(i) of the Listing Rules.

The financial statements of SCSB contained in Appendix II to this circular are published accounts of SCSB as extracted and can be found from the annual reports for the financial years ended 31 December 2019, 2020 and 2021 and the interim report for the six months ended 30 June 2022, respectively, which are available on the SCSB's website https://www.scsb.com.tw. They were not prepared for inclusion in this circular and none of the Directors has separately verified the information contained in such financial statements, and none of the Directors makes any representation, warranty or undertaking, express or implied, or accepts any responsibility or liability, with respect to the accuracy or completeness of any of the information contained in such financial statements. Shareholders must rely on their own examination of the information in and exercise caution when considering such financial statements in Appendix II to this circular.

(II) Management discussion and analysis

Pursuant to Rule 14.67(7) of the Listing Rules, the Company is also required to include in this circular a discussion and analysis of results of SCSB covering all those matters set out in paragraph 32 of Appendix 16 to the Listing Rules for the period reported in the required accountants' report. In particular, under paragraphs 32(2)(a), (2)(c), (7) and (8) of Appendix 16 to the Listing Rules, such matters include (i) funding and treasury policies and objectives in terms of the manner in which treasury activities are controlled; (ii) the extent to which borrowings are at fixed interest rate; (iii) details of the number and remuneration of employees, remuneration policies, bonus and share option schemes and training schemes; and (iv) details of charges on group assets. However, neither of these matters have been disclosed in the published financial reports of SCSB.

Since the information covering the matters under paragraphs 32(2)(a), (2)(c), (7) and (8) of Appendix 16 to the Listing Rules in relation to SCSB is non-public information and since the Company is unable to obtain access to such non-public information for the reasons set out above, it would be impracticable to require the Company to prepare the relevant management discussion and analysis on these matters. The Company has therefore applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to dispense with the requirement to comply with Rule 14.67(7) for matters under paragraphs 32(2)(a), (2)(c), (7) and (8) of Appendix 16 to the Listing Rules.

SGM

The notice convening the SGM is set out on pages SGM-1 to SGM-3 of this circular. At the SGM, the Resolution to approve the Proposed Subscription and the transactions contemplated thereunder and to grant the Directors the authority to carry out the Proposed Subscription will be proposed. Votes at the SGM shall be conducted by poll.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the principal place of business of the Company, Room 1808, St. George's Building, 2 Ice House Street, Central, Hong Kong not less than 48 hours before the time appointed for holding the SGM, or any adjournment thereof (as the case may be). Completion and return of the accompanying form of proxy will not prevent you from attending and voting at the SGM, or any adjournment thereof (as the case may be) should you so wish.

Under the Listing Rules, any connected person of the Company with a material interest in the Proposed Subscription and the transactions contemplated thereunder, and any other Shareholders and their respective associates with a material interest in the Proposed Subscription and the transactions contemplated thereunder, must abstain from voting on the Resolution. Having regard to the interests of Mr. Lincoln C. K. Yung and Mr. John Con-sing Yung in SCSB as mentioned above, Mr. Lincoln C. K. Yung, Mr. John Con-sing Yung and their respective associates shall abstain from voting in respect of the Resolution at the SGM. As at the Latest Practicable Date, Mr. Lincoln C. K. Yung, Mr. John Con-sing Yung and their respective associates were, in aggregate, interested in 18,592,444 Shares (representing approximately 54.74% of all Shares in issue) and controlled or were entitled to control, the voting rights in respect of such Shares.

RECOMMENDATIONS

Having taken into account the recommendations and advice of Platinum Securities Company Limited in relation to the Proposed Subscription and the transactions contemplated thereunder (as contained in the "Letter from the Independent Financial Adviser" set out on pages 16 to 32 of this circular), the Independent Board Committee is of the view that the terms of the Proposed Subscription are fair and reasonable and the entering into of the Proposed Subscription and the transactions contemplated thereunder, in accordance with the terms of the Proposed Subscription, are in the interests of the Company and its Shareholders as a whole and so far as the Company and the Independent Shareholders are concerned. The Board (other than Mr. Lincoln C. K. Yung and Mr. John Con-sing Yung, who abstained from voting as stated above, but including the independent non-executive Directors whose opinion is set forth in the "Letter from the Independent Board Committee" in this circular after considering the advice of the Independent Financial Adviser) consider that the terms of the Proposed Subscription are on normal commercial terms and are fair and reasonable, and the entering into of the Proposed Subscription and the transactions contemplated thereunder are in the interests of the Company and its Shareholders as a whole.

ADDITIONAL INFORMATION

Your attention is drawn to the "Letter from the Independent Board Committee" set out on pages 14 to 15 of this circular, which contains the Independent Board Committee's recommendation to the Independent Shareholders, and the "Letter from the Independent Financial Adviser" set out on pages 16 to 32 of this circular, which contains the Independent Financial Adviser's advice to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Subscription and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Nanyang Holdings Limited
Rudolf Bischof
Chairman

NANYANG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 212)

Independent Board Committee:
Rudolf Bischof *(Chairman)*
Robert T. T. Sze
Wong Chi Kwong Patrick

Registered Office:
Victoria Place
5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

Head Office and Principal Place of Business in Hong Kong:
Room 1808
St. George's Building
2 Ice House Street
Central
Hong Kong

15 November 2022

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION SUBSCRIPTION OF SHARES IN THE SHANGHAI COMMERCIAL & SAVINGS BANK LIMITED

We refer to the circular of which this letter forms part. Terms defined in the circular shall have the same meanings when used herein unless the context otherwise requires.

The Independent Board Committee has been formed to advise the Independent Shareholders as to whether, in our opinion, the entering into of the Proposed Subscription and the transactions contemplated thereunder, in accordance with the terms of the Proposed Subscription, are in the interests of the Company and the Shareholders as a whole and that the terms of the Proposed Subscription are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Platinum Securities Company Limited has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Subscription.

We wish to draw your attention to the "Letter from The Independent Financial Adviser" as set out on pages 16 to 32 of the circular. We have considered the terms of the Proposed Subscription, the advice of Platinum Securities Company Limited and the other factors contained in the "Letter from the Board" as set out on pages 4 to 13 of the circular.

Having taken into account the information contained in the "Letter from the Board" and the recommendations and advice of Platinum Securities Company Limited set out in the "Letter from The Independent Financial Adviser", we are of the opinion that the terms of the Proposed Subscription are fair and reasonable and that the entering into of the Proposed Subscription and the transactions contemplated thereunder, in accordance with the terms of the Proposed Subscription, are in the interests of the Company and the Shareholders as a whole and so far as the Company and the Independent Shareholders are concerned. Accordingly, we recommend that the Independent Shareholders should vote in favour of the Resolution approving the Proposed Subscription and the transactions contemplated thereunder which will be proposed as ordinary resolution at the SGM.

Yours faithfully,
The Independent Board Committee of
Nanyang Holdings Limited
Mr. Rudolf Bischof, Mr. Robert T. T. Sze
and Mr. Wong Chi Kwong Patrick
Independent non-executive directors

The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of incorporation into this circular.

PLATINUM Securities Company Limited

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31 Queen's Road Central
Hong Kong
Telephone (852) 2841 7000
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15 November 2022

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION SUBSCRIPTION OF SHARES IN THE SHANGHAI COMMERCIAL & SAVINGS BANK LIMITED

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Proposed Subscription. Details of the Proposed Subscription are contained in the circular of the Company dated 15 November 2022 (the "**Circular**"). Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 13 August 2022, 13 October 2022 and 24 October 2022, SCSB announced the SCSB Share Offer, pursuant to which a total number of 380,000,000 new SCSB Shares will be offered for subscription at the subscription price of NT$37.00 each (equivalent to approximately HK$9), of which 285,000,000 new SCSB Shares, representing 75% of the total number of new SCSB Shares to be issued under the SCSB Share Offer, will be offered to the eligible shareholders of SCSB on the basis of 73.30651245 new SCSB Shares for every 1,000 SCSB Shares held on the record date of 6 November 2022. The remaining 57,000,000 and 38,000,000 new SCSB Shares, representing 15% and 10% of the total number of new SCSB Shares to be issued under the SCSB Share Offer, will be offered to employees and to the public for subscription, respectively. Payment for subscription by the eligible shareholders of SCSB shall be made between 8 November 2022 and 8 December 2022.

The Company held in aggregate 177,568,191 SCSB Shares as at the Latest Practicable Date through its two indirect wholly-owned subsidiaries, Bright Honest Investment Limited (as to 172,834,744 SCSB Shares) and Infinity Peace Limited (as to 4,733,447 SCSB Shares), representing approximately 3.96% of the issued share capital of SCSB. The Company intends to pursue the Proposed Subscription through these subsidiaries by subscribing for up to 13,016,904 new SCSB Shares, representing approximately 0.27% of the issued share capital of SCSB as enlarged by the SCSB Share Offer, being its full entitlement under the SCSB Share Offer. The Company is an investment holding company which holds investment properties and a portfolio of investment assets. The Group holds SCSB as one of the investments under its investment portfolio but otherwise has no business or other dealings with SCSB. While the Group's investment in SCSB has provided a solid return in investment to the Group, the Board has and will remain cautious in respect of the Group's investments in SCSB having considered the current global economy and equity market. The Company therefore has no intention to increase its shareholding in SCSB Shares or dispose of its investment in SCSB within 12 months from the date of this circular. Based on the subscription price of NT$37.00 per new SCSB Share (equivalent to approximately HK$9) as announced by SCSB on 24 October 2022, the aggregate consideration payable by the Group under the Proposed Subscription in taking up the Company's full entitlement under the SCSB Share Offer will be approximately NT$481.6 million (equivalent to approximately HK$117.2 million).

Following completion of the Proposed Subscription, the Group will own a total number of up to 190,585,095 SCSB Shares, representing approximately 3.92% of the enlarged issued share capital of SCSB and a slight drop in the Group's ownership in SCSB, from its current approximately 3.96% shareholding. If the Company does not pursue the Proposed Subscription, following completion of the SCSB Share Offer, the Group's interest in SCSB by virtue of its shareholding in the 177,568,191 SCSB Shares will drop from approximately 3.96% to approximately 3.65% of the enlarged issued share capital of SCSB.

As one of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Proposed Subscription is more than 25% but less than 100%, the Proposed Subscription constitutes a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Mr. Lincoln C. K. Yung and Mr. John Con-sing Yung are both Directors of the Company, Mr. Lincoln C. K. Yung is also a non-executive director of SCSB while Mr. John Con-sing Yung is also the managing director of SCSB. Given that they are, together with members of their families, collectively interested in more than 10% of the total issued share capital of SCSB, the Proposed Subscription also constitutes a connected transaction of the Company under Rule 14A.28 of the Listing Rules, and is subject to the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Lincoln C. K. Yung, Mr. John Con-sing Yung and their respective associates shall abstain from voting at the SGM on the resolutions in connection with the approval of the Proposed Subscription. Votes at the SGM shall be conducted by poll.

In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders as to whether the Proposed Subscription is:

– in the ordinary and usual course of business of the Company;

– on normal commercial terms;

– fair and reasonable so far as the Independent Shareholders are concerned;

– in the interests of the Company and the Shareholders as a whole; and

and to give independent advice to the Independent Board Committee and the Independent Shareholders.

In formulating our opinion, we have relied on the information and facts supplied to us by the Directors and/or management of the Company. We have reviewed, among other things:

(i) the announcement of the Company dated 25th October 2022;

(ii) the annual reports of the Company for each of the two financial years ended 31 December 2020 (the "**2020 Annual Report**") and 31 December 2021 (the "**2021 Annual Report**");

(iii) the audited annual reports of SCSB for the year ended 31 December 2020 (the "**SCSB 2020 Annual Report**") and 31 December 2021 (the "**SCSB 2021 Annual Report**") respectively; and

(iv) the consolidated statements of comprehensive income for the six months ended 30 June 2022 and the consolidated balance sheets as at 30 June 2022 of SCSB ("**SCSB 2022 Q2 Financial Statements**").

We have assumed that all information, facts, opinions and representations contained in the Circular and all information, statements and representations provided to us by the Directors and/or the management of the Company, upon which we have relied, are true, complete and accurate and not misleading in all material respects as of the date hereof and we and the Independent Shareholders will be notified by the Company of any material changes thereof as soon as practicable. The Directors have confirmed that they take full responsibility for the contents of the Circular and have made all reasonable inquiries that no material facts have been omitted from the information supplied to us.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy or completeness of the information and facts as set out in the Circular and of the information and representations provided to us by the Directors and/or management of the Company. Furthermore, we have no reason to suspect the reasonableness of the opinions and representations expressed by the Directors and/or management of the Company which have been provided to us. In line with normal practice, we have not, however, conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs of the Company. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion regarding the Proposed Subscription.

As at the Latest Practicable Date, we were independent from, and were not associated with, the Company or any other party to the Proposed Subscription, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules and accordingly, are considered eligible to give independent advice on the Proposed Subscription. We will receive a fee from the Company for our role as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Subscription. Apart from this normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the Proposed Subscription or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules.

The Independent Board Committee, comprising Mr. Rudolf Bischof, Mr. Robert T. T. Sze and Mr. Wong Chi Kwong Patrick, has been established to advise the Independent Shareholders as to whether the Proposed Subscription is on normal commercial terms, in the ordinary and usual course of business of the Group, in the interests of the Company and the Shareholders as a whole, and as to whether the Independent Shareholders should vote in favour of the Proposed Subscription.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Proposed Subscription, we have taken into account the following principal factors:

1. Information on the Company

The Company is an investment holding company which holds investment properties and a portfolio of investments assets.

Financial highlights of the Group

Set out below are the highlights of certain financial information on the Group as extracted from the 2020 Annual Report and the 2021 Annual Report:

	For the year ended 31 December	
	2021	**2020**
	(audited)	(audited)
	HK$'000	*HK$'000*
Revenue	168,647	183,674
Profit attributable to equity holders of the Company	190,717	86,766

	As at 31 December	
	2021	**2020**
	(audited)	(audited)
	HK$'000	*HK$'000*
Total assets	5,553,540	5,068,499
Cash and cash equivalents	143,819	123,243
Total liabilities	86,601	89,591
Net asset value	5,466,939	4,978,908

The Group recorded a revenue of approximately HK$168.6 million for the year ended 31 December 2021 ("**FY2021**"), representing a decrease of 8.2% as compared with approximately HK$183.7 million for the year ended 31 December 2020 ("**FY2020**"). Such decrease was primarily attributable to (1) the decrease of the gross rental income from investment properties and (2) the decrease of dividend income from financial assets at fair value through other comprehensive income for FY2020.

The profit attributable to equity holders of the Company increased by approximately HK$103.9 million to approximately HK$190.7 million for FY2021 from approximately HK$86.8 million for FY2020, which was principally due to the fact that the Group recorded an increase of HK$102.7 million in the changes in fair value of investment properties in FY2021.

As at 31 December 2021, the Group has total assets of approximately HK$5,553.5 million, representing an increase of 9.57% as compared with the total assets of approximately HK$5,068.5 million as at 31 December 2020. Such increase was mainly due to (1) the increase in the financial assets at fair value through other comprehensive income as at 31 December 2021, and (2) the increase in the financial assets at fair value through profit or loss. The cash and cash equivalents of the Group amounted to approximately HK$143.8 million as at 31 December 2021, a 16.7% increase comparing with approximately HK$123.2 million as at 31 December 2020.

The total liabilities of the Group were approximately HK$86.6 million as at 31 December 2021, a drop from approximately HK$89.6 million as at 31 December 2020. In addition, the Group has net asset value of approximately HK$5,466.9 million as at 31 December 2021, an increase by 9.8% as compared with approximately HK$4,978.9 million as at 31 December 2020.

Analysis of dividend income from investment in SCSB

We understand that the Group's equity stake in SCSB is a relatively significant part of the investment portfolio of the Group and provides solid contribution to the revenue of the Group. In assessing the dividend income from SCSB to the Group, we have compared it with the Group's total revenue for the four financial years ended 31 December 2021, and the result of our analysis is shown as follows:

	For the financial year ended 31 December			
	2021	**2020**	**2019**	**2018**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*
Dividend income from SCSB *(Note 1)*	66.1	74.6	64.3	59.5
Total revenue	195.5	225.2	228.9	122.0
% of dividend income from SCSB to total revenue	33.8%	33.1%	28.1%	48.8%

Note:

1. only include the net cash dividend received after deducting the withholding tax.

The above table illustrates that, for the period from FY2018 to FY2021, the Group consistently generated a relatively stable and substantial amount of dividend income from its financial investment in SCSB, from approximately HK$59.5 million for the year ended 31 December 2018 to approximately HK$66.1 million for the year ended 31 December 2021, representing 48.8% and 33.8% of the Group's total revenue, respectively. As such, we are of the view that the dividend income from the Group's investment in SCSB provides a solid and stable contribution to the Group's total revenue which is in the interests of the Company and the Shareholders as a whole.

Other than the dividend income from SCSB, we note that the Group's income from its investment portfolio is well diversified, including property investment and financial assets. In addition, we understand that, as part of the Company's risk management process, the Board reviews the risks and performance of the Group's investment portfolio on a regular basis, as well as monitoring market conditions, among other factors, and will take appropriate measures, if needed, on the basis of such regular review and monitoring.

2. Information on SCSB

SCSB is a company incorporated under the laws of Taiwan with limited liability whose shares are listed on the Taiwan Stock Exchange Corporation. SCSB is principally carrying on a banking business in Taiwan and is the holding company of Shanghai Commercial Bank (the "**SCB**"), a licensed bank in Hong Kong, holding an approximately 57.6% interest therein.

Financial highlights of SCSB

Set out below are the highlights of certain financial information as extracted from the SCSB 2020 Annual Report, the SCSB 2021 Annual Report, and the SCSB 2022 Q2 Financial Statements.

	For the year ended 31 December		
	2021	**2020**	**Change YoY**
	(audited)	(audited)	
	(NT$ million)	*(NT$ million)*	*(%)*
Net interest income	26,470.3	26,388.6	0.31%
Consolidated net revenue	38,172.5	37,831.8	0.9%
Profit before income tax	22,139.3	21,553.8	2.72%
Consolidated net income	18,670.6	17,814.6	4.81%
Return on assets ("**ROA**")	1.05%	1.03%	0.02%
Return on equity ("**ROE**")	9.11%	8.72%	0.39%

	As at 30 June 2022	**As at 31 December 2021**	**Change**
	(audited)	(audited)	
	(NT$ Billion)	*(NT$ Billion)*	*(%)*
Total assets	2,208.9	2,139.6	3.24%
Total equity attributable to owners of SCSB	149.0	157.8	(5.58%)

As indicated in the above table, SCSB recorded net interest income of approximately NT$26,470.3 million for FY2021, representing a slight increase of 0.31% compared to approximately NT$26,388.6 million for FY2020. The consolidated net revenue of SCSB amounted to approximately NT$38,172.5 million for FY2021, a slight increase of approximately 0.9% compared to NT$37,831.8 million for FY2020. SCSB recorded profit before income tax of NT$22,139.3 million for FY2021, representing an increase of approximately 2.72% compared to NT$21,553.8 million for FY2020. SCSB recorded consolidated net income of NT$18,670.6 million for FY2021, representing an increase of 4.81% compared to NT$17,814.6 million for FY2020.

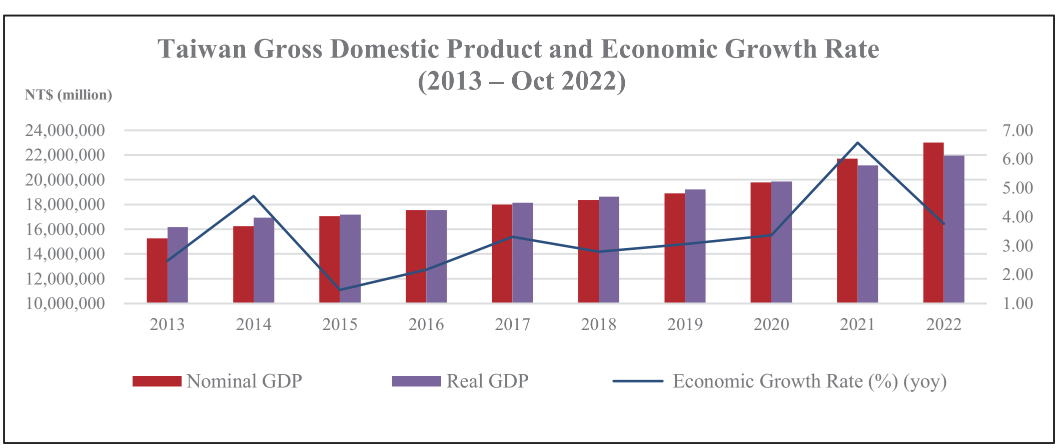
In addition, the ROA of SCSB was 1.05% for FY2021 compared to 1.03% for FY2020, while the ROE was 9.11% for FY2021 compared to 8.72% for FY2020, representing an increase of 0.39% on a year-on-year basis.

SCSB reported total assets of approximately NT$2,208.9 billion as at 30 June 2022, an increase of approximately 3.24% compared to approximately NT$2,139.6 billion as at 31 December 2021, while the net assets of SCSB was approximately NT$149.0 billion as at 30 June 2022, a decline of approximately 5.58% compared to approximately NT$157.8 billion as at 31 December 2021.

3. Overview of Taiwan's banking industry

From a macroeconomic perspective, Taiwan has a dynamic capitalist economy that is driven by industrial manufacturing, and especially exports of electronics, machinery, and petrochemicals. Since the global financial crisis of 2009, the economy of Taiwan has rebounded and prompted accelerating economic growth. According to the National Statistics of Republic of China (Taiwan), the real gross domestic product (the "**GDP**") of Taiwan for the year ended 31 December 2013 was approximately NTD16,172 billion. Since 2013, the economy of Taiwan grew steadily until 2021, when it encountered various economic problems (including geopolitical tensions and COVID-19 and the resultant supply chain crisis, close-to-record-high inflation and the prolonged lockdown by China) which have also affected a number of other nations. In spite of this, the economic growth of Taiwan in real GDP terms remains robust, standing at NTD21,163 billion and NTD21,958 billion in 2021 and 2022, representing an increase of 6.57% and 3.76% on a year-on-year basis.

Below is the chart illustrating the GDP of Taiwan in both nominal and real forms, and the growth rate on year-on-year basis, spanning a decade starting from the year ended 2013 to October 2022:

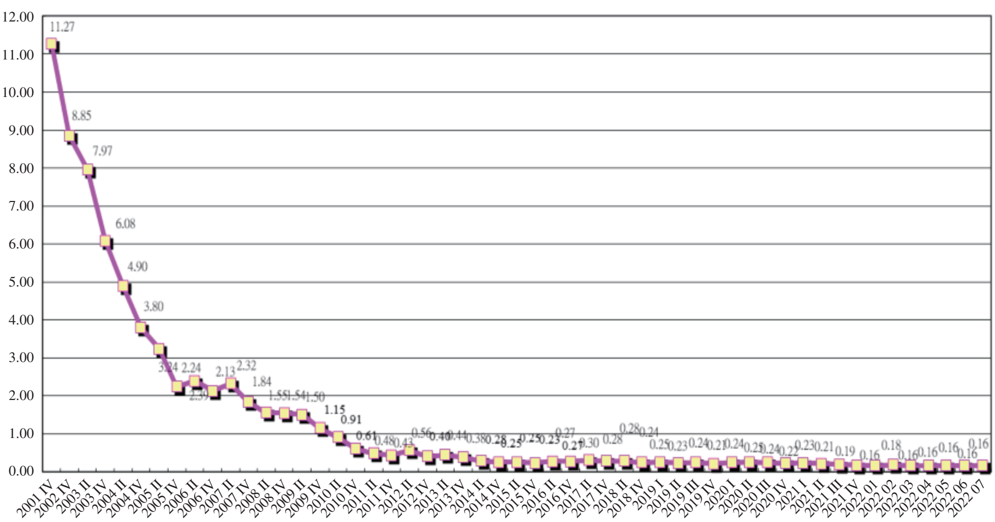


Source: Statistics published by the National Statistics of Republic of China (Taiwan)

According to the Central Bank of the Republic of China (Taiwan), the banking and financial system remains healthy, regulated and competitive, with 39 domestic banks holding in aggregate total assets of approximately US$2.1 trillion as of 31 December 2021.

According to data disclosed by the Financial Supervisory Commission of Republic of China (Taiwan), as shown in the chart below, the non-performing loan ratio (the "**NPL ratio**"), has remained below 1% since 2010. As of the end of July 2022, the NPL ratio of 39 domestic banks remained at 0.16%, which has improved by 5 basis points as compared to the same month in 2021, implying an improving creditworthiness and repayment ability of the overall banking market.

Non-performing Loan Ratio from Year 2012 to Year 2022



Source: Financial Supervisory Commission of Republic of China (Taiwan)

In addition, the average Capital Adequacy Ratio ("**CAR**") was 14.91% as of 31 March 2022, slightly improving by 8 basis points on a quarterly basis compared to 14.83% as of 31 December 2021. The compound annual growth rate (the "**CAGR**") from the year ended 31 December 2019 to the year ended 31 December 2021 is 2.67%. We are of the view that the capital adequacy for domestic banks as a whole remains satisfactory. The average liquidity reserve ratio (the "**LRR**") was 30.77% for domestic banks as a whole as at 31 December 2021, increasing by 43 basis points compared with that as at 30 September 2021, while the CAGR of average LRR was 1.2% from the year ended 31 December 2018 to the year ended 31 December 2021.

To sum up, given that the major financial and performance ratios of the Taiwan banking sector are of a steady growth, and the growth of domestic GDP in spite of the political tension between the PRC and the US, we are of the view that the current state of the banking industry in Taiwan remains satisfactory and stable.

4. Reasons for and benefits of the Proposed Subscription

As stated in the letter from the Board, the Directors believe that the Proposed Subscription allows the Group to maintain the Company's pro-rata interest in SCSB to the extent permissible under the terms of the SCSB Share Offer and it will be beneficial to the Group to maintain its interest in SCSB. We note that the Group has been receiving a steady stream of dividends from its financial investment in the shares of SCSB and this dividend income received from SCSB has contributed significantly to the Group's total revenue on a consistent basis over the past four years. As we have explained in the above section headed "Analysis of dividend income from investment in SCSB", we consider that the Group's investment in SCSB has provided a consistently reasonable return to the Group, representing a good opportunity to make a sound investment in high yielding financial assets.

Taiwan, through the signing of the Economic Cooperation Framework Agreement, the financial services pact with the People's Republic of China, has allowed banks in Taiwan to tap into the PRC banking market and has created the opportunity for banks on both sides of Taiwan Strait to invest in each other. The cross-strait liberalisation has enhanced the business prospects of Taiwan's financial institutions. With (i) 72 branches in Taiwan, one each in Hong Kong, Vietnam, Singapore and Wuxi, China; and (ii) three representative offices, one each in Jakarta, Indonesia, Bangkok, Thailand and Phnom Penh, Cambodia as at the Latest Practicable Date, SCSB has been expanding its branch network both in Taiwan and overseas. As at the Latest Practicable Date, SCSB held an approximately 57.6% interest in SCB, which had 44 branches in Hong Kong, three in China and four branches overseas. In addition, we understand from the management of the Company that they are confident as to the business prospects of SCSB and its subsidiaries, including SCB, given its sound operational and financial performance consistently over the past few years.

In light of the above, we are of the view that the Proposed Subscription is in the ordinary and usual course of business of the Group and is in line with the strategy of the Group as well as in the interests of the Company and Shareholders as a whole.

5. The Subscription Price

The subscription price of NT$37.00 per SCSB Share (equivalent to approximately HK$9) under the SCSB Share Offer represents:

(i) a discount of approximately 19.6% to the closing price of NT$46 per SCSB Share as quoted on the Taiwan Stock Exchange Corporation on the Last Trading Date;

(ii) a discount of approximately 20.7% to the average closing price of approximately NT$46.63 per SCSB Share as quoted on the Taiwan Stock Exchange Corporation for the five consecutive trading days up to and including the Last Trading Date;

(iii) a discount of approximately 21.7% to the average closing price of approximately NT$47.26 per SCSB Share as quoted on the Taiwan Stock Exchange Corporation for the ten consecutive trading days up to and including the Last Trading Date;

(iv) a premium of approximately 11.3% over the net asset value per SCSB Share of NT$33.25; and

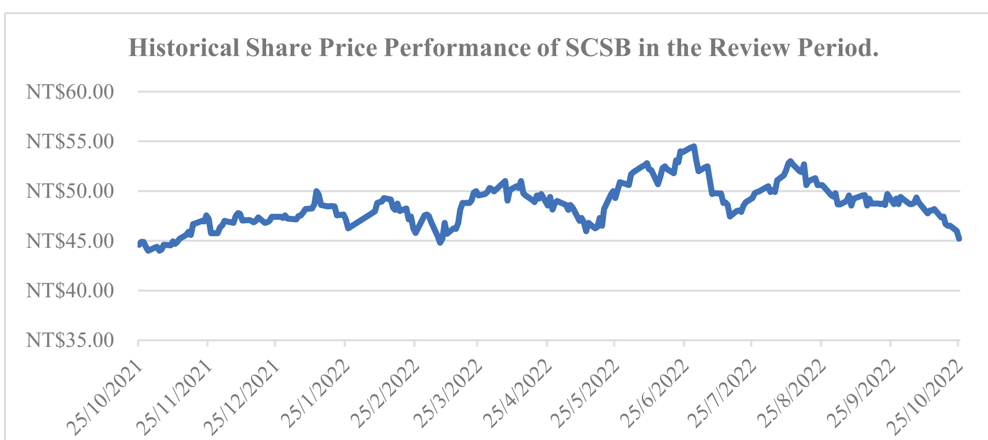
(v) a discount of approximately 18.3% to the theoretical ex-rights price of NT$45.3 per SCSB Share (after taking into account the effect of the SCSB Share Offer) based on the closing price of NT$46 per SCSB Share as quoted on the Taiwan Stock Exchange Corporation on the Last Trading Date.

The cash and cash equivalents of the Group was HK$119,884,000 as at 30 June 2022.

To assess the fairness and reasonableness of the Subscription Price, we set out the following analysis for illustration purpose:

Review of SCSB share prices

The stock performance chart below shows the daily closing price of the SCSB Shares as quoted on the Taiwan Stock Exchange Corporation during the period commencing from 25 October 2021 up to and including the Last Trading Date (the "**Review Period**"), an approximately 12-month period which we believe is commonly adopted for analysis and demonstration purposes, and which we consider is fair and reasonable for shareholders' reference with regard to the Subscription Price:



Source: Bloomberg and Taiwan Stock Exchange website

During the Review Period, we note that, despite various economic problems (including geopolitical tensions and COVID-19 and the resultant supply chain crisis, close-to-record-high inflation and the prolonged lockdown by Mainland China), the share price of SCSB has remained relatively stable for the previous one year, ranging between NT$44.00 and NT$54.50 per SCSB Share with an average closing price of NT$48.69 per SCSB Share.

We note that the Subscription Price of NT$37.00 represents a discount of approximately 15.91% over the lowest closing price of NT$44.00, a discount of approximately 32.11% to the highest closing price of NT$54.50 and a discount of approximately 24.01% to the average closing price of NT$48.69 during the Review Period. As such, we are of the view that the Subscription Price provides the Group with a moderate safety cushion against a drop from the current price and is fair and reasonable so far as the Independent Shareholders are concerned and is in the interest of the Company and the Shareholders as a whole. We consider that it offers a good opportunity for the Company to subscribe for SCSB Shares at an attractive price.

Comparable Companies analysis

We have conducted an analysis in relation to the fairness and reasonableness of the Subscription Price. As part of our analysis, we have identified companies which we believe are comparable to the Group (the "**Comparable Companies**") based on the following criteria: (i) companies currently listed on the Taiwan Stock Exchange with market capitalization over NT$10 billion, and (ii) companies which are principally engaged in commercial and retail banking businesses and activities.

A total of nine Comparable Companies were selected based on the above criteria. We have used the price-to-book ratio ("**P/B ratio**") to compare each of the Comparable Companies, which we consider to be a market practice and suitable benchmark often used to compare and value banks. Details of findings are shown as below:

No.	**Company Name**	**Ticker**	**Market Capitalisation** *(NT$ Billion)* *(Note 1)*	**P/B(x)** *(Note 2)*
1	Chang Hwa Commercial Bank	2801 TT	179.03	1.07
2	Taiwan Business Bank	2834 TT	99.97	0.97
3	Taichung Commercial Bank	2812 TT	61.69	0.92
4	Union Bank of Taiwan	2838 TT	57.68	0.92
5	Far Eastern Intl Bank	2845 TT	43.75	0.78
6	King's Town Bank	2809 TT	37.50	0.94
7	Entie Commercial Bank	2849 TT	28.58	0.86
8	O-Bank Co Ltd	2897 TT	22.34	0.71
9	E.Sun Financial Holding Co	2884 TT	334.75	1.71
			Maximum	1.71
			Median	0.92
			Average	0.99
			Minimum	0.71
	SCSB with the implied Subscription Price		**165.82** *(Note 3)*	**0.82**

Source: Bloomberg, latest published financial statements of the Comparable Companies

Notes:

1. the market capitalization of the Comparable Companies is based on the Latest Practicable Date.

2. P/B ratio is calculated based on the market capitalization as at the Latest Practicable Date divided by the net asset value attributable to the shareholders of the company as extracted from the latest published financial statements of the Comparable Companies.

3. The implied market capitalization of SCSB is calculated by the total SCSB shares in issue as at the Latest Practicable Date multiplied by the subscription price of NT$37.00 per SCSB share.

Based on the table above, the P/B ratios of the Comparable Companies range from approximately 0.71x to approximately 1.71x (the "**Comparable Companies P/B Range**") with an average of approximately 0.99x (the "**Average of Comparable Companies P/B**"). The implied P/B ratio of SCSB of the Proposed Subscription is approximately 0.82x, which is within the lower range of the Comparable Companies P/B Range and lower than both the average and median P/Bs of Comparable Companies. Therefore, we consider that the Subscription Price is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

Comparable Transactions analysis

As part of our analysis and assessment as to the fairness and reasonableness of the Subscription Price, we have also (1) considered previous transactions of rights issues announced by banks listed on the Taiwan Stock Exchange (excluding issuance of preferred shares) within the past 36 months, and (2) identified 3 comparable transactions (the "**Comparable Transactions**"), which we believe is an exhaustive list of Comparable Transactions that is similar, in terms of transaction nature, to the Proposed Subscription based on the abovementioned criteria. The list is aimed to provide an overall understanding to the Shareholders regarding the recent market practice of the transactions of a similar nature to the Proposed Subscription in Taiwan.

Comparable Transactions analysis on Subscription Price:

Date of Announcement	Ticker	Company Name	Market Capitalisation *(NT$ Billion)* *(Note 1)*	Subscription Price *(NT$)*	Discount/ Premium of the subscription price to/over the closing price on the last trading day *(Note 1)*	Discount/ Premium of the subscription price to/ over the theoretical ex-rights price ("TERP") *(Note 2)*
07/15/2021	2812TT	Taichung Commercial Bank Co Ltd	NT$60.28	11.15	–6.69%	–6.42%
07/09/2020	2812TT	Taichung Commercial Bank Co Ltd	NT$60.28	10.2	–5.73%	–5.40%
05/05/2022	2845TT	Far Eastern International Bank	NT$41.92	9.62	–20.03%	–17.99%
				Average Discount	–10.82%	–9.94%
				Median	–6.69%	–6.42%
				Subscription Price	–19.57%	–18.32%

Source: Bloomberg and the Taiwan Stock Exchange

Notes:

1. Market capitalization indicated herein is referred to as at the date of the relevant announcement.

2. The last trading day was referred to the date immediately preceding the date of the announcement date.

3. TERP is calculated based on the formula of (closing price on the last trading day*total issued shares before the rights issue + subscription price*new shares to be issued)/(total issued shares before the rights issue + new shares to be issued).

As shown in the table above, the subscription prices of the Comparable Transactions cover a range from a discount of approximately 5.73% to a discount of approximately 20.03% to their respective closing prices of their shares on the last trading days prior to the date of the announcements, with a median discount of approximately 6.69%. The subscription prices ranged between a discount of approximately 5.4% to a discount of approximately 17.99% to the TERP, with the median discount of approximately 6.42%.

The subscription price of the Proposed Subscription represents a discount of approximately 19.57% to the closing price of the Shares on the Last Trading Date and a discount of approximately 18.32% to the TERP.

Given that the discount of the subscription price of the Proposed Subscription to (1) the closing price on the Last Trading Date and (2) the TERP is much greater than the average discount and the median discount in the Comparable Transactions, respectively, we are of the view that the subscription price of the Proposed Subscription is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

6. Financial effects of the Proposed Subscription

6.1 Effect on net assets value ("NAV")

We understand from the management of the Company that the Company will subscribe for the SCSB Shares on a pro-rata basis ("**Pro-Rata Shares**") and that there is no excess application arrangement under the SCSB Share Offer. Based on the unaudited pro forma financial information of the Group following completion of the Proposed Subscription as set out in Appendix III to the Circular, assuming that completion of the Proposed Subscription had taken place on 30 June 2022, we note that (i) the non-current assets would have increased by approximately HK$0.12 billion to approximately HK$5.17 billion; (ii) the total current assets would have decreased by approximately HK$0.12 billion to approximately HK$0.46 billion; (iii) the total current liabilities would have increased by approximately HK$3.5 million to approximately HK$77.6 million; and (iv) the net assets of the Group would not be affected.

We are given to understand that the Pro-Rata Shares would be initially recognised as financial assets at fair value initially measured at the subscription price and the transaction costs for the purpose of preparing the unaudited pro forma financial information, while the Pro-Rata Shares would be subject to a fair value adjustment at the date of completion of the Proposed Subscription and the next financial reporting date of the Company. For illustration purpose, we think that the Proposed Subscription would have a positive impact on the NAV of the Group as long as the share price of SCSB Shares on such date of completion or the next financial reporting date is higher than the Subscription Price.

6.2 Effect on cash and working capital

According to the 2021 Annual Report, the Company has cash and cash equivalent of approximately HK$143.8 million as at 31 December 2021. We note that the consideration for the Proposed Subscription will be funded by the Company's existing funds and working capital. We consider that the Proposed Subscription would not have a material impact on the working capital of the Company.

In light of the above, in particular that (i) the Proposed Subscription will have a positive impact on the NAV of the Group on the above mentioned basis; and (ii) the Proposed Subscription will not have any material impact on the working capital of the Group and will provide an opportunity for the Group to maintain its investment in SCSB and also to receive additional future dividend income from SCSB, we are of the view that the Proposed Subscription will overall have a positive financial effect on the Group.

RECOMMENDATION

We have considered the above principal factors and reasons and, in particular, have taken into account the following in arriving at our opinion:

(i) the Group's investment in SCSB provides a solid and stable contribution to the Group's total revenue which is in the interests of the Company and the Shareholders as a whole;

(ii) further investment in SCSB through the Proposed Subscription is in the ordinary and usual course of the business of the Group and is in line with the business strategy of the Group;

(iii) the current state of the banking industry in Taiwan remains satisfactory and stable;

(iv) the subscription price of the Proposed Subscription is fair and reasonable and is in the interests of the Company and the Shareholders as a whole based on (i) our review of the SCSB share price during the Review Period, (ii) our Comparable Companies analysis, and (iii) our Comparable Transactions analysis; and

(v) the Proposed Subscription will overall have a positive financial effect on the Group.

Having considered the above principal factors and reasons, we are of the opinion that the Proposed Subscription is (i) in the ordinary and usual course of business of the Company, (ii) on normal commercial terms, (iii) fair and reasonable and (iv) in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolutions to be proposed at the SGM to approve the Proposed Subscription.

Yours faithfully,
For and on behalf of
Platinum Securities Company Limited

Liu Chee Ming	**Loretta Lau**
Managing Director	*Director of Corporate Finance*

Mr. Liu Chee Ming and Ms. Loretta Lau are licensed persons registered with the Securities and Futures Commission and responsible officers of Platinum Securities Company Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. Each of Mr. Liu Chee Ming and Ms. Loretta Lau has over thirty years of experience in corporate finance industry.

FINANCIAL INFORMATION OF THE GROUP

The financial information of the Group for the three years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2022 are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.nanyangholdingslimited.com), and can be accessed by the direct hyperlinks below:

(1) annual report of the Company for the year ended 31 December 2019 published on 15 April 2020 (pages 40 to 103):

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0415/2020041500465.pdf

(2) annual report of the Company for the year ended 31 December 2020 published on 16 April 2021 (pages 40 to 103):

https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0416/2021041600353.pdf

(3) annual report of the Company for the year ended 31 December 2021 published on 12 April 2022 (pages 36 to 97):

https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0412/2022041200526.pdf

(4) interim report of the Company for the six months ended 30 June 2022 published on 15 September 2022 (pages 8 to 31):

https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0915/2022091500512.pdf

INDEBTEDNESS

As at the close of business on 30 September 2022, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group has current and non-current lease liabilities amounting to HK$3,418,000 and HK$4,850,000, respectively. These liabilities are unsecured and unguaranteed.

As at 30 September 2022, bank deposits of approximately HK$3.2 million and financial assets at fair value through profit or loss of approximately HK$142.1 million were pledged to the bank as security for a loan facility of the Group.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 30 September 2022, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, or term loans or other borrowings or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances or acceptances credits or hire purchase commitments, or outstanding mortgages and charges, or contingent liabilities or guarantees.

WORKING CAPITAL

The Directors, after taking into account the financial resources available, internally generated funds and the effect of the Proposed Subscription, are of the opinion that the Group has sufficient working capital for its present requirements and for at least 12 months following the date of this circular in the absence of any unforeseeable circumstances.

MATERIAL ADVERSE CHANGE

References are made to the profit warning announcement of the Company dated 16 August 2022 and the interim report of the Company for the six months ended 30 June 2022 in which it was announced that the Group has recorded a loss attributable to equity holders of approximately HK$10 million for the six months ended 30 June 2022 as compared to profit attributable to equity holders of approximately HK$152.1 million for the corresponding period in 2021, mainly attributable to the net realised and unrealised losses from financial assets at fair value through profit or loss and the fair value losses of investment properties for the six months ended 30 June 2022. Save as disclosed in the publication above as at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group were made up) and up to and including the Latest Practicable Date.

FINANCIAL INFORMATION OF SCSB

Set out below are the consolidated financial statements of the SCSB Group, together with the accompanying notes, for each of the three years ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2022 as extracted from the annual reports for the financial years ended 31 December 2019, 2020 and 2021 and the interim report for the six months ended 30 June 2022 of SCSB, respectively.

The annual reports for the financial years ended 31 December 2019, 2020 and 2021 and the interim report for the six months ended 30 June 2022 of SCSB are available free of charge, in read only, printable format on the SCSB's website https://www.scsb.com.tw. In this section, "Company" shall be constructed as SCSB and "Group" shall be constructed as the SCSB Group.

These annual reports for the three years ended 31 December 2019, 2020 and 2021 and the interim report for the six months ended 30 June 2022 of SCSB have been issued in the Chinese language with a separate English translation. In case there is any inconsistency between the English version and the Chinese version of the annual report of SCSB, the Chinese version shall prevail.

Consolidated Financial Statements

Deloitte.

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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 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, 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

<u>*Notice to Readers*</u>

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)

Codes	ASSETS	December 31, 2019 Amount	%	December 31, 2018 Amount	%
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	$ 2,075,556,734	100	$ 1,892,409,757	100

Codes	LIABILITIES AND EQUITY	December 31, 2019 Amount	%	December 31, 2018 Amount	%
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	1,871,330,409	90	1,714,387,831	91
	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	204,226,325	10	178,021,926	9
	Total liabilities and equity	$ 2,075,556,734	100	$ 1,892,409,757	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, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, except Earnings Per Share)

Codes		2019 Amount	2019 %	2018 Amount	2018 %	Change (%)
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	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)	-	-	-	-

(Concluded)

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 Amount	2019 %	2018 Amount	2018 %	Change (%)
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	(Loss) gain 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	$ 21,772,165	53	$ 22,135,907	60	(2)
	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		$ 19,724,479	48	$ 18,361,646	50	7
	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		$ 21,772,165	53	$ 22,135,907	60	(2)
	Earnings per share (Note 35)					
67500	Basic	$3.50		$3.37		
67700	Diluted	$3.50		$3.37		

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)

Codes		2019	2018
	Cash flows from operating activities		
A00010	Consolidated net profit before income tax	$ 24,630,823	$ 22,936,681
A20010	Adjustments to reconcile net profit to net cash provided by operating activities		
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)

Codes		2019	2018
	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

(Concluded)

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:

Codes		2019	2018
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. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, unless otherwise stated)

1. ORGANIZATION AND OPERATIONS

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

The Bank has a head office in Taipei, 71 domestic branches, 3 foreign branches located in Hong Kong, Vietnam and Singapore, and 3 representative offices located in Thailand, Cambodia and Indonesia.

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

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

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

In order to integrate the use of resources and achieve operating synergy, the Bank merged SCSB Life Insurance Agency and SCSB Property Insurance Agency on May 6, 2019, which were both 100% owned by the Bank. The shareholder's equity would not be affected after the merger, refer to Note15.

2. AUTHORIZATION OF CONSOLIDATED FINANCIAL STATEMENTS

On March 21, 2020, the consolidated financial statements were approved by the board of directors and issued afterward.

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

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

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

IFRS 16 "Lease"

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

Definition of Lease

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

The Bank as lessee

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

The 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 Group elected to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information was not restated.

In accordance with the agreement of IAS 17 for operating leases, the measurement of lease liabilities on January 1, 2019 had been discounted by the remaining lease payments at the incremental borrowing rate of the lessee at that date. Parts of right-of-use assets were measured at the amount of lease liabilities on that date. Parts of the right-of-use assets were discounted at the aforementioned interest rate and measured as if IFRS 16 had been applied at the commencement date of the lease. The identified right-of-use assets will be subject to an IAS 36 impairment assessment.

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

The Bank as lessor

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

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

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Other assets, net	$ 3,288,862	$ (17,368)	$ 3,271,494
Right-of-use assets	-	2,092,410	2,092,410
Total effect on assets	$ 3,288,862	$ 2,075,042	$ 5,363,904
Accounts payable	$ 30,113,575	$ (3,121)	$ 30,110,454
Liabilities provisions	2,385,217	2,748	2,387,965
Deferred income tax liabilities	9,411,303	(5,699)	9,405,604
Lease liabilities	-	2,119,140	2,119,140
Total effect on liabilities	$ 41,910,095	$ 2,113,068	$ 44,023,163
Retained earnings	$ 78,932,844	$ (22,797)	$ 78,910,047
Non-controlling interests	46,865,979	(15,229)	46,850,750
Total effect on equities	$ 125,798,823	$ (38,026)	$ 125,760,797

3.2 IFRSs approved by the FSC for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Inter Bank Offered Rate Change"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

Note 3: The Group shall apply these amendments retrospectively 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.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IFRS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Statement of Compliance

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

4.2 Basis of Preparation

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

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

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

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

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

4.3 Classification of Current and Non-current Assets and Liabilities

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

4.4 Basis of Consolidation

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

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

4.5 Business Combinations

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

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

4.6 Foreign Currencies

In preparing the financial statements of each individual 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 or branches operations in other countries or currencies used are different from the Bank) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Bank and non-controlling interests as appropriate).

4.7 Financial Instruments

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

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

4.7.1 Financial assets

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

(1) Measurement

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

A. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on re-measurement (excluding any dividends or interest arising from such financial assets) recognized in profit or loss. Fair value is determined in the manner described in Note 41.

B. Financial assets at amortized cost

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

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

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

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

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

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

C. Investments in debt instruments at FVTOCI
Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

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

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

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

D. Investments in equity instruments at FVTOCI

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

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

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

(2) Impairment of financial assets

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

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

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

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

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

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

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

Debts that are determined to be uncollectible are written off after being reported to the board of directors for approval.

(3) Derecognition of financial assets

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

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

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

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

4.7.2 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 group’s own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Group’s own equity instruments.

4.7.3 Financial liabilities

(1) Subsequent measurement

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

A. Financial liabilities at FVTPL

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

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

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

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

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

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

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

Fair value is determined in the manner described in Note 41.

B. Financial guarantee contracts

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

(2) Derecognition of financial liabilities

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

4.7.4 Derivatives

Derivatives signed by the Group include forward foreign exchange contracts, interest rate swaps and others to manage the Group's interest rate and exchange rate risk.
Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

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

4.8 Investment in Associates 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.

4.9 Non-performing Loans

Under the guidelines of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans", the balance of loans and other credits extended by the Bank and the related accrued interest thereon are classified as non-performing.

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

4.10 Securities Purchased/Sold Under Resell/Repurchase Agreements

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

4.11 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 the straight-line method within the durability of 4 to 10 years. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period by the Group. Change in accounting estimation takes effect retrospectively.

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

In order to cope with the redevelopment of the head office building, the original building is expected to be demolished in January 2020. Based on this actual situation, the Group re-evaluated the durability period of an accounting item "Properties - Buildings" of the original building, and the proposed change in its estimated useful life came into effect on October 17, 2019 after receiving a letter of approval from the competent authority. The unreduced book value of $159,069 thousand from the original accounting item of the building was fully depreciated before the end of 2019.

4.12 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.

4.13 Goodwill

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

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

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

4.14 Intangible Assets

4.14.1 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 estimation takes effect retrospectively. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

4.14.2 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.

4.14.3 Derecognition

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

4.15 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.

4.16 Collaterals Assumed

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

4.17 Provisions

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

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

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

4.18 Revenue Recognition

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

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

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

4.19 Leasing

2019

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

(1) The Group as lessor

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

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

(2) The Group as lessee

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

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

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

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

2018

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

(1) The Group as lessor

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

(2) The Group as lessee

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

4.20 Employee Benefits

4.20.1 Short-term employee benefits

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

4.20.2 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.

4.20.3 Employee preferential deposits

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

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

4.20.4 Other long-term employee benefits

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

4.21 Share-based payment arrangements

The fair value at the acquisition date of the employee share options is expensed on a straight-line basis over the vesting period, based on the 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 Group apply for cash capital increase to reserve employee subscriptions, and the acquisition date based on the day when the number of shares subscribed by employees is confirmed.

4.22 Taxation

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

4.22.1 Current tax

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

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

4.22.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized on all taxable temporary differences. Deferred tax assets are 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.

4.22.3 Current and deferred tax of this period

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

5.1 Estimated impairment of financial assets

Estimates of impairment on loans and receivables 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 41 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.

5.2 Taxation

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

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

6. CASH AND CASH EQUIVALENTS

	December 31, 2019	December 31, 2018
Cash on hand and working fund	$ 13,372,366	$ 8,598,419
Checks for clearance	701,645	3,105,616
Due from other banks	43,593,812	48,792,382
	$ 57,667,823	$ 60,496,417

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, 2019 and 2018, cash and cash equivalents recognized as allowances were in the amounts of $1,622 thousand and $1,505 thousand, respectively.

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

	December 31, 2019	December 31, 2018
Call loans to banks	$ 209,574,445	$ 162,795,368
Deposit reserves - I	6,259,957	5,825,635
Deposit reserves - II	20,732,422	19,651,176
Deposit reserves - foreign	164,985	158,795
Due from foreign central banks	2,478,363	2,638,231
	$ 239,210,172	$ 191,069,205

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 loss allowance is recognized as 12-month expected credit losses. On December 31, 2019 and 2018, the allowances recognized for due from the Central Bank and call loans to banks were in the amounts of $2,046 thousand and $2,253 thousand, respectively.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2019	December 31, 2018
Financial assets at fair value through profit or loss		
Financial assets mandatorily classified as fair value through profit or loss		
Corporate bonds	$ 7,775,745	$ 8,294,566
Forward contracts	1,135,180	1,245,817
Shares	986,730	891,791
Beneficiary certificates	863,054	2,630,218
Interest rate swap contracts	275,096	140,200
Option contracts	262,575	284,402
Government bonds	129,046	-
Others	89,539	93,038
	$ 11,516,965	$ 13,580,032
Financial liabilities at fair value through profit or loss		
Held-for-trading financial liabilities		
Forward contracts	$ 1,083,502	$ 1,171,737
Option contracts	316,189	319,039
Others	43,305	48,177
	1,442,996	1,538,953
Financial liabilities designated at fair value through profit or loss		
Bank debentures	2,394,829	2,242,521
	$ 3,837,825	$ 3,781,474

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, 2019	December 31, 2018
Forward contracts	$ 277,543,459	$ 137,644,001
Option contracts	193,404,322	212,466,269
Currency swap contracts	19,759,208	19,892,282
Interest rate swap contracts	2,637,988	2,258,760
Asset exchange transactions	539,856	1,014,354
Future contracts	11,441	54,209

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

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

	Effects of changes in credit risk
Current amount of change From January 1, 2019 to December 31, 2019	$(45,419)
Cumulative amount of change Up to December 31, 2019	$(45,419)

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

The Group 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 Group designated the aforementioned financial bonds as financial liabilities measured at FVTPL for consistencies.

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

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31, 2019	December 31, 2018
Financial assets at fair value through other comprehensive income		
Investments in equity instruments measured at FVTOCI		
Shares	$ 21,515,462	$ 19,245,827
Investments in debt instruments measured at FVTOCI		
Bank debentures	171,568,869	186,430,516
Corporate bonds	144,921,560	103,366,162
Government bonds	101,354,338	81,577,905
Commercial papers	39,559,030	43,122,083
Asset-based securities	2,174,260	274,292
Treasury bonds	1,986,829	1,991,732
	461,564,886	416,762,690
	$ 483,080,348	$ 436,008,517

The Group invests in ordinary shares for medium- and long-term strategic purposes and expects to make a profit through long-term investments. The management of the Group considers that if the short-term fair value fluctuations of these investments are included in profit or loss, they are inconsistent with the aforementioned long-term investment plans. Therefore, the designated investments are selected to be measured at FVTOCI.

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

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

For information on financial assets pledged at FVTOCI, refer to Note 39.

10. INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTIZED COST

	December 31, 2019	December 31, 2018
Negotiable certificates of deposit	$ 93,430,000	$ 88,165,000
Government bonds	11,833,155	12,534,538
Corporate bonds	2,980,648	3,148,504
Bank debentures	1,065,682	1,228,948
Treasury bonds	-	995,971
Less: Loss allowance	(1,569)	(1,767)
	$ 109,307,916	$ 106,071,194

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

For information on related financial assets at amortized cost pledged as collateral, refer to Note 39.

11. CREDIT RISK MANAGEMENT OF INVESTMENTS IN DEBT INSTRUMENTS

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

December 31, 2019

	At FVTOCI	At Amortized Cost	Total
Total carrying amount	$ 459,495,785	$ 109,309,485	$ 568,805,270
Loss allowance	(91,725)	(1,569)	(93,294)
Amortized cost	459,404,060	$ 109,307,916	568,711,976
Fair value adjustment	2,160,826		2,160,826
	$ 461,564,886		$ 570,872,802

December 31, 2018

	At FVTOCI	At Amortized Cost	Total
Total carrying amount	$ 418,496,103	$ 106,072,961	$ 524,569,064
Loss allowance	(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 Group implements a policy of only investing in debt instruments with investment grade and have low credit risk for the purpose of impairment assessment. The Group continues to track external rating information and monitor changes in credit risk of the investments of debt instruments and to review other information such as the bond yield curve and the debtor's material information to assess whether the credit risk of investments in debt instrument has increased significantly since the initial recognition.

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

December 31, 2019

Credit Rating	Definitions	Expected Credit Loss Recognition Base	Expected Credit Loss Rate	December 31, 2019 Total Carrying Amount
Stage 1	The debtor has a low credit risk and is fully capable of paying off contractual cash flows	12-month expected credit loss	0.000%~0.088%	$ 568,634,646
Stage 2	Credit risk has increased significantly since the initial recognition	Expected credit loss during the period of existence (no credit impairment)	2.240%~8.521%	170,624

December 31, 2018

Credit Rating	Definitions	Expected Credit Loss Recognition Base	Expected Credit Loss Rate	December 31, 2018 Total Carrying Amount
Stage 1	The debtor has a low credit risk and is fully capable of paying off contractual cash flows	12-month expected credit loss	0.000%~1.096%	$ 524,448,188
Stage 2	Credit risk has increased significantly since the initial recognition	Expected credit loss during the period of existence (no credit impairment)	2.859%~9.960%	120,876

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

Investments in debt instruments at FVTOCI

	Credit Risk Rating		
	Stage 1 (12-Month ECLs)	Stage 2 (Lifetime ECLs - Unimpaired)	Total
Balance at January 1, 2019	$ 91,711	$ 9,018	$ 100,729
Purchase of new debt instruments	40,721	6,536	47,257
Derecognition	(32,609)	(4,151)	(36,760)
Model/risk parameter changes	(15,157)	(3,865)	(19,022)
Exchange rate and other changes	(406)	(73)	(479)
Balance at December 31, 2019	$ 84,260	$ 7,465	$ 91,725
Balance on January 1, 2018 (IAS 39)	$ -	$ -	$ -
Retrospective application of the impact of IFRS 9	72,536	-	72,536
Balance at January 1, 2018 (IFRS 9)	72,536	-	72,536
Purchase of new debt instruments	32,181	9,994	42,175
Derecognition	(19,971)	(984)	(20,955)
Model/risk parameter changes	5,891	-	5,891
Exchange rate and other changes	1,074	8	1,082
Balance at December 31, 2018	$ 91,711	$ 9,018	$ 100,729

Investments in debt instruments at amortized cost

	Credit Risk Rating		
	Stage 1 (12-Month ECLs)	Stage 2 (Lifetime ECLs - Unimpaired)	Total
Balance at January 1, 2019	$ 1,767	$ -	$ 1,767
Purchase of new debt instruments	335	-	335
Derecognition	(483)	-	(483)
Model/risk parameter changes	(34)	-	(34)
Exchange rate and other changes	(16)	-	(16)
Balance at December 31, 2019	$ 1,569	$ -	$ 1,569
Balance on January 1, 2018 (IAS 39)	$ -	$ -	$ -
Retrospective application of the impact of IFRS 9	1,406	-	1,406
Balance at January 1, 2018 (IFRS 9)	1,406	-	1,406
Purchase of new debt instruments	1,079	-	1,079
Derecognition	(638)	-	(638)
Exchange rate and other changes	(80)	-	(80)
Balance at December 31, 2018	$ 1,767	$ -	$ 1,767

12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

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

13. RECEIVABLES, NET

	December 31, 2019	December 31, 2018
Accrued interest	$ 5,735,770	$ 5,931,285
Credit card receivables	3,737,865	2,894,491
Acceptances	2,686,912	4,001,533
Accounts receivable due from sales of securities	1,410,652	1,000,414
Finance lease receivable	1,217,696	956,603
Accounts receivable - factoring	835,039	811,314
Others	2,519,780	1,881,860
	18,143,714	17,477,500
Less allowance for credit losses	(346,664)	(483,762)
	$ 17,797,050	$ 16,993,738

The changes in total carrying amount and the allowance of receivables and other financial assets for the years ended December 31, 2019 and 2018 (including collections not included in loans and purchase of remittance, refer to Note 17) are as follows:

For the Year Ended December 31, 2019

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchase or Originated Credit Impairment on Financial Assets)	Total
Receivables and other financial assets					
Beginning on January 1, 2019	$ 16,228,239	$ 246,377	$ 355,156	$ 651,093	$ 17,480,865
Changes due to financial assets recognized at the beginning of the period:					
Transfer to lifetime ECLs	(92,372)	16,653	54,094	(477)	(22,102)
Transfer to ECLs on financial assets	(17,543)	(10,064)	(7,818)	38,465	3,040
Transfer to 12-month ECLs	87,953	(225,339)	(80,601)	(76,593)	(294,580)
Financial assets derecognized in the current period	(4,211,920)	(62,231)	(216,784)	(144,475)	(4,635,410)
Purchased or originated financial assets	5,313,928	111,363	125,707	10,247	5,561,245
Write-offs	(2,570)	(15,395)	-	(51,151)	(69,116)
Exchange rate and other changes	120,666	7,376	(3,907)	(2,016)	122,119
Balance on December 31, 2019	$ 17,426,381	$ 68,740	$ 225,847	$ 425,093	$ 18,146,061

	12-Month Expected Credit Loss	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchase or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment Under Regulations	Total
Allowance							
January 1, 2019	$ 63,747	$ 47,499	$ 6,018	$ 338,807	$ 456,071	$ 30,863	$ 486,934
Changes due to financial assets recognized at the beginning of the period:							
Transfer to lifetime ECLs	(1,049)	9,096	2,296	(394)	9,949	-	9,949
Transfer to ECLs on financial assets	(389)	(2,197)	(437)	4,353	1,330	-	1,330
Transfer to 12-month ECLs	18,256	(806)	(1,851)	(17,324)	(1,725)	-	(1,725)
Financial assets derecognized in the current period	(11,784)	(9,706)	(323)	(1,790)	(23,603)	-	(23,603)
Purchased or originated financial assets	11,712	14,178	295	4,858	31,043	-	31,043
The difference of impairment under the decree regulation	-	-	-	-	-	(3,410)	(3,410)
Write-offs	(2,570)	(15,395)	-	(51,151)	(69,116)	-	(69,116)
Recoveries after write-off	-	-	-	31,437	31,437	-	31,437
Exchange rate and other changes	34,868	(13,669)	(1,359)	(133,699)	(113,859)	-	(113,859)
Balance on December 31, 2019	$ 112,791	$ 29,000	$ 4,639	$ 175,097	$ 321,527	$ 27,453	$ 348,980

For the Year Ended December 31, 2018

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchase or Originated 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 originated 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	29,769	37,085	64,223	1,154,911
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 Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment Under Regulations	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	(2,476)	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 originated 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	439	1,976	-	1,976
December 31, 2018	$ 63,747	$ 47,499	$ 6,018	$ 338,807	$ 456,071	$ 30,863	$ 486,934

14. DISCOUNTS AND LOANS, NET

	December 31, 2019	December 31, 2018
Loans	$ 1,102,510,004	$ 1,014,096,799
Inward/outward documentary bills	17,377,702	22,782,139
Non-performing loans	2,874,965	3,384,938
	1,122,762,671	1,040,263,876
Discount and premium adjustments	626,288	559,913
Allowance for credit losses	(11,259,545)	(11,020,604)
	$ 1,112,129,414	$ 1,029,803,185

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

For the years ended December 31, 2019 and 2018, the Group only had written off certain credits after completing the required legal procedures.

The changes in carrying amount and allowance for discounts and loans for the years ended December 31, 2019 and 2018 are as follows:

For the Year Ended December 31, 2019

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchase or Originated Credit Impairment on Financial Assets)	Lifetime ECLs (Purchase or Originated Credit Impairment on Financial Assets)	Total
Discounts and loans						
Beginning on January 1, 2019	$ 1,011,099,721	$ 6,271,115	$ 18,224,867	$ 4,563,914	$ 104,259	$1,040,263,876
Changes due to financial assets recognized at the beginning of the period:						
Transfer to lifetime ECLs	(11,842,528)	959,952	10,347,347	(39,935)	-	(575,164)
Transfer to ECLs on financial assets	(1,108,745)	(651,710)	(83,417)	1,795,083	-	(48,789)
Transfer to 12-month ECLs	7,698,142	(984,104)	(4,645,282)	(436,027)	-	1,632,729
Financial assets derecognized in the current period	(259,995,311)	(1,323,964)	(6,937,788)	(1,576,845)	(42,593)	(269,876,501)
Purchased or originated financial assets	356,637,530	685,464	4,682,130	161,042	60,553	362,226,719
Write-offs	(33,476)	(225,558)	-	(498,193)	-	(757,227)
Exchange rate and other changes	(9,267,520)	(8,437)	(763,918)	(60,544)	(2,553)	(10,102,972)
Balance at December 31, 2019	$ 1,093,187,813	$ 4,722,758	$ 20,823,939	$ 3,908,495	$ 119,666	$ 1,122,762,671

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchase or Originated Credit Impairment on Financial Assets)	Lifetime ECLs (Purchase or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment Under Regulations	Total
Allowance								
January 1, 2019	$ 1,997,988	$ 601,389	$ 745,022	$ 947,141	$ 46,049	$ 4,337,589	$ 6,683,015	$ 11,020,604
Changes due to financial assets recognized at the beginning of the period:								
Transfer to lifetime ECLs	(48,999)	329,436	161,166	(8)	-	441,595	-	441,595
Transfer to ECLs on financial assets	(1,941)	(153,167)	(3,423)	288,109	-	129,578	-	129,578
Transfer to 12-month ECLs	59,588	(47,612)	(447,409)	(165,087)	-	(600,520)	-	(600,520)
Financial assets derecognized in the current period	(531,572)	(67,799)	(156,249)	(437,117)	(496)	(1,193,233)	-	(1,193,233)
Purchased or originated financial assets	653,781	57,199	41,184	16,543	10,737	779,444	-	779,444
The difference of impairment under the decree regulation	-	-	-	-	-	-	1,285,869	1,285,869
Write-offs	(33,476)	(225,558)	-	(498,193)	-	(757,227)	-	(757,227)
Recoveries after write-off	-	-	-	298,750	-	298,750	-	298,750
Exchange rate and other changes	(117,600)	(14,439)	3,216	(13,337)	(3,155)	(145,315)	-	(145,315)
Balance at December 31, 2019	$ 1,977,769	$ 479,449	$ 343,507	$ 436,801	$ 53,135	$ 3,290,661	$ 7,968,884	$ 11,259,545

For the Year Ended December 31, 2018

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchase or Originated Credit Impairment on Financial Assets)	Lifetime ECLs (Purchase or Originated Credit Impairment on Financial Assets)	Total
Discounts and loans						
Beginning on January 1, 2018	$ 901,424,075	$ 8,032,342	$ 22,300,725	$ 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)	1,624,743	9,064,950	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	(1,106,351)	(10,724,211)	(227,182)	-	(7,846,603)
Financial assets derecognized in the current period	(211,236,865)	(2,521,669)	(5,534,544)	(498,455)	(27,373)	(219,818,906)
Purchased or originated financial assets	315,426,232	1,049,028	3,222,034	-	19,847	319,717,141
Acquisitions through business combinations (Note 37)	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	$ 6,271,115	$ 18,224,867	$ 4,563,914	$ 104,259	$ 1,040,263,876

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchase or Originated Credit Impairment on Financial Assets)	Lifetime ECLs (Purchase or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment Under Regulations	Total
Allowance								
January 1, 2018	$ 1,654,480	$ 613,591	$ 1,262,364	$ 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)	309,333	471,429	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	(79,729)	(1,029,156)	(35,091)	-	(1,040,799)	-	(1,040,799)
Financial assets derecognized in the current period	(384,280)	(157,115)	(128,115)	(34,805)	(918)	(705,233)	-	(705,233)
Purchased or originated financial assets	574,985	63,902	165,940	-	-	804,827	-	804,827
The difference of impairment under the decree regulation	-	-	-	-	-	-	414,132	414,132
Acquisitions through business combinations (Note 37)	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	$ 601,389	$ 745,022	$ 947,141	$ 46,049	$ 4,337,589	$ 6,683,015	$11,020,604

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

	December 31	
	2019	2018
Provisions for loans and discounts	$ 842,733	$ 494,218
Provisions for reserve of possible losses on guarantees	51,424	117,419
Provisions for receivables	13,584	27,084
	$ 907,741	$ 638,721

15. SUBSIDIARIES

15.1 Subsidiaries included in the consolidated financial statements

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

			Proportion of Ownership (%)		
Investor	Investee	Nature of Activities	December 31, 2019	December 31, 2018	Remark
Domestic subsidiaries					
The Bank	China Travel Service (Taiwan)	Traveling	99.99	99.99	
	SCSB Life Insurance Agency	Insurance agency	-	100.00	2
	SCSB Property Insurance Agency	Insurance agency	-	100.00	2
	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	84.89	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	
Right Honour Investments Limited	Silver Wisdom Westpoint Investments Limited	Property holding	100.00	100.00	

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

Remark 2: The Bank merged SCSB Life Insurance Agency and SCSB Property Insurance Agency on May 6, 2019. Since the SCSB Life Insurance Agency and SCSB Property Insurance Agency are both 100% wholly owned by the Bank, the merger between SCSB Life Insurance Agency and SCSB Property Insurance Agency was considered as corporate reorganization. According to the relevant interpretation letter issued by the Accounting Research and Development Foundation, when the Bank merged with SCSB Life Insurance Agency and SCSB Property Insurance Agency, it should account for the book value of all assets and liabilities and prepared the consolidated balance sheets accordingly. The consolidated financial statements would not be affected after the merger.

On September 18, 2017, the board made a resolution to purchase 80.01% shares of AMK Microfinance (AMK). The resolution was approved by the FSC and MOEAIC of Taiwan in November 2017 and January 2018, respectively. It was approved by the Cambodian authorities on July 9, 2018. The Group acquired 80.01% equity of AMK for US$80,103 thousand (equivalent to NT$2,457,470 thousand) on August 28, 2018, refer to Note 37. In addition, on November 10, 2018, the Bank's board approved to increase cash capital of AMK by US$15,300 thousand, and the number of shares obtained through capital increase was 1,554 thousand shares. The case was approved by the FSC and Cambodian authorities on January 19, 2019 and July 16, 2019, respectively. Hence, the Group's shareholding ratio increased to 84.89% on July 29, 2019. Because the subscription to capital increase was not according to the shareholding ratio, there was a discrepancy between the price and equity value of investment. Therefore, a change in the ownership interest of subsidiary credited under the capital reserve amounted to $85,518 thousand (refer to Note 32).

15.2 Details of subsidiaries that have material non-controlling interests ("NCI")

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests December 31, 2019	December 31, 2018
Shanghai Commercial Bank (H.K.)	Hong Kong	42.4%	42.4%

Name of Subsidiary	Profit Allocated to Non-controlling Interests 2019	2018	Accumulated Non-controlling December 31 2019	2018
Shanghai Commercial Bank (H.K.) (excluding NCI in its subsidiaries)	$ 5,036,850	$ 4,646,788	$ 49,636,330	$ 46,110,165

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 (SCB) (H.K.) and its subsidiaries

	December 31, 2019	December 31, 2018
Assets	$ 858,870,070	$ 776,797,397
Liabilities	(740,879,110)	(667,270,867)
NCI of SCSB's subsidiaries	(332,806)	(317,413)
Equity	$ 117,658,154	$ 109,209,117
Equity attributable to:		
Owners of SCB (HK)	$ 67,771,097	$ 62,904,451
NCI of SCB (HK)	49,887,057	46,304,666
	$ 117,658,154	$ 109,209,117

	December 31	
	2019	2018
Revenue	$ 21,544,368	$ 19,467,068
Net profit for the period	$ 11,856,137	$ 10,964,012
Net profit allocated to NCI of SCSB's subsidiaries	(23,226)	(22,575)
	11,879,363	10,941,437
Other comprehensive income for the period	1,031,657	5,782,896
OCI allocated to NCI of SCSB's subsidiaries	83	173
Total comprehensive income for the period	$ 12,911,103	$ 16,724,506
Profit attributable to:		
Owners of SCB (HK)	$ 6,842,513	$ 6,294,649
NCI of SCB (HK)	5,036,850	4,646,788
	$ 11,879,363	$ 10,941,437
Total comprehensive income attributable to:		
Owners of SCB (HK)	$ 7,436,795	$ 9,633,315
NCI of SCB (HK)	5,474,308	7,091,191
	$ 12,911,103	$ 16,724,506
Cash inflow from:		
Operating activities	$ 27,183,171	$ 2,545,286
Investing activities	(542,603)	(606,528)
Financing activities	4,693,125	(3,703,227)
Net cash inflow	$ 31,333,693	$ (1,764,469)
Dividends paid to non-controlling interests SCB (HK)	$ 1,580,339	$ 1,499,242

16. INVESTMENTS UNDER THE EQUITY METHOD

	December 31, 2019	December 31, 2018
Investments in associates	$ 1,851,065	$ 1,738,636

The Bank recognized losses on Kuo Hai because of the investee's continued operating losses over the years. The Bank decreased this investment carrying value to zero from 2002.

Immaterial associates' information of business was summarized as follows:

	December 31,	
	2019	2018
Profit from continuing operations	$ 178,969	$ 119,150
Other comprehensive income (loss)	70,245	(86,948)
Total comprehensive income for the period	$ 249,214	$ 32,202

17. OTHER FINANCIAL ASSETS, NET

	December 31, 2019	December 31, 2018
Fixed deposit with originated maturity of more than three months	$ 5,289,203	$ 2,461,140
Non-performing receivables	2,308	3,164
Purchase of remittance	39	201
	5,291,550	2,464,505
Allowance for non-performing credit card receivables	(2,316)	(3,172)
	$ 5,289,234	$ 2,461,333

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

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

18. PROPERTIES, NET

	December 31, 2019	December 31, 2018
Land	$ 14,483,237	$ 14,633,963
Buildings and improvements	4,736,578	5,009,771
Office equipment	580,814	394,351
Transportation equipment	103,535	103,616
Miscellaneous equipment	789,761	882,364
Construction in progress and prepayments	519,503	522,604
	$ 21,213,428	$ 21,546,669

	For the Year Ended December 31, 2019					
	Balance at January 1, 2019	Additions	Disposals	Internal Transfer	Effect of Exchange Rate Changes, Net	Balance at December 31, 2019
Cost						
Land	$ 15,270,893	$ -	$ (30,606)	$ -	$ (64,623)	$ 15,175,664
Buildings and improvements	8,320,236	131,498	(10,857)	-	(77,735)	8,363,142
Office equipment	2,399,697	346,567	(203,109)	16,571	(26,456)	2,533,270
Transportation equipment	242,797	26,105	(2,679)	-	(7,028)	259,195
Miscellaneous equipment	2,694,440	87,942	(58,979)	695	(46,878)	2,677,220
Construction in progress and prepayments	525,501	109,520	-	(102,790)	(9,462)	522,769
	29,453,564	$ 701,632	$ (306,230)	$ (85,524)	$ (232,182)	29,531,260
Accumulated depreciation						
Land	636,930	$ 68,659	$ -	$ -	$ (13,162)	$ 692,427
Buildings and improvements	3,310,465	340,678	(1,278)	-	(23,301)	3,626,564
Office equipment	2,005,346	154,130	(186,332)	-	(20,688)	1,952,456
Transportation equipment	139,181	22,640	(2,423)	-	(3,738)	155,660
Miscellaneous equipment	1,812,076	162,244	(54,523)	-	(32,338)	1,887,459
Construction in progress and prepayments	2,897	429	-	-	(60)	3,266
	7,906,895	$ 748,780	$ (244,556)	$ -	$ (93,287)	8,317,832
Net amount	$ 21,546,669					$ 21,213,428

	For the Year Ended December 31, 2018						
	Balance at January 1, 2018	Additions	Acquisitions through business combinations (Note 37)	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 prepayments	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

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

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

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

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

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

19. LEASE ARRANGEMENTS - 2019

19.1 Right-of-use assets

	December 31, 2019
Carrying amount of right-of-use assets	
Land	$ 4,939
Buildings and improvements	2,236,423
Office equipment	35,103
Mechanical equipment	39,544
Transportation equipment	28,418
	$ 2,344,427

	For the Year Ended December 31, 2019
Increase in right-of-use assets	$ 1,103,080
Depreciation expenses of right-of-use assets	
Land	$ 1,064
Buildings and improvements	743,366
Office equipment	27,539
Mechanical equipment	22,998
Transportation equipment	11,308
	$ 806,275

19.2 Lease liabilities

	December 31, 2019
Carrying amount of lease liabilities	$ 2,415,515

The discount rate intervals for lease liabilities are as follows:

	December 31, 2019
Land	7.83%
Buildings and improvements	1.25%~7.83%
Office equipment	2.46%-3.00%
Mechanical equipment	1.25%~7.83%
Transportation equipment	1.25%~3.00%

19.3 Other lease information

	For the Year Ended December 31, 2019
Short-term lease expenses	$ 28,058
Leases of low value assets	$ 14,557
Variable lease payments which are not included in lease liabilities measurements	$ 3,233
Total cash outflow for leases	$ 866,689

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

20. INVESTMENT PROPERTIES, NET

	December 31, 2019	December 31, 2018
Land	$ 4,486,122	$ 4,444,014
Buildings and improvements	1,164,519	1,217,376
	$ 5,650,641	$ 5,661,390

	For the Year Ended December 31, 2019			
	Balance at January 1, 2019	Additions	Effect of Exchange Rate Changes, Net	Balance at December 31, 2019
Cost				
Land	$ 4,481,459	$ -	$ (86,469)	$ 4,394,990
Buildings and improvements	1,304,040	131,812	(24,118)	1,411,734
	5,785,499	$ 131,812	$ (110,587)	5,806,724
Less: Accumulated depreciation				
Land	37,445	$ 3,411	$ (767)	40,089
Buildings and improvements	86,664	31,620	(2,290)	115,994
	124,109	$ 35,031	$ (3,057)	156,083
Net amount	$ 5,661,390			$ 5,650,641

	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

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

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

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

The fair value of investment properties has been measured mainly by 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, 2019	December 31, 2018
Fair value	$ 12,949,458	$ 14,229,647

The rental income from investment properties is stated below:

	For the Year Ended December 31	
	2019	2018
Rental income from investment properties	$ 345,512	$ 303,575

21. INTANGIBLE ASSETS, NET

	December 31, 2019	December 31, 2018
Operating license	$ 1,466,954	$ 1,521,666
Computer software	250,390	223,005
Goodwill	90,411	92,660
	$ 1,807,755	$ 1,837,331

	For the Year Ended December 31, 2019				
	Balance at January 1, 2019	Additions	Disposals	Effects of Exchange Rate Changes, Net	Balance at December 31, 2019
Cost					
Operating license	$ 1,527,740	$ -	$ -	$ (37,078)	$ 1,490,662
Computer software	477,446	140,868	(110,718)	(3,647)	503,949
Goodwill	92,660	-	-	(2,249)	90,411
	2,097,846	$ 140,868	$ (110,718)	$ (42,974)	2,085,022
Less: Accumulated depreciation					
Operating license	6,074	$ 18,295	$ -	$ (661)	$ 23,708
Computer software	254,441	111,427	(110,351)	(1,958)	253,559
	260,515	$ 129,722	$ (110,351)	$ (2,619)	277,267
Net amount	$ 1,837,331				$ 1,807,755

	For the Year Ended December 31, 2018					
	Balance at January 1, 2018	Acquisitions through business combinations (Note 37)	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	73,530	(100,280)	1,128	477,446
Goodwill	-	92,482	-	-	178	92,660
	282,087	$ 1,838,271	$ 73,530	$ (100,280)	$ 4,238	2,097,846
Less: Accumulated depreciation						
Operating license	-	$ -	$ 6,081	$ -	$ (7)	6,074
Computer software	161,988	46,755	89,697	(44,300)	301	254,441
	161,988	$ 46,755	$ 95,778	$ (44,300)	$ 294	260,515
Net amount	$ 120,099					$ 1,837,331

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

Bank license	84 years
Computer software	3-5 years

The Bank's goodwill was mainly from the control premium generated by the acquisition of Cambodian AMK on August 28, 2018. In addition, the consideration paid of this acquisition 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 2019 and 2018.

22. OTHER ASSETS, NET

	December 31, 2019	December 31, 2018
Prepaid expenses	$ 2,034,552	$ 1,927,630
Refundable deposits	884,905	847,676
Deferred charges	267,969	189,783
Temporary payments and suspension	140,355	160,655
Others	194,045	163,118
	$ 3,521,826	$ 3,288,862

23. DUE TO THE CENTRAL BANK AND BANKS

	December 31, 2019	December 31, 2018
Call loans from banks	$ 62,705,548	$ 46,641,154
Due to banks	7,741,287	8,531,281
Deposit from Chunghwa Post Co., Ltd.	1,839,203	2,325,302
Overdraft on banks	1,206,492	1,843,453
Call loans from the Central Bank	-	922,140
	$ 73,492,530	$ 60,263,330

24. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

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

25. PAYABLES

	December 31, 2019	December 31, 2018
Dividends payable	$ 13,079,523	$ 12,162,073
Accounts payable	4,552,854	8,176,835
Interest payable	4,474,329	3,622,202
Liabilities on bank acceptances	2,757,275	4,052,269
Expenses payable	1,631,960	1,624,223
Others	730,558	475,973
	$ 27,226,499	$ 30,113,575

26. DEPOSITS AND REMITTANCES

	December 31, 2019	December 31, 2018
Time deposits	$ 846,937,564	$ 748,953,809
Savings deposits	470,002,250	451,965,944
Demand deposits	302,034,182	286,238,664
Negotiable certificates of deposit	25,581,000	21,550,500
Checking deposits	10,056,312	11,063,284
Remittances	456,395	853,414
	$ 1,655,067,703	$ 1,520,625,615

27. BANK DEBENTURES

27.1 The Bank

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

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

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

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

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

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

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

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

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

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

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

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

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

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

27.2 SCB (HK)

	December 31, 2019	December 31, 2018
The subordinate bank debenture with a 10-year maturity and maturity date on November 2027	$ 7,455,698	$ 7,635,252
The subordinate bank debenture with a 10-year maturity and maturity date on January 2029	8,948,414	-
	$ 16,404,112	$ 7,635,252

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

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

28. OTHER FINANCIAL LIABILITIES

	December 31, 2019	December 31, 2018
Appropriated loan funds	$ 1,812,424	$ 1,504,200
Principals of structured instruments	1,779,449	2,188,907
Bank borrowings	732,986	252,951
Other financial liabilities	1,714,123	264,980
	$ 6,038,982	$ 4,211,038

29. PROVISIONS

	December 31, 2019	December 31, 2018
Reserve for employee benefits (Note 31)	$ 1,372,663	$ 1,295,274
Reserve for guarantees liabilities	814,599	650,001
Reserve for other operations	371,429	363,149
Reserve for financing commitment	69,441	73,229
Reserve for unexpected losses	3,564	3,564
	$ 2,631,696	$ 2,385,217

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

For the Year Ended December 31, 2019

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The difference of impairment under the decree regulation	Total
Commitment and guarantee liability provisions							
January 1, 2019	$ 150,974	$ 115,497	$ 1,028	$ -	$ 267,499	$ 455,731	$ 723,230
Changes due to financial assets recognized at the beginning of the period:							
Transfer to lifetime ECLs	(157)	12,736	154	-	12,733	-	12,733
Transfer to credit impairment financial assets	(5)	-	-	864	859	-	859
Transfer to 12-month ECLs	913	-	(8)	-	905	-	905
Financial assets derecognized in the current period	(138,088)	(101,842)	(811)	-	(240,741)	-	(240,741)
Purchased or originated financial assets	89,001	12,182	2,804	811	104,798	-	104,798
The difference of impairment under the decree regulation	-	-	-	-	-	172,870	172,870
Exchange rate and other changes	94,847	14,697	(158)	-	109,386	-	109,386
December 31, 2019	$ 197,485	$ 53,270	$ 3,009	$ 1,675	$ 255,439	$ 628,601	$ 884,040

For the Year Ended December 31, 2018

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	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 originated 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

30. OTHER LIABILITIES

	December 31, 2019	December 31, 2018
Guarantee deposits received	$ 2,257,092	$ 1,714,413
Deferred revenue	844,395	673,400
Interest received in advance	30,664	32,821
Temporary credit	15,261	67,248
Others	544,367	524,740
	$ 3,691,779	$ 3,012,622

31. PENSION PLAN

The Bank

(1) Defined contribution plans

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

The total amounts to be paid in accordance with the defined contribution plans in the consolidated statements of profit or loss in 2019 and 2018 were $76,515 thousand and $70,012 thousand, respectively.

(2) Defined benefit plans

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

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

	December 31, 2019	December 31, 2018
Present value of defined benefit obligation	$ 2,960,095	$ 2,766,265
Fair value of plan assets	(2,732,294)	(2,491,348)
Net defined benefit liabilities	$ 227,801	$ 274,917

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

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

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

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

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

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

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

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

	December 31, 2019	December 31, 2018
Discount rate	1.25%	1.55%
Expected rate of salary increase	2.75%	2.75%

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

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

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

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

(3) Employee discount deposit plan

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

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

	December 31, 2019	December 31, 2018
Discount rate	4.00%	4.00%
Deposit rate of return	2.00%	2.00%
Preferential deposit withdrawal rate	2.00%	2.00%
Change in the preferential deposit system	50.00%	50.00%

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

	December 31, 2019	December 31, 2018
Retired employees' preferential deposit liabilities, net	$ 419,114	$ 379,288

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

(4) Other long-term employee benefit liabilities

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

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

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

The Bank has recognized employee benefits for pensions as a benefit cost of $1,359 thousand and $1,212 thousand in the consolidated statements of profit or loss in 2019 and 2018, respectively.

SUBSIDIARIES

(1) 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 amounts to be paid in accordance with the defined contribution plans in the consolidated statements of profit or loss in 2019 and 2018 were $295,385 thousand and $255,132 thousand, respectively.

(2) Defined benefit plans

Domestic and foreign subsidiaries recognize the relevant fees based on the results of the evaluation of the actuary. Defined benefit plans that had been recognized in the consolidated statements of loss in 2019 and 2018 were $384 thousand and $635 thousand, respectively; and in other comprehensive profit were $950 thousand and $1,057 thousand, respectively.

Defined benefit plan

	December 31, 2019	December 31, 2018
Defined benefit plan	$ 944,753	$ 908,547
Retired employees' preferential deposit liabilities	419,114	379,288
Other long-term employment benefits	8,796	7,439
	$ 1,372,663	$ 1,295,274

32. EQUITY

32.1 Share capital

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

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

With the application of Initial Public Offering (IPO) on the Taiwan Stock Exchange ("TWSE"), the board of directors approved to issue 22,500 thousand of 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 record date for capital addition.

The abovementioned new shares included public subscription, employee subscription and auction of 4,000 thousand shares, 2,500 thousand shares and 16,000 thousand shares, respectively. The public subscription and employee subscription were issued at a premium of $32.28 per share. The auction was issued at a premium to the average weighted average price of $34.31 per share. The net capital addition was $755,797 thousand after collecting the share proceeds and deducting relevant commission expense on October 17, 2018.

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

32.2 Capital surplus

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

Under the Company Act, capital surplus is only allowed to offset a deficit. However, the capital surplus from shares issued in excess of par (including additional paid-in capital from the issuance of ordinary shares, conversion of bonds and treasury share transactions) and donations may be capitalized from capital surplus into share capital, which is limited to a certain percentage of the Bank’s paid-in capital. In addition, the capital surpluses generated by the issuance of employee stock options were $2,971,968 thousand and $2,609,220 thousand on December 31, 2019 and 2018, respectively, which are limited to offset losses.

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

Since the shares held by subsidiaries were reclassified as treasury shares, cash dividend distributed to subsidiaries was then recorded as capital surplus - treasury shares according to the shareholding ratio. The cash dividends were $10,534 thousand and $9,480 thousand in 2019 and 2018, respectively.

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

32.3 Retained earnings and dividend policy

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

According to the Bank's revised earnings distribution policy, if there is surplus in the Bank's annual accounts, it should first complete the tax payment and then make up for the accumulated losses. According to the law, 30% of the statutory surplus reserve is required. However, when the statutory surplus reserve has reached the total paid-in capital of the Bank (not subject to the limit), it will appropriate or reverse the special surplus reserve from the balance and distribute the special dividend. The surplus balance and accumulated unappropriated surplus in the previous year including the special surplus reserve will be an available surplus. The board of directors drafts a surplus allocation case and proposes for it to be recognized at the shareholders' meeting. The distribution of dividends or bonuses depends on the attendance of more than two-thirds of the board of directors and the resolution of more than half of the directors is required to distribute all or some of the dividends or bonuses in cash and the report to the shareholders' meeting.

According to the Bank's Articles of Incorporation, a legal reserve shall be appropriated at the amount equal to 30% of earnings after tax. The legal reserve shall be appropriated until it reaches the Bank's paid-in capital, the remaining profit together with unappropriated retained earnings shall be as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders.

If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be corrected into capital (share capital) or distributed in cash. However, under the Banking Law, if legal reserve is less than its paid-in capital, the Bank is allowed to distribute cash earnings only up to 15% of its capital. For the basis of the employees' compensation and directors' remuneration estimates, refer to employee benefits expense in Note 33 (f).

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

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

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

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

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

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

32.4 Special reserve

The Bank made a special reserve due to the transfer of $1,256,859 thousand of its cumulative translation adjustment reported in equity to retained earnings upon first-time IFRS adoption. There was no change in the balance of the special reserve for the year ended December 31, 2019.

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

32.5 Treasury shares

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

Under the Securities and Exchange Act, the Bank shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to receive dividends, to vote and to subscribe for new shares of capital increase by cash. Under the Company Act, the Bank is not allowed to buy back more than 5% of its issued shares. In addition, the total cost of treasury shares may not exceed the sum of the retained earnings and realized capital surplus. The Bank is not allowed to exercise shareholders' rights on these shares before they are resold. The shares held by its subsidiaries are treated as treasury shares, except for participating in the Bank's cash addition and voting rights, the rest is the same as the general shareholder's rights. In addition, the treasury stocks held by the Bank shall not be pledged, nor shall they have the rights of dividend distribution and voting rights under the Securities and Exchange Act.

32.6. Non-controlling interests

	For the Year Ended December 31	
	2019	2018
Beginning balance	$ 46,865,979	$ 40,623,295
Retrospective application of the impact of IFRS 9	-	(16,386)
Retrospective application of the impact of IFRS 16	(15,229)	-
Beginning balance	46,850,750	40,606,909
Attributed to non-controlling interests		
Acquisition of non-controlling interests in subsidiaries (Note 37)	-	613,984
Changes in equity of subsidiaries (Note 15)	(85,518)	-
Net income	5,063,368	4,649,675
Translation adjustments for foreign operations	(952,068)	1,180,682
Unrealized gain on financial assets measured at FVTOCI	1,444,560	654,756
Share of other comprehensive profit and loss under the equity method	27,983	(31,753)
Income tax effect	(110,030)	690,968
Cash dividends distribution	(1,580,339)	(1,499,242)
Ending balance	$ 50,658,706	$ 46,865,979

33. DETAILS OF COMPREHENSIVE INCOME STATEMENT ITEMS

33.1 Interest revenue, net

	For the Year Ended December 31	
	2019	2018
Interest revenue		
Discounts and loans	$ 34,807,126	$ 28,646,475
Securities investments	10,856,676	8,686,119
Due from banks	4,852,099	4,340,410
Others	398,720	360,445
	50,914,621	42,033,449
Interest expense		
Deposits	16,981,557	12,197,050
Bank debentures	1,805,710	1,094,198
Due to banks	1,663,682	1,341,317
Securities sold under repurchase agreements	67,246	104,648
Leased liability	77,878	-
Others	372,779	141,840
	20,968,852	14,879,053
Interest revenue, net	$ 29,945,769	$ 27,154,396

33.2 Service fee income, net

	For the Year Ended December 31	
	2019	2018
Service fee income		
Trust and custody services	$ 1,751,129	$ 1,772,387
Loan service fees	1,526,748	940,710
Nominee and brokerage service charge	857,432	996,324
Insurance commission fees	608,213	488,022
Guarantees related fees	548,320	383,300
Credit card related fees	533,624	443,747
Remittance related fees	430,206	401,352
Inward/outward business	380,417	394,642
Others	786,836	331,530
	7,422,925	6,152,014
Service charge		
Credit card service charge	244,461	147,123
Nominee and brokerage service charge	84,596	80,931
Finance service charge	61,305	62,741
Custody service charge	45,451	36,870
Interbank service charge	16,881	17,896
Others	441,051	331,058
	893,745	676,619
Service fee income, net	$ 6,529,180	$ 5,475,395

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

	For the Year Ended December 31, 2019		
	Realized (Loss) Gain	Unrealized (Loss) Gain	Total
Financial assets mandatorily classified as at FVTPL	$ 3,708,801	$ 293,947	$ 4,002,748
Held-for-trading financial liabilities	(3,048,880)	198,046	(2,850,834)
Financial liabilities designated as at FVTPL	-	(159,109)	(159,109)
	$ 659,921	$ 332,884	$ 992,805

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

33.4 Realized gain or loss on financial assets at FVTOCI

	For the Year Ended December 31	
	2019	2018
Disposal of debt instruments	$ 440,223	$ 227,456
Dividend income	977,928	879,565
	$ 1,418,151	$ 1,107,021

33.5 Employment benefits expense

	For the Year Ended December 31	
	2019	2018
Short-term employment benefits	$ 8,432,551	$ 6,940,506
Retirement benefits		
Defined contribution plan	371,900	324,501
Defined benefit plan	186,370	190,001
Other employment benefits	356,359	337,233
	$ 9,347,180	$ 7,792,241

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 2019 and 2018 as approved in the board meetings on March 21, 2020 and March 23, 2019, respectively, were as follows:

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

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

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2018 and 2017.

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

33.6 Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
Depreciation expense		
Right-of-use assets	$ 806,275	$ -
Properties	748,780	576,463
Investment properties	35,031	34,156
	1,590,086	610,619
Amortization expense		
Intangible assets	129,722	86,112
Other assets	84,376	129,094
	214,098	215,206
	$1,804,184	$ 825,825

34. INCOME TAXES RELATING TO CONTINUING OPERATIONS

34.1 Income tax expense recognized in profit or loss

The major components of tax expenses were as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current year	$ 4,365,182	$ 4,112,648
In respect of prior periods	36,070	(30,869)
	4,401,252	4,081,779
Deferred tax		
In respect of the current year	534,060	220,897
In respect of prior periods	(28,968)	25,510
Effect of change in tax rate	-	246,849
	505,092	493,256
Income tax expense recognized in profit or loss	$ 4,906,344	$ 4,575,035

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

	For the Year Ended December 31	
	2019	2018
Profit before tax from continuing operations	$ 24,680,964	$ 22,936,681
Income tax expense calculated at the statutory rate	$ 6,417,480	$ 5,841,022
Add (deduct) tax effect of：		
Tax-exempt cash dividend	(59,559)	(71,562)
Permanent difference - investment income	(499,871)	(705,758)
Tax-exempt (gain) loss on security transactions	(45,492)	9,117
Tax-exempt income from subsidiaries	(89,040)	(83,945)
Tax-exempt income from offshore banking unit (OBU)	(791,415)	(789,676)
Tax-exempt gain on sale of land	(3,378)	(5)
Others	(78,685)	15,998
	4,858,660	4,215,191
Tax on unappropriated earnings	49,202	118,354
Adjustments for prior years' current tax	36,070	(30,869)
Adjustments for prior years' deferred tax	(28,968)	25,510
Effect of tax rate changes	-	246,849
Income tax expense recognized in profit or loss	$ 4,906,344	$ 4,575,035

In 2018, The Income Tax Act in Taiwan was amended. Starting from 2018, the corporate income tax rate was adjusted from 17% to 20%. In addition, the unappropriated tax earnings had been reduced from 10% to 5%. Tax rate used by subsidiary in China is 25%, tax rate used by subsidiary in Cambodia is 20%, while the applicable tax rate used by subsidiary in Hong Kong is 16.5%.

In July 2019, the President of the Republic of China ("ROC") announced the amendments to the statute for Industrial Innovation, which explicitly stipulate that the construction or purchase of specific assets or technologies based on unappropriated earnings in 2018 are allowed as deduction when calculating the income tax on unappropriated earnings. In computing the tax on unappropriated earnings for the year ended December 2019, the Group has deducted the amount of capital expenditure that was reinvested by the unappropriated earnings in 2018.

34.2 Income tax expense recognized in other comprehensive income

	For the Year Ended December 31	
	2019	2018
Deferred income tax expense		
Effect of change in tax rate	$ -	$ 14,371
Arising on income and expenses recognized in other comprehensive income		
Translation adjustments for foreign operations	440,423	(479,871)
Unrealized gain or loss on financial assets measured at FVTOCI	(711,722)	1,514,260
Defined benefit plans remeasurement	19,146	20,525
Income tax expense recognized in other comprehensive income	$ (252,153)	$ 1,069,285

34.3 Income tax assessments

	December 31	
	2019	2018
Current tax assets		
Tax refund receivable	$ 116,128	$ 89,235
Current tax liabilities		
Income tax payable	$2,568,931	$1,168,875

34.4 Deferred tax assets and liabilities

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

For the Year Ended December 31, 2019

Deferred Tax Assets	Opening Balance	Effects of Adopting IFRS16	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Translation Difference	Closing Balance
Temporary differences						
Doubtful debts	$ 674,083	$ -	$ 20,969	$ -	$ (6,966)	$ 688,086
Impairment loss on financial assets at FVTOCI	8,349	-	(910)	-	-	7,439
Unrealized loss on financial instruments	295,825	-	28,245	(316,430)	(1,675)	5,965
Investment loss of domestic subsidiaries recognized under equity method	28,423	-	(6,989)	-	-	21,434
Unrealized foreign exchange loss	5,103	-	34,379	-	-	39,482
Cumulative translation adjustment	13,683	-	-	7,697	(1)	21,379
Employee benefits plan	165,895	-	(7,263)	19,146	-	177,778
Others	134,635	-	53,965	-	2,805	191,405
	$ 1,325,996	$ -	$ 122,396	$ (289,587)	$ (5,837)	$ 1,152,968
Temporary differences						
Unrealized gain on financial instruments	$ -	$ -	$ (71,845)	$ (395,292)	$ 5,779	$ (461,358)
Investment gain of domestic subsidiaries recognized under equity method	(9,254,467)	5,699	(514,199)	432,968	(52,035)	(9,382,034)
Recognized deferred depreciation expenses	(156,032)	-	(47,491)	-	3,398	(200,125)
Others	(804)	-	348	(242)	(1)	(699)
	$ (9,411,303)	$ 5,699	$ (633,187)	$ 37,434	$ (42,859)	$(10,044,216)

For the Year Ended December 31, 2018

Deferred Tax Assets	Opening Balance	Effects of Adopting IFRS9	Acquired by Business Combination (Note37)	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									
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
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)

34.5 Income tax assessments

The Bank's income tax returns through 2016 had been assessed by the tax authorities.

Income tax returns of the Bank's domestic subsidiaries through 2017 had been assessed by the tax authorities.

35. EARNINGS PER SHARE

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

Unit: NT$ Per Share

	For the Year Ended December 31 2019	For the Year Ended December 31 2018
Basic earnings per share	$ 3.50	$ 3.37
Diluted earnings per share	$ 3.50	$ 3.37

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

Net Profit for the Period

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

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

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

In the computation of diluted earnings per share, it assumed the entire amount of the compensation will be settled in potential shares. If the Bank offered to settle compensation paid to employees in cash or shares, the potential shares are included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

36. SHARE-BASED PAYMENT ARRANGEMENTS

Employee share option plan of the Bank

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

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

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

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

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

37. BUSINESS COMBINATION

37.1 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 market share in Southeast Asia and enhance its competitiveness of international financial business. The acquisition-related costs have been excluded from the transfer consideration and are recognized in the current period of the acquisition.

37.2 Assets acquired and liabilities assumed at the date of acquisition

		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 due to acquisition		
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 NT$7,055,886 thousand, and the total amount of contract was NT$7,215,585 thousand. The best estimate of contractual cash flow that is expected to be unrecoverable on the acquisition date was NT$159,699 thousand.

37.3 Non-controlling equity

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

37.4 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.

37.5 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

37.6 Effects of 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 Group 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

38. RELATED-PARTY TRANSACTIONS

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

38.1 The Bank's related parties

Related Party	Relationship with the Bank
The SCSB Cultural & Educational Foundation	Exceeding 1/3 of total fund donated by the Bank
The SCSB Charity Foundation	Exceeding 1/3 of total fund donated by the Bank
Silks Place Taroko	Investment under the equity method held by subsidiary
Hung Ta Investment Corporation	The chairman and the Bank's chairman are related by marriage
Hung Shen Investment Corporation	The chairman and the Bank's chairman are related by marriage
GTM Corporation	The director of the Bank is the director of the 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

38.2 Significant transactions between related parties

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

38.2.1 Deposits

	December 31, 2019			For the Year Ended December 31, 2019
	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Expense
Directors and related management	$26,028,546	$ 25,619,065	0.00-4.90	$ 473,452
Employees	620,966	135,489	0.00-9.97	4,224
The SCSB Cultural & Educational Foundation	338,369	314,721	0.01-1.07	1,914
Others	62,035	60,640	0.00-1.03	333
	$27,049,916	$ 26,129,915		$ 479,923

	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

38.2.2 Interest receivable (accounted for as receivables)

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

38.2.3 Interest payable (accounted for as payables)

	December 31, 2019	December 31, 2018
Directors and related management	$ 175	$ 289
The SCSB Cultural & Educational Foundation	62	154
The SCSB Charity Foundation	12	12
	$ 249	$ 455

38.2.4 Guarantee deposits received (accounted for as other liabilities)

	December 31, 2019	December 31, 2018
The SCSB Cultural & Educational Foundation	$ 529	$ 211

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

	For the Year Ended December 31	
	2019	2018
The SCSB Cultural & Educational Foundation	$ 914	$ 842

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

38.2.6 Loans

		December 31, 2019							For the Year Ended December 31, 2019
				Performance				Difference of Terms of the Transactions with Unrelated Parties	
Category	Name	Maximum Balance	Ending Balance	Normal Loans	Non-performing Loans	Collateral	Interest Rate (%)		Interest Income
Loans for personal house mortgages	Directors and related management (1)	$ 9,112	$ 658	$ 658	-	Real estate	2.09	None	$ 103
Others	Directors and related management (9)	2,712,823	2,670,638	2,670,638	-	Real estate/ financial instruments	1.68-2.66	None	119,912
		$ 2,721,935	$ 2,671,296	$ 2,671,296					$ 120,015

		December 31, 2018							For the Year Ended December 31, 2018
				Performance				Difference of Terms of the Transactions with Unrelated Parties	
Category	Name	Maximum Balance	Ending Balance	Normal Loans	Non-performing Loans	Collateral	Interest Rate (%)		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)	1,776,331	1,734,210	1,734,210	-	Real estate/ stock/ financial instruments	1.68-2.66	None	53,589
	Silks Place Taroko	5,000	-	-	-	Real estate	1.63	None	6
		$1,798,078	$ 1,742,679	$ 1,742,679					$ 53,859

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.

38.3 Compensation of directors and management personnel

	For the Year Ended December 31	
	2019	2018
Salaries and other short-term employee benefits	$ 478,333	$ 470,711
Bonuses of employees	87,632	79,267
Remuneration of directors	129,201	120,037
Post-employment benefits	40,413	37,082
Others	713	119
	$ 736,292	$ 707,216

39. PLEDGED ASSETS

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

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

On December 31, 2019 and 2018, the assets listed below were provided as refundable deposits for operating guarantees and for executing legal proceedings against defaulting borrowers as required by the court.

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

On December 31, 2019 and 2018, SCB (HK) and its overseas branch provided financial assets at amortized cost as operating guarantees.

	December 31, 2019	December 31, 2018	Guaranty Purpose
The SCB (HK)			
Financial assets at amortized cost	$ 9,408,766	$ 9,317,130	Overseas branch operating guarantee

40. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

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

	December 31, 2019	December 31, 2018
Securities in custody	$ 243,735,280	$ 235,833,631
Assets under trust	166,851,769	164,466,181
Government bonds in brokerage accounts	64,090,200	39,161,200
Receivables under custody	29,657,223	27,981,614
Short-term bills in brokerage accounts	808,800	974,600
Guarantee notes payable	147,608,160	132,536,048
Consigned travelers' checks	162,850	192,808
Commitments of forward contracts with customers	402,427,884	315,736,359

40.2 Operational risk and legal risk

The Bank was sanctioned by authorities according to Bank Law No. 61-1 for the year ended December 31, 2019:

(1) The Banking Bureau on its letter dated April 17, 2019 (Ref. No. 1081028630) for violating anti-money laundering rules, which was corrected in accordance with the rules of Item 1 of Article 61 of the Banking Act.

(2) The confirmation from Banking Bureau that the security management for online banking transactions affected the sound operation on October 16, 2019, which was corrected in accordance with the rules of Item 1 of Article 61 of the Banking Act.

40.3 Legal risks of the subsidiary SCB (HK)

SCB (HK) has violated anti-money laundering and terrorism fundraising regulations because it has not established and maintained effective measures to fulfill its responsibility to continuously monitor business relationships, prevent money laundering activities and counter-terrorism operations. On August 17, 2018, the Hong Kong Monetary Authority imposed a fine of HK$5 million (equivalent to NT$19,480 thousand) and requested remedial measures from SCB (HK).

41. FINANCIAL INSTRUMENTS

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

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

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

	December 31, 2019		December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Investments in debt instruments measured at amortized cost	$ 109,307,916	$ 109,447,744	$ 106,071,194	$ 106,046,775
Financial liabilities				
Bank debentures	73,254,112	74,275,967	64,785,252	64,923,150

41.1.2 Fair value level

	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Financial assets				
Investments in debt instruments measured at amortized cost	$ 109,447,744	$ 12,529,573	$ 96,918,171	$ -
Financial liabilities				
Bank debentures	74,275,967	17,071,970	57,203,997	-

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

41.1.3 The evaluation method and assumptions used in measuring fair value.

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

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

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

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

41.2.1 Fair value level

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

Financial Instruments Measured at Fair Value	December 31, 2019 Total	Level 1	Level 2	Level 3
Non-derivative instruments				
Assets				
Financial assets measured at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Shares	$ 986,730	$ 959,013	$ -	$ 27,717
Bonds	7,904,791	136,428	7,190,885	577,478
Beneficiary certificates	863,054	863,054	-	-
Financial assets measured at FVTOCI				
Equity instruments	21,515,462	19,713,063	-	1,802,399
Debt instruments	461,564,886	187,864,752	273,689,060	11,074
	$ 492,834,923	$ 209,536,310	$ 280,879,945	$ 2,418,668
Liabilities				
Financial liabilities measured at FVTPL	$ 2,394,829	$ -	$ 2,394,829	$ -
Derivative instruments				
Assets				
Financial assets measured at FVTPL	$ 1,762,390	$ 39,010	$ 1,448,284	$ 275,096
Liabilities				
Financial liabilities measured at FVTPL	$ 1,442,996	$ 15,611	$ 1,369,620	$ 57,765

Financial Instruments Measured at Fair Value	December 31, 2018 Total	Level 1	Level 2	Level 3
Non-derivative instruments				
Assets				
Financial assets measured at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Shares	$ 891,791	$ 868,172	$ 23,619	$ -
Bonds	8,294,566	113,451	7,193,091	988,024
Beneficiary certificates	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

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

41.2.2 Reconciliation of Level 3 fair value measurement

For the Year Ended December 31, 2019

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 measured at FVTPL									
Financial assets mandatorily classified as at FVTPL	$ 1,128,224	$ 195,166	$ -	$ -	$ -	$ (466,282)	$ -	$ 23,183	$ 880,291
Financial assets measured at FVTOCI	2,520,744	-	64,421	10,748	-	(622,347)	(154,641)	(5,452)	1,813,473
Liabilities									
Financial liabilities measured at FVTPL									
Held-for-trading financial liabilities	37,829	19,936	-	-	-	-	-	-	57,765

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

Some of the Group's investments became listed during the years ended December 31, 2019 and 2018. After the assessment, the fair market values are available for reference. Therefore, such targets have been transferred from Level 3 to Level 1.

41.2.3 Valuation techniques and inputs applied for Level 2 fair value measurement

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

41.2.4 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 such as 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 quantified information of significant unobservable inputs is tabled as follows:

	Fair Value December 31, 2019	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-Average)	Notes
Non-derivative financial assets					
Financial assets measured at FVTPL					
Bonds	$ 577,478	Counterparty quote and check with other quotations	Discount for lack of market liquidity	0%-10%	The higher of the discount for lack of liquidity, and the lower of the fair value.
Shares	27,717	Price to book ratio method	Price to book ratio	100%	The higher of the price to book ratio, and the higher of the fair value.
Financial assets measured at FVTOCI					
Shares	1,802,399	1. Market approach	1. Market liquidity reduction	1. 10%-19%	1. The higher of 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 of the liquidity reduction, and the lower of the fair value
Bonds	11,074	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.

	Fair Value December 31, 2019	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-Average)	Notes
Derivative financial assets					
Financial assets measured at FVTPL					
Interest rate exchange	275,096	Discounted cash flow method	Discount rate	0%-10%	The higher of the discount rate, and the lower of the fair value.
Derivative financial liabilities					
Financial liabilities measured at FVTPL					
Sell options	57,765	Black-Scholes Model	Volatility	0%-15%	The higher of the volatility, and the higher of the fair value.

41.2.5 Sensitivity analysis of alternative assumptions of Level 3 fair value measurements

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

December 31, 2019

	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	$ 277	$ (18,370)	$ -	$ -
Financial assets measured at FVTOCI	-	-	2,901	(17,559)

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)	$ -	$ -
Financial assets measured at FVTOCI	-	-	19,552	(28,099)

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

December 31, 2019

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflected in Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
Assets				
Financial assets measured at FVTPL				
Financial assets mandatorily classified as at FVTPL	$ 18,370	$ (277)	$ -	$ -
Financial assets measured at FVTOCI	-	-	17,559	(2,901)

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	-	-	28,099	(19,552)

41.3 Financial risk management

41.3.1 Risk management

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

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

The Group's risk management department performs the Group's risk management activities pursuant to the policies 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.

41.3.2 Credit risks

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

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

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

(1) Procedures of credit risk management

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

A. Credit business (including loan commitments and guarantees)

2019

The Bank

a. The credit risk has increased significantly since initial recognition

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

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

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

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

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

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

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

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

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

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

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

iv. The debtor has died or been dissolved.

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

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

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

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

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

c. Measurement of expected credit loss

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

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

The estimation method and significant assumptions used to assess expected credit losses have not changed significantly since December 31, 2019.

d. Forward-looking information considerations

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

SCB (HK)

a. The credit risk has increased significantly since initial recognition

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

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

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

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

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

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

vi. There is doubt about the collateral rights under the debt, or the collateral price is affected by the surrounding economic environment, and the mortgage value will decline due to economic recession.

vii. There are unfavorable changes in the business of the debtor industry which are affected by the surrounding economy or policy.

viii. Key person in debt companies have financial difficulties, debt or dispute litigation, or serious illness or death, all of which have a negative impact on the ability of debt companies to meet their debt obligations.

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

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

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

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

iii. The debtor has died or been dissolved.

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

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

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

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

viii. If the debtor invests in a project or delays the construction of a project, the cost exceeds the budget, and the creditor needs to arrange for debt restructuring.

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

x. Estimated debt contract payments failed to be fully recovered.

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

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

c. Measurement of expected credit loss

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

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

The estimation method and significant assumptions used to assess expected credit losses have not changed significantly since December 31, 2019.

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.

2018

The classification of credit assets and credit quality levels is 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 complies 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.

B. Due from and call loans to bank

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

C. Debt investments and derivative financial instruments

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

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

(2) Policies of credit risk hedging or mitigation

A. Collateral

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

B. 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.

C. Other mechanisms for credit risk management

The contracts between the Group and the borrowers clearly state the protocols, including but not limited to the security of the credit, procedures for collateral and 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, 2019

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	$ 425,093	$ 1,189,017	$ -	$ 230,790	$ 1,419,807
Discounts and loans	3,963,231	2,101,060	-	5,691,148	7,792,208

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

(3) 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 2019	December 31 2018
Developed and non-cancelable loan commitments	$ 60,577,239	$ 55,979,093
Non-cancelable credit card commitments	708,400	706,663
Issued but unused letters of credit	35,955,513	36,814,452
Other guarantees	82,316,792	60,305,984

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, 2019			
	12-Month ECLs	**Lifetime ECLs - Unimpaired**	**Lifetime ECLs - Impaired**	**Total**
Discounts and loans				
Consumer banking				
-Residential mortgage loans	$ 260,977,998	$ 2,614,868	$ 734,759	$ 264,327,625
-Small scale credit loans	13,957,745	78,272	110,022	14,146,039
-Others	50,511,320	287,626	126,707	50,925,653
Corporate banking				
-Secured	486,685,477	15,350,425	2,326,723	504,362,625
-Unsecured	281,055,273	7,215,506	729,950	289,000,729
Total	$ 1,093,187,813	$ 25,546,697	$ 4,028,161	$1,122,762,671
Accounts receivable (including non-performing credit card receivables)				
Credit cards	$ 3,032,739	$ 200,515	$ 73,106	$ 3,306,360
Others	14,393,642	94,072	351,987	14,839,701
Total	$ 17,426,381	$ 294,587	$ 425,093	$ 18,146,061
Debt instruments measured at FVTOCI	$ 459,495,785	$ -	$ -	$ 459,495,785
Investments in debt instruments measured at amortized cost	$ 109,309,485	$ -	$ -	$ 109,309,485

	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 FVTOCI	$ 418,496,103	$ -	$ -	$ 418,496,103
Investments in debt instruments measured at amortized cost	$ 106,072,961	$ -	$ -	$ 106,072,961

(4) Information on concentration of credit risk

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

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

A. Industry

	December 31			
	2019		2018	
Sector	Amount	% to Total	Amount	% to Total
Private sector	$ 693,216,485	62	$ 627,579,912	60
Consumer	370,599,762	33	337,724,944	33
Financial institution	47,720,972	4	62,411,715	6
Others	11,225,452	1	12,547,305	1
	$ 1,122,762,671	100	$ 1,040,263,876	100

B. Region

	December 31			
	2019		2018	
Region	Amount	% to Total	Amount	% to Total
Taiwan	$ 625,426,134	56	$ 592,985,754	57
Asia Pacific except Taiwan	371,406,041	33	336,871,857	32
Others	125,930,496	11	110,406,265	11
	$ 1,122,762,671	100	$ 1,040,263,876	100

C. Collateral

	December 31			
	2019		2018	
Collaterals Assumed	Amount	% to Total	Amount	% to Total
Unsecured	$ 247,234,903	22	$ 218,274,179	21
Secured				
Properties	735,197,994	65	677,924,678	65
Guarantee	61,184,131	5	66,298,162	6
Financial collateral	48,392,279	4	45,782,975	4
Movable properties	4,805,825	1	4,820,936	1
Other collaterals	25,947,539	3	27,162,946	3
	$ 1,122,762,671	100	$ 1,040,263,876	100

(5) Information on credit risk quality

Part of the financial assets held by the Group, cash and cash equivalents, financial assets at fair value through profit or loss, investments in bills and bonds with resell 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.

41.3.3 Market risk

(1) The sources and definition of market risk

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

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

(2) Market risk management policies

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

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

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

(3) Market risk management process

A. Recognition and measurement

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

B. Monitoring and reporting

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

(4) Interest rate management policies

A. Definition of interest rate risk

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

B. Purpose of interest risk management

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

C. Procedures of interest risk management

The Group carefully chooses investment target through conducting research about issuers' credit, financial status, country risks and interest rate trend. The Group also establishes trading amount limit and stop-loss limit including limit for trading department, 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.

D. Measurement methods

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

(5) Foreign exchange rate risk management

A. Definition of foreign exchange risk

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

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

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

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

(6) Equity securities price risk management

A. Definition of equity securities price risk

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

B. Purpose of equity security price risk management

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

C. Procedures of equity security price risk management

The Group regularly uses 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.

D. Measurement method

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

(7) Market valuation technique

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

A. Sensitivity analysis

a. Interest rate risk

The Group has assessed the possible impact on income if global yield curve moves between -1 to +1 basis points simultaneously on December 31, 2019 and 2018 while other factors remain unchanged.

b. Foreign exchange rate risk

The Group assesses the possible impact on income when exchange rates of the NTD against various currencies fluctuate between -1% and +1% on December 31, 2019 and 2018 while other factors remain unchanged.

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

c. Equity securities price risk

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

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

B. Sensitivity analysis is summarized as follows:

December 31, 2019			
Major Risk	Fluctuation Range	Amount	
		Equity	Profit or Loss
Foreign exchange risk	Foreign currency appreciated 1% against the NTD	$ 698,096	$ 20,353
	Foreign currency depreciated 1% against the NTD	(698,096)	(20,353)
Interest rate risk	Interest rate curve edged up 1bp	(71,125)	(7,691)
	Interest rate curve edged down 1bp	71,125	7,691
Equity price risk	Equity price increased 1%	196,778	8,326
	Equity price decreased 1%	(196,778)	(8,326)

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

41.3.4 Liquidity risk

(1) The sources and definition of liquidity risk

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

(2) The management policies are as follows:

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

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

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

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

D. Managing the maturity date of debt instruments.

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

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

(3) Maturity analysis

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

December 31, 2019	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Due to the Central Bank and banks	$ 46,435,613	$ 18,099,140	$ 4,255,228	$ 2,120,591	$ 2,581,958	$ 73,492,530
Financial liabilities measured at FVTPL	-	-	-	-	2,405,361	2,405,361
Securities sold under repurchase agreements	5,541,237	5,374,546	132,573	12,265	-	11,060,621
Payables	23,209,748	1,996,903	756,433	1,106,919	156,496	27,226,499
Deposits and remittances	921,636,154	331,112,717	184,812,589	206,889,565	10,616,678	1,655,067,703
Bank debentures	224,941	-	140,587	365,528	72,523,056	73,254,112
Other financial liabilities	4,285,440	38,052	80,716	163,552	1,471,222	6,038,982
Lease liabilities	41,360	125,378	113,752	211,301	1,923,724	2,415,515

December 31, 2018	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Due to the Central Bank and banks	$ 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

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

A. Derivative financial liabilities in net settlement

December 31, 2019	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial liabilities measured at FVTPL						
Foreign exchange derivatives	$ 21,869	$ 17,695	$ 4,522	$ 8,509	$ 284	$ 52,879
Rate derivatives	-	-	-	77	57,688	57,765
Equity securities derivatives	34	-	-	-	-	34

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

B. Derivative financial liabilities in total settlement

December 31, 2019	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial liabilities measured at FVTPL						
Foreign exchange derivatives						
Cash inflow	$ 112,629,952	$ 66,699,746	$ 61,548,393	$ 134,262,329	$ 73,396,402	$ 448,536,822
Cash outflow	112,767,871	66,946,573	61,719,840	134,290,256	73,396,402	449,120,942

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

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

December 31, 2019	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Developed and non-cancelable loan commitments	$ 6,132,170	$ 3,335,704	$ 3,843,878	$ 2,902,272	$ 44,363,215	$ 60,577,239
Non-cancelable credit card commitments	71,761	143,593	215,353	277,693	-	708,400
Issued but unused letters of credit	30,294,160	4,461,724	825,402	248,895	125,332	35,955,513
Other guarantees	16,848,063	21,827,179	7,243,819	19,169,101	17,228,630	82,316,792

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

41.4 Transfer of financial assets

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

December 31, 2019

Type of Financial Assets	The Book Value of Financial Assets Transferred	The Book Value of Related Financial Liabilities	The Fair Value of Financial Assets Transferred	The Fair Value of Related Financial Liabilities	Net Amount
Financial assets measured at FVTOCI - purchased call options	$ 10,189,672	$ 11,060,621	$ 10,189,672	$ 11,060,621	$ (870,949)

December 31, 2018

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

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

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

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

42.1 The Bank

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

	For the Year Ended December 31, 2018	
	Average Balance	Average Rate (%)
Interest-bearing 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 resell agreements	149,578	1.17
Credit card revolving balances	671,432	12.35
Discounts and loans (excluding non-performing loans)	662,857,612	2.37
Financial assets measured at FVTOCI - investments in debt instruments	172,775,047	1.57
Financial assets measured at amortized cost	97,018,014	0.58
Purchase of remittance	2,276	2.00
Other financial assets due from other banks (time deposits of more than three months)	2,461,140	1.12
Interest-bearing liabilities		
Due to the Central Bank and banks	$ 17,614,950	1.78
Financial liabilities measured at FVTPL	376,596	4.89
Securities sold under repurchase agreements	28,753,372	0.36
Negotiable certificates of deposits	13,735,056	0.55
Demand deposits	210,324,230	0.23
Savings deposits	134,649,679	0.31
Time deposits	374,292,689	1.10
Time savings	136,213,709	1.03
Bank debentures	48,165,233	1.63
Principal amount of structured deposit	2,876,124	2.42

42.2 SCB (HK)

	For the Year Ended December 31, 2019	
	Average Balance	Average Rate (%)
Interest-bearing assets		
Due from other banks	$ 149,720,961	1.96
Discounts and loans (excluding non-performing loans)	366,169,707	4.34
Credit card revolving balances	154,700	30.91
Debt instruments (including financial assets measured at FVTOCI and amortized cost)	244,714,718	2.88
Interest-bearing liabilities		
Due to other banks	$ 49,256,840	2.28
Demand deposits	237,064,911	0.07
Time deposits	392,968,809	2.18
Bank debentures	16,118,722	4.53

	For the Year Ended December 31, 2018	
	Average Balance	Average Rate (%)
Interest-bearing 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 available-for-sale financial assets, and held-to-maturity financial assets)	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

43. CAPITAL MANAGEMENT

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

The Banking Act and related measures stipulate that in order to improve the financial foundation of a bank, the ratio of the Group's own capital to the risky assets shall not be less than 9.875% in 2018 and not less than 10.50% in 2019; 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 Taiwan (Ref. No. 10200362920) on January 9, 2014.

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

	December 31	
	2019	2018
Analysis items		
Eligible capital		
Common equity	$ 165,638,855	$ 142,880,909
Other Tier I capital	5,202,361	5,218,499
Tier II capital	54,130,329	48,468,535
Eligible capital	$ 224,971,545	$ 196,567,943
Risk-weighted assets		
Credit risk		
Standardized approach	$ 1,404,923,260	$ 1,277,834,582
Credit valuation adjustment (CVA)	1,242,086	1,173,616
Internal rating based approach	N/A	N/A
Synthetic securitization	869,704	109,717
Operational risk		
Basic indicator approach	67,569,151	62,268,390
Standardized approach /alternative standardized approach	N/A	N/A
Advanced measurement approach	N/A	N/A
Market risk		
Standardized approach	61,482,231	53,052,379
Internal models approach	N/A	N/A
Total risk-weighted assets	$1,536,086,432	$ 1,394,438,684
Capital adequacy ratio	14.65%	14.10%
Ratio of common equity to risk-weighted assets	10.78%	10.25%
Ratio of Tier I capital to risk-weighted assets	11.12%	10.62%
Leverage ratio	7.69%	7.34%

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

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

44.1 Assets quality: as stated in Table 1

44.2 Concentration of credit risks

Top 10 credit extensions information of the Group was as below:

Ranking (Note 1)	December 31, 2019					
	The Bank			SCB (HK)		
	Categorized by Sector (Note 2)	Credit Amount (Note 3)	Credit Amount / Stockholders' equity (%)	Categorized by Sector (Note 2)	Credit Amount (Note 3)	Credit Amount / Stockholders' equity (%) (Note 4)
1	A Group (other holding companies)	5,795,975	3.77%	a Group (other holding companies)	22,101,423	18.34%
2	B Group (general management agency)	5,687,749	3.70%	b Group (automobile retail)	10,162,030	8.43%
3	C Group (real estate selling and leasing)	5,241,956	3.41%	c Group (hotel property development)	9,081,527	7.54%
4	D Group (metallic furniture manufacturing)	4,787,639	3.12%	d Group (hotel property development)	8,378,727	6.95%
5	E Group (other computer peripheral manufacturing)	4,580,967	2.98%	e Group (property investment and development)	7,075,243	5.87%
6	F Group (wiring and cable system manufacturing)	4,301,785	2.80%	f Group (hotel property development)	6,435,518	5.34%
7	G Group (general management agency)	4,256,911	2.77%	g Group (property investment)	6,068,395	5.04%
8	H Group (computer manufacturing)	4,132,898	2.69%	h Group (property investment and reconstruction)	5,514,812	4.58%
9	I Group (apparel manufacturing)	3,837,200	2.50%	i Group (import and export of garments and accessories)	5,146,633	4.27%
10	J Group (computer manufacturing)	3,488,604	2.27%	j Group (investment holding and steel sales)	4,757,202	3.95%

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

Note 1: The top 10 credit extensions ranking is made up of total credit balance, which excluded government-owned or state-run enterprises. If the borrower is an affiliate of the Group enterprise, the credit balance of the borrower is then aggregated to the Group enterprise's credit balance. The borrower is marked by specific codes as well as its major industry. The major industry of a borrower is determined by its maximum exposures by industries. The classification of industry should be in line with the Standard Industrial Classification System of Taiwan 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), purchase of remittance, accounts receivable - without recourse factoring, acceptances receivable and grantees issued.

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

44.3 Interest rate sensitivity information

44.3.1 The Bank

Interest Rate Sensitivity Analysis
December 31, 2019

(In Thousands of NT$)

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

Interest Rate Sensitivity Analysis
December 31, 2018

(In Thousands of NT$)

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%

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

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

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

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

Interest Rate Sensitivity Analysis
December 31, 2019

(In Thousands of US$)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate sensitive assets	$ 6,260,053	$ 154,851	$ 49,483	$ 1,681,464	$ 8,145,851
Interest rate sensitive liabilities	2,776,374	4,782,537	562,709	71,417	8,193,037
Interest rate sensitivity gap	3,483,679	(4,627,686)	(513,226)	1,610,047	(47,186)
Net equity					5,120,286
Ratio of Interest rate sensitive assets to liabilities					99.42%
Ratio of interest rate sensitivity gap to net equity					(0.92%)

Interest Rate Sensitivity Analysis
December 31, 2018

(In Thousands of US$)

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%)

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

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

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

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

44.3.2 SCB (HK)

Interest Rate Sensitivity Analysis
December 31, 2019

(In Thousands of US$)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate sensitive assets	$ 7,310,109	$ 301,362	$ 381,070	$ 1,836,532	$ 9,829,073
Interest rate sensitive liabilities	6,486,786	1,113,003	891,836	943,605	9,435,230
Interest rate sensitivity gap	823,323	(811,641)	(510,766)	892,927	393,843
Net equity					3,888,596
Ratio of interest rate sensitive assets to liabilities					104.17%
Ratio of interest rate sensitivity gap to net equity					10.13%

Interest Rate Sensitivity Analysis
December 31, 2018

(In Thousands of US$)

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%

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

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

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

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

44.4 Profitability

The Group

Items		December 31, 2019	December 31, 2018
Return on total assets	Before income tax	1.24	1.27
	After income tax	0.99	1.01
Return on equity	Before income tax	12.89	13.45
	After income tax	10.32	10.77
Profit margin		48.17	49.52

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

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

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

Note 4: Income before (after) income tax represents income YTD.

44.5 Maturity analysis of assets and liabilities

44.5.1 The Bank

(1) In Thousands of New Taiwan Dollars

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

	Total	December 31, 2018 by remaining period to maturity 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

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

(2) In Thousands of US dollars

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

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

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

44.5.2 SCB (HK)

In Thousands of US dollars

	Total	December 31, 2019 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	$ 10,238,115	$ 2,655,328	$ 884,491	$ 783,194	$ 827,218	$ 5,087,884
Major cash outflow at maturity	9,508,928	5,158,563	2,295,173	924,125	576,378	554,689
Gap	729,187	(2,503,235)	(1,410,682)	(140,931)	250,840	4,533,195

	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

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

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

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

Balance Sheet of Trust Account

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

Trust Asset Lists

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

Income Statements of Trust Account

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

46. EXCHANGE RATE INFORMATION OF FOREIGN FINANCIAL ASSETS AND LIABILITIES

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

46.1 The Bank

	December 31					
	2019			2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Finance assets						
Monetary items						
Cash and cash equivalents						
JPY	$ 17,987,571	0.2760	$ 4,964,570	$ 9,475,621	0.2776	$ 2,630,432
USD	118,768	29.9920	3,562,090	86,998	30.7380	2,674,145
EUR	62,259	33.6420	2,094,517	52,272	35.1889	1,839,394
Due from the Central Bank and call loans to banks						
USD	1,890,314	29.9920	56,694,297	611,964	30.7380	18,810,549
CNY	2,107,600	4.2961	9,054,460	2,747,600	4.4748	12,294,960
AUD	95,000	21.0109	1,996,036	79,000	21.6549	1,710,737
Receivables						
USD	214,875	29.9920	6,444,531	162,683	30.7380	5,000,550
NZD	48,169	20.1996	972,995	45,659	20.6283	941,868
SGD	463	22.2534	10,303	1,087	22.4398	24,392
Discounts and loans						
USD	4,226,711	29.9920	126,767,516	4,747,030	30.7380	145,914,208
HKD	5,201,584	3.8517	20,034,941	3,642,937	3.9238	14,294,156
EUR	431,144	33.6420	14,504,546	249,512	35.1889	8,780,053
Financial assets at FVTOCI						
USD	1,830,569	29.9920	54,902,425	1,697,657	30.7380	52,182,581
CNY	1,460,003	4.2961	6,272,319	1,161,447	4.4748	5,197,243
AUD	88,397	21.0109	1,857,301	125,471	21.6549	2,717,062
Financial assets measured at amortized cost						
USD	56,239	29.9920	1,686,720	49,602	30.7380	1,524,666
SGD	56,555	22.2534	1,258,541	47,480	22.4398	1,065,442
Financial assets at FVTPL						
USD	47,896	29.9920	1,436,497	59,055	30.7380	1,815,233
EUR	1,534	33.6420	51,607	1,525	35.1889	53,663
ZAR	5,255	2.1258	11,171	208	2.1208	441
Other financial assets						
CNY	1,230,000	4.2961	5,284,203	550,000	4.4748	2,461,140
Non-monetary items						
Equity investments under the equity method						
USD	2,432,832	29.9920	72,965,489	2,209,596	30.7380	67,918,562
HKD	80,191	3.8517	308,872	74,718	3.9238	293,178
Financial liabilities						
Monetary items						
Payables						
USD	$ 86,823	29.9920	$ 2,603,995	$ 252,902	30.7380	$ 7,773,702
JPY	871,532	0.2760	240,543	2,126,224	0.2776	590,240
EUR	5,488	33.6420	184,627	55,700	35.1889	1,960,022
Due to the Central Bank and banks						
USD	319,814	29.9920	9,591,861	305,233	30.7380	9,382,252
HKD	1,940,678	3.8517	7,474,909	306,003	3.9238	1,200,695
CNY	1,233,957	4.2961	5,301,203	3,659	4.4748	16,373
Deposits and remittances						
USD	7,829,498	29.9920	234,822,304	7,066,331	30.7380	217,204,882
CNY	5,251,337	4.2961	22,560,269	5,712,780	4.4748	25,563,548
EUR	563,349	33.6420	18,952,187	328,192	35.1889	11,548,715
Financial liabilities at FVTPL						
USD	86,643	29.9920	2,598,597	79,475	30.7380	2,442,903
ZAR	5,255	2.1258	11,171	208	2.1208	441
EUR	304	33.6420	10,227	373	35.1889	13,125

46.2 SCB (HK)

	December 31					
	2019			2018		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Finance assets						
Monetary items						
Cash and cash equivalents						
CNY	$ 2,299,722	4.2961	$ 9,879,836	$ 870,680	4.4748	$ 3,896,119
JPY	17,895,257	0.2760	4,939,091	2,403,913	0.2776	667,326
EUR	95,806	33.6420	3,223,105	110,618	35.1889	3,892,526
Due from the Central Bank and call loans to banks						
USD	2,642,137	29.9920	79,242,973	1,542,648	30.7380	47,417,914
CNY	3,754,292	4.2961	16,128,814	2,469,584	4.4748	11,050,894
Receivables						
USD	49,170	29.992	1,474,707	39,349	30.7380	1,209,510
CNY	10,058	4.2961	43,210	16,245	4.4748	72,693
Discounts and loans						
USD	4,041,625	29.9920	121,216,417	3,727,568	30.7380	114,577,985
CNY	5,428,192	4.2961	23,320,056	4,336,849	4.4748	19,406,532
Non-monetary items						
Forward exchange contract						
USD	9,509	29.9920	285,194	2,132	30.738	65,533
CNY	53,770	4.2961	231,001	190,678	4.4748	853,246
GBP	5,271	39.3630	207,482	1,047	38.8989	40,727
Financial liabilities						
Monetary items						
Payables						
USD	$ 36,271	29.9920	$ 1,087,840	$ 39,761	30.7380	$ 1,222,174
CNY	10,105	4.2961	43,412	5,799	4.4748	25,949
Due to the central bank and banks						
USD	730,415	29.9920	21,906,607	668,415	30.7380	20,545,740
CNY	3,040,005	4.2961	13,060,165	2,001,865	4.4748	8,957,946
GBP	152,146	39.3630	5,988,923	176,508	38.8989	6,865,967
Deposits and remittances						
USD	8,134,459	29.9920	243,968,694	6,719,250	30.7380	206,536,307
CNY	12,575,653	4.9261	54,026,263	11,672,250	4.4748	52,230,984
Non-monetary items						
Forward exchange contract						
USD	17,088	29.9920	512,503	9,286	30.7380	285,433
CNY	63,146	4.2961	271,282	188,464	4.4748	843,339
GBP	4,619	39.3630	181,818	713	38.8989	27,735

47. ADDITIONAL DISCLOSURES

47.1 Information of significant transaction items and

47.2 Other business investment is as follows:

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

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

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

47.1.4 Marketable securities (for investees) or investee investment (for the Bank) acquired and disposed of, at costs or prices of at least NT$300 million or 10% of the issued capital: The Bank - not applicable; investees - Table 4.

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

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

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

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

47.1.9 Sale of non-performing loans: None.

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

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

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

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

47.3 Investments in mainland China:

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

47.3.2 Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss: None.

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

48. 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, 2019				
	Taiwan	Hong Kong	Others	Other Adjustments	Total
Net interest	$12,927,299	$15,716,253	$ 1,302,215	$ 2	$ 29,945,769
Net revenue other than from interest	4,747,868	5,882,658	388,275	(13,298)	11,005,503
Net revenue	17,675,167	21,598,911	1,690,490	(13,296)	40,951,272
Bad debt expenses and reserve for possible losses on guarantees	(599,728)	(242,571)	(65,442)	-	(907,741)
Operating expenses	(7,685,967)	(6,505,310)	(1,186,653)	(34,778)	(15,412,708)
Profit before income tax	$ 9,389,472	$14,851,030	$ 438,395	$ (48,074)	$ 24,630,823

	For the Year Ended December 31, 2018				
	Taiwan	Hong Kong	Others	Other Adjustments	Total
Net interest	$ 12,888,023	$ 13,894,454	$ 371,919	$ -	$ 27,154,396
Net revenue other than from interest	3,846,331	5,714,489	375,209	(12,051)	9,923,978
Net revenue	16,734,354	19,608,943	747,128	(12,051)	37,078,374
Bad debt expenses and reserve for possible losses on guarantees	(499,993)	(97,958)	(40,770)	-	(638,721)
Operating expenses	(6,922,696)	(6,037,964)	(532,512)	(9,800)	(13,502,972)
Profit before income tax	$ 9,311,665	$ 13,473,021	$ 173,846	$ (21,851)	$ 22,936,681

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

Main operating clients

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

TABLE 1

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

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

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

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

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

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

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

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

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

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

TABLE 1-1

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

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

	December 31, 2019		December 31, 2018	
	Excluded NPL	Excluded Overdue Receivables	Excluded NPL	Excluded Overdue Receivables
As a result of debt consultation and loan agreements (Note 1)	-	-	-	-
As a result of consumer debt clearance (Note 2)	-	35,020	-	35,447

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

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

TABLE 2

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

LOANS AND OTHER INFORMATION
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Information of Lenders, Borrowers and Others

No (Note 1)	Lender	Borrower	Corresponding Account	Related Parties	The Highest Period Balance	Ending Balance	Actual Amount	Interest Rate Range	Capital Loan (Note 2)	Business Dealing Amount	Reasons of Short-term Financing	Allowance	Collateral		Individual Fund Loan and Limit (Note 3)	Total Loan Limit (Note 3)
													Name	Value		
1	SCSB Leasing (China) Co., Ltd.	A Co., Ltd.	Entrusted loan receivables	N/A	$ 107,403	$ 81,626	$ 81,626	6%~11%	1	$ 81,626	-	$ 1,633	Real estate	$ 184,475	$ 359,017	$ 897,543
1	SCSB Leasing (China) Co., Ltd.	B Co., Ltd.	Entrusted loan receivables	N/A	107,403	96,662	96,662	6%~11%	1	96,662	-	1,933	Real estate	259,055	359,017	897,543
1	SCSB Leasing (China) Co., Ltd.	C Co., Ltd.	Entrusted loan receivables	N/A	154,660	150,364	150,364	6%~11%	2	-	Operation turnovers	3,007	Real estate	208,361	179,509	359,017

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

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

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

1. Individual fund loans and limits

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

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

2. Capital loans and total loan limits

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

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

The total accumulated loan balance of the above two parties shall not exceed twice the net value as presented in the latest financial statements of the lender as audited by the accountant.

TABLE 3

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

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

Holding Company Name	Name	Security Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares (In Thousands)	Carrying Amount (Note 1)	Percentage of Ownership (%)	Market Value or Net Asset Value	
Shancom Reconstruction Inc.	Empresa Inversiones Generales, S.A.	Indirect subsidiary	Investments in subsidiaries	1	$ 1,728,978	100.00	$ 1,728,978	Note1
	Krinein Company	Indirect subsidiary	Investments in subsidiaries	2	505,041	100.00	505,041	Note1
	Safehaven Investment Corporation	Indirect subsidiary	Investments in subsidiaries	1	48,354	100.00	48,354	Note1
Wresqueue Limitada	Prosperity Realty Inc.	Indirect subsidiary	Investments in subsidiaries	4	18,375	100.00	18,375	Note1
China Travel Service (Taiwan)	Silks Place Taroko	-	Equity investments under the equity method	20,372	241,868	45.00	241,868	Note1
	CTS Travel International Ltd.	Indirect subsidiary	Investments in subsidiaries	600	7,006	100.00	7,006	Note1
	Joy Tour Service Co., Ltd.	-	Financial assets measured at FVTOCI	100	1,000	10.00	1,000	
	Shanghai Commercial & Savings Bank, Ltd.	The Bank	Financial assets measured at FVTOCI	27	1,447	-	1,447	
SCSB Asset Management Ltd.	SCSB Leasing (China) Co., Ltd.	Indirect subsidiary	Investments in subsidiaries	N/A	946,346	100.00	946,346	Note1
Krinein Company	Shanghai Commercial Bank (HK)	Indirect subsidiary	Investments in subsidiaries	1,920	11,295,183	9.60	11,295,183	Note1
Empresa Inversiones Generales, S.A.	Shanghai Commercial Bank (HK)	Indirect subsidiary	Investments in subsidiaries	9,600	56,475,914	48.00	56,475,914	Note1

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

TABLE 4

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES (FOR INVESTEES) OR INVESTEE INVESTMENT (FOR THE BANK) ACQUIRED AND DISPOSED OF, AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE ISSUED CAPITAL
DECEMBER 31, 2019
(Amounts in Thousands of New Taiwan Dollars and United States Dollars)

Trading company	Name	Financial Statement Account	Counterparty	Relationship	Beginning		Buy		Sell				Ending	
					Shares	Amount	Shares	Amount	Shares	Price	Book Value	Disposal of Profit and Loss	Shares	Amount
The Shanghai Commercial & Savings Bank, Ltd.	AMK Microfinance Institution Plc.	Equity investments under the equity method	-	None	3,850,954	NT$ 2,515,083 US$ 81,399 (Note 1 and Note3)	1,553,906	NT$ 475,065 US$ 15,300 (Note 2)	-	$ -	$ -	$ -	5,404,860	NT$ 2,990,148 US$ 96,699 (Note 1 and Note 3)

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

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

Note 3：When preparing the consolidated financial statements, it had been fully written off.

TABLE 5

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

RELATED INFORMATION OF INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars) (Share in Thousands)

Investee Company	Location	Main Businesses and Products	Percentage of Ownership (%)	Carrying Amount	Investment Income (Loss) Recognized	Consolidated Investment (Note 2)				Note
						Shares (In Thousands)	Shares (Pro forma)	Shares (In Thousands)	Percentage of Ownership (%)	
Equity investments under the equity method										
Financial business										
SCSB Asset Management Ltd.	Taiwan	Purchase and management of creditor's rights of financial institutions	100.00	$ 1,597,189	$ 68,587	160,000	-	160,000	100.00	
SCSB Marketing Ltd.	Taiwan	Marketing	100.00	8,570	1,828	500	-	500	100.00	
Paofoong Insurance Company Ltd.	Hong Kong	Insurance	40.00	308,872	21,323	500	-	500	100.00	
Shanghai Commercial Bank (HK)	Hong Kong	Banking and financial	57.60	67,771,097	6,842,513	11,520	-	11,520	57.60	
SCSB Leasing (China) Co., Ltd.	China	Leasing operation	100.00	946,346	50,539	N/A	-	N/A	100.00	
AMK Microfinance Institution Plc.	Cambodia	Microfinance institution	84.89	3,140,613	155,523	5,405	-	5,405	84.49	
Non-financial business										
China Travel Service (Taiwan)	Taiwan	Travel services	99.99	381,184	34,944	38,943	-	38,943	99.99	
Kuo Hai Real Estate Management	Taiwan	Building material distribution	34.69	-	-	3,000	-	3,000	34.69	
Shancom Reconstruction Inc.	Liberia	Securities investment	100.00	69,487,897	6,881,287	5	-	5	100.00	
Wresqueue Limitada	Liberia	Securities investment	100.00	336,979	10,942	176	-	176	100.00	
Empresa Inversiones Generales, S.A.	Panama	Securities investment	100.00	1,728,978	1,793,596	1	-	1	100.00	
Krinein Company	Cayman Islands	Securities investment	100.00	505,041	365,512	2	-	2	100.00	
Safehaven Investment Corporation	Liberia	Securities investment	100.00	48,354	431	1	-	1	100.00	
Prosperity Realty Inc.	America	Real estate services	100.00	18,375	9,109	4	-	4	100.00	
Silks Place Taroko	Taiwan	Travel services	45.00	241,868	35,168	20,372	-	20,372	45.00	
CTS Travel International Ltd.	Taiwan	Travel services	100.00	7,006	34	600	-	600	100.00	

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

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

TABLE 6

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
DECEMBER 31, 2019
(Amounts in Thousands of New Taiwan Dollars and United States Dollars)

1. Investee company name, main business and products, total amount of paid-in capital, investment type, investment outflows and inflows, % ownership, investment gain (loss), carrying amount as of December 31, 2019 and inward remittance of earnings:

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

2. Upper limit on investments in mainland China:

Accumulated Investment in Mainland China as of December 31, 2019 (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA (Note 3)	Upper Limit on Investment Authorized by Investment Commission MOEA
$ 8,318,419 (US$ 271,353)	$ 8,351,932 (US$278,472)	$ 122,535,795

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

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

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

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

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

TABLE 7-1

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019
(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 Asset Management Ltd.	From parent company to subsidiary	Accounts payable	$ 101	Note 4	-
		SCSB Asset Management Ltd.	From parent company to subsidiary	Deposits and remittances	303,663	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	2,541	Note 4	-
		SCSB Marketing	From parent company to subsidiary	Other liabilities	20	Note 4	-
		SCSB Marketing	From parent company to subsidiary	Accounts payable	5	Note 4	-
		SCSB Marketing	From parent company to subsidiary	Deposits and remittances	12,622	Note 4	-
		SCSB Marketing	From parent company to subsidiary	Interest expenses	78	Note 4	-
		SCSB Marketing	From parent company to subsidiary	Other general and administrative	89,868	Note 4	-
		China Travel Service (Taiwan)	From parent company to subsidiary	Accounts payable	38	Note 4	-
		China Travel Service (Taiwan)	From parent company to subsidiary	Deposits and remittances	90,430	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	535	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	1,735	Note 4	-
		CTS Travel International Ltd.	From parent company to subsidiary	Deposits and remittances	5,888	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	-
		Shancom Reconstruction Inc.	From parent company to subsidiary	Cash and cash equivalents	137,668	Note 4	-
		Shancom Reconstruction Inc.	From parent company to subsidiary	Due from the Central Bank and call loans to banks	18,012	Note 4	-
		Shancom Reconstruction Inc.	From parent company to subsidiary	Accounts payable	1,183	Note 4	-
		Shancom Reconstruction Inc.	From parent company to subsidiary	Deposits and remittances	1,448,573	Note 4	-
		Shancom Reconstruction Inc.	From parent company to subsidiary	Interest expenses	77,580	Note 4	-
1	SCSB Asset Management Ltd.	The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Cash and cash equivalents	303,663	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Accounts receivable	101	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	2,541	Note 4	-
		Shancom Reconstruction Inc.	From subsidiary to parent company	Cash and cash equivalents	259,650	Note 4	-
2	SCSB Marketing	The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Cash and cash equivalents	12,622	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Accounts receivable	5	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	78	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Net revenue other than from interest	89,868	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)
3	China Travel Service (Taiwan)	The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Accounts receivable	$ 38	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Cash and cash equivalents	90,430	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	535	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	1,735	Note 4	-
		Shancom Reconstruction Inc.	From subsidiary to subsidiary	Cash and cash equivalents	495	Note 4	-
		Shancom Reconstruction Inc.	From subsidiary to subsidiary	Interest revenue	1	Note 4	-
		CTS Travel International Ltd.	From subsidiary to subsidiary	Net revenue other than from interest	114	Note 4	-
		CTS Travel International Ltd.	From subsidiary to subsidiary	Other general and administrative expenses	2,653	Note 4	-
4	CTS Travel International Ltd.	The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Cash and cash equivalents	5,888	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	2,653	Note 4	-
		China Travel Service (Taiwan)	From subsidiary to subsidiary	Net revenue other than from interest	114	Note 4	-
5	Shancom Reconstruction Inc.	The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Cash and cash equivalents	1,448,573	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Due from other banks	18,012	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Accounts receivable	1,183	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Due from the Central Bank and call loans to banks	137,668	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Interest revenue	77,580	Note 4	-
		China Travel Service (Taiwan)	From subsidiary to subsidiary	Deposits and remittances	495	Note 4	-
		China Travel Service (Taiwan)	From subsidiary to subsidiary	Interest expenses	1	Note 4	-
		SCSB Asset Management Ltd.	From subsidiary to subsidiary	Deposits and remittances	259,650	Note 4	-

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

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

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

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

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

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

(Continued)

TABLE 7-2

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 from the Central Bank and call loans to 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 recalculated by the consolidated total assets or the consolidated net sales. If the account belongs to the balance sheets, it will be based on the percentage of its final amount divided by the consolidated total assets. Otherwise, if the account belongs to the income statements, it will be based on the percentage of its average amount divided by the consolidated net revenue.

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

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of The Shanghai Commercial & Savings Bank, Ltd. (the "Bank"), which comprise the balance sheets as of December 31, 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 the 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 indentified 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 crediting 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 group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Deloitte & Touche
Taipei, Taiwan

March 21, 2020

Notice to Readers

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

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

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.
Balance Sheets
December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

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

Codes	LIABILITIES AND EQUITY	December 31, 2019 Amount	%	December 31, 2018 (restated) Amount	%
21000	Due to the Central Bank and banks	$ 25,743,767	2	$ 16,473,754	2
22000	Financial liabilities measured at fair value through profit or loss	2,710,483	-	2,581,351	-
22500	Securities sold under repurchase agreements	11,060,621	1	14,629,530	1
23000	Payables	20,012,828	2	22,210,581	2
23200	Current income tax liabilities	611,581	-	790,372	-
23500	Deposits and remittances	988,279,059	78	911,646,479	78
24000	Bank debentures	56,850,000	4	57,150,000	5
25500	Other financial liabilities	3,591,874	-	3,693,107	-
25600	Provisions	1,500,049	-	1,341,663	-
26000	Lease liabilities	790,378	-	-	-
29300	Deferred income tax liabilities	9,643,656	1	9,235,350	1
29500	Other liabilities	1,243,568	-	866,013	-
20000	Total liabilities	1,122,037,864	88	1,040,618,200	89
	Equity				
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 Amount	2019 %	2018 (restated) Amount	2018 (restated) %	Change (%)
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	12,927,299	52	12,888,023	56	-
	Non-interest income					
49100	Service fee income, net	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	769,770	3	(80,713)	-	1,054
49310	Realized gain on financial assets measured at fair value through other comprehensive income	482,493	2	417,285	2	16
49450	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	4,441	-	(15,720)	-	128
49750	Proportionate share of profit of subsidiaries, associates and joint ventures under the equity method	7,174,434	29	6,427,452	28	12
49800	Other non-interest revenue	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	599,728	2	499,993	2	20
	Operating expenses					
58500	Employee benefits	4,570,509	18	3,984,297	17	15
59000	Depreciation and amortization	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	(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 be not reclassified subsequently to profit or loss:					
65201	Remeasurement of defined benefit plans	(95,729)	-	(102,625)	-	(7)
65204	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	(45,419)	-	-	-	-

(Concluded)

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 Amount	2019 %	2018 (restated) Amount	2018 (restated) %	Change (%)
65207	Proportionate share of other comprehensive income of associates and joint ventures under the equity method	$ 747,481	3	$ 1,208,452	5	(42)
65220	Income tax relating to items that may not be reclassified subsequently to profit or loss	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	(Loss) gain allowance on debt instruments measured at fair value through other comprehensive income	(4,171)	-	15,387	-	(127)
65320	Income tax relating to items that may be reclassified subsequently to profit or loss	(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					
67500	Basic	$3.50		$3.37		
67700	Diluted	$3.50		$3.37		

The accompanying notes are an integral part of the consolidated 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)	-	-	-	-	-	-
Z1	Balance at December 31, 2019	$ 44,816,031	$ 16,432,561	$ 51,946,585	$ 7,669,374	$ 25,566,273	$ (1,905,481)	$ -	$ 9,170,839	$ (45,419)	$ (83,144)	$ 153,567,619

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

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

Codes		2019	2018 (restated)
	Cash flows from operating activities		
A00010	Net profit before income tax	$ 16,563,905	$ 15,739,117
A20010	Adjustments 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	(6,591,201)	(44,580,233)
A33100	Interest received	22,701,113	20,241,778
A33200	Dividends received	2,492,389	2,464,768
A33300	Interest paid	(9,692,365)	(7,142,906)
A33500	Income tax paid	(1,540,199)	(1,498,130)
AAAA	Net cash generated from (used in) operating activities	7,369,737	(30,514,723)

(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)

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

(Concluded)

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

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

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

Consolidated Financial Statements

Deloitte.

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, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2020 and 2019 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, 2020. 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, 2020 are described as follows:

Allowance for Impairment Losses of Discounts and Loans

The Group primarily engages in the loan business. As of December 31, 2020, the loan business is significant to the accompanying consolidated financial statements. The Bank conducted its impairment assessment of discounts and loans and recognized allowance for bad debts according to the requirements of IFRS 9 and the authorities' regulations. The Bank's management assessed the impairment of discounts and loans by using the expected credit loss model. The Group assesses whether the credit risk has increased significantly since initial recognition by taking into consideration factors like the amount of loss on impairment, past experience, current market situation and prospective information, etc. In addition, credit-impaired loans are also evaluated for possible future recovery. Refer to Notes 4, 5, 14 and 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 tested the classification of credit assets and confirmed that the allowance for loss met the requirements of the competent authorities' regulations.

4. We assessed the potential risks for discounted lending rates of customers derived from publicly available information, and assured that they had been associated with the appropriate stage of evaluation.

Other Matter

We have also audited the parent company only financial statements of the Bank as of and for the years ended December 31, 2020 and 2019 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, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan

March 27, 2021

Notice to Readers

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

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

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

Codes	ASSETS	December 31, 2020 Amount	%	December 31, 2019 Amount	%
11000	Cash and cash equivalents (Note 6)	$ 80,572,282	4	$ 57,667,823	3
11500	Due from the Central Bank and call loans to banks (Note 7)	208,799,780	10	239,210,172	12
12000	Financial assets measured at fair value through profit or loss (Note 8)	13,657,815	1	11,516,965	1
12100	Financial assets measured at fair value through other comprehensive income (Notes 9, 11)	508,237,023	24	483,080,348	23
12200	Debt instrument investments measured at amortized cost (Notes 10, 11)	107,685,748	5	109,307,916	5
12500	Securities purchased under resell agreements (Note 12)	146,817	-	1,899,574	-
13000	Receivables, net (Notes 13)	18,542,624	1	17,797,050	1
13200	Current income tax assets (Note 34)	122,342	-	116,128	-
13300	Assets for sale (Note 18)	85,844	-	-	-
13500	Discounts and loans, net (Notes 14)	1,136,430,305	54	1,112,129,414	54
15000	Investments under the equity method, net (Note 16)	1,880,035	-	1,851,065	-
15500	Other financial assets, net (Note 17)	1,298,179	-	5,289,234	-
18500	Properties, net (Note 18)	20,623,537	1	21,213,428	1
18600	Right-of-use assets, net (Note 19)	2,206,304	-	2,344,427	-
18700	Investment properties, net (Note 20)	5,806,484	-	5,650,641	-
19000	Intangible assets, net (Note 21)	1,657,682	-	1,807,755	-
19300	Deferred income tax assets (Note 34)	1,263,521	-	1,152,968	-
19500	Other assets, net (Note 22)	4,725,468	-	3,521,826	-
10000	Total assets	$ 2,113,741,790	100	$ 2,075,556,734	100
Codes	**LIABILITIES AND EQUITY**				
21000	Due to the Central Bank and banks (Note 23)	$ 46,817,661	2	$ 73,492,530	4
22000	Financial liabilities measured at fair value through profit or loss (Note 8)	6,134,500	-	3,837,825	-
22500	Securities sold under repurchase agreements (Note 24)	25,781,411	1	11,060,621	1
23000	Payables (Notes 25)	31,908,782	2	27,226,499	1
23200	Current income tax liabilities (Note 34)	1,251,695	-	2,568,931	-
23500	Deposits and remittances (Notes 26)	1,685,896,814	80	1,655,067,703	80
24000	Bank debentures (Note 27)	82,223,874	4	73,254,112	4
25500	Other financial liabilities (Note 28)	10,532,955	1	6,038,982	-
25600	Provisions (Note 29)	2,815,862	-	2,631,696	-
26000	Lease liabilities (Note 19)	2,287,181	-	2,415,515	-
29300	Deferred income tax liabilities (Note 34)	9,920,049	-	10,044,216	-
29500	Other liabilities (Notes 30)	3,071,794	-	3,691,779	-
20000	Total liabilities	1,908,642,578	90	1,871,330,409	90
	Equity (Note 32)				
	Equity attributable to owners of the Bank				
	Share capital				
31101	Ordinary shares	44,816,031	2	44,816,031	2
31500	Capital surplus	16,550,661	1	16,432,561	1
	Retained earnings				
32001	Legal reserve	56,344,918	3	51,946,585	3
32003	Special reserve	7,669,374	-	7,669,374	-
32005	Unappropriated earnings	24,913,053	1	25,566,273	1
32000	Total retained earnings	88,927,345	4	85,182,232	4
32500	Other equity	4,892,363	-	7,219,939	-
32600	Treasury shares	(83,144)	-	(83,144)	-
31000	Total equity attributable to owners of the Bank	155,103,256	7	153,567,619	7
38000	Non-controlling interests	49,995,956	3	50,658,706	3
30000	Total equity	205,099,212	10	204,226,325	10
	Total liabilities and equity	$2,113,741,790	100	$2,075,556,734	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, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars, except Earnings Per Share)

		For the Year Ended December 31				
		2020		2019		Change
Codes		Amount	%	Amount	%	%
41000	Interest income	$ 41,987,057	111	$ 50,914,621	124	(18)
51000	Interest expenses	15,598,447	41	20,968,852	51	(26)
49010	Net interest (Notes 33)	26,388,610	70	29,945,769	73	(12)
	Non-interest income					
49100	Service fee income, net (Note 33)	6,603,808	17	6,529,180	16	1
49200	Gain on financial assets and liabilities measured at fair value through profit or loss (Note 33)	1,148,501	3	992,805	2	16
49310	Realized gain on financial assets measured at fair value through other comprehensive income (Note 33)	2,270,602	6	1,418,151	4	60
49450	Gain (loss) on financial assets measured at amortized cost	1,526	-	(231)	-	761
49600	Foreign exchange gain, net	418,519	1	957,910	2	(56)
49700	Impairment gain (loss) on assets	(38,470)	-	8,707	-	(542)
49750	Proportionate share of profit of associates under the equity method (Note 16)	235,013	1	178,969	1	31
49800	Other non-interest revenue, net	803,668	2	920,012	2	(13)
49020	Total non-interest revenue	11,443,167	30	11,005,503	27	4
4xxxx	Consolidated net revenue	37,831,777	100	40,951,272	100	(8)
58200	Provisions for bad-debt expense, commitment and guarantee liability (Note 14)	1,671,916	4	907,741	2	84
	Operating expenses					
58500	Employee benefits (Notes 33)	9,009,668	24	9,347,180	23	(4)
59000	Depreciation and amortization (Note 33)	1,713,459	5	1,804,184	4	(5)
59500	Other general and administrative	3,882,966	10	4,261,344	11	(9)
58400	Total operating expenses	14,606,093	39	15,412,708	38	(5)
61001	Profit before income tax	21,553,768	57	24,630,823	60	(12)
61003	Income tax expense (Note 34)	(3,739,152)	(10)	(4,906,344)	(12)	(24)
64000	Consolidated net income	17,814,616	47	19,724,479	48	(10)
	Other comprehensive income (loss)					
	Items that will not be reclassified subsequently to profit or loss:					
65201	Remeasurement of defined benefit plans	(132,050)	-	(94,779)	-	39
65204	Gain on investments in equity instruments measured at fair value through other comprehensive income	(1,745,615)	(5)	1,376,376	3	(227)
65205	Financial liabilities designated at FVTPL which the amount of change derived from credit risk	51,831	-	(45,419)	-	214
65207	Proportionate share of other comprehensive income of associates under the equity method	-	-	(50)	-	100
65220	Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 34)	38,899	-	(4,908)	-	893
65200	Subtotal of items that will not be reclassified subsequently to profit or loss	(1,786,935)	(5)	1,231,220	3	(245)
	Items that may be reclassified subsequently to profit or loss:					
65301	Exchange differences on translating foreign operations	(7,594,796)	(20)	(2,907,989)	(7)	161
65307	Share of the other comprehensive income of associates accounted for using the equity method	22,991	-	70,295	-	(67)
65309	Gain on debt instruments measured at fair value through other comprehensive income	3,211,323	9	3,910,409	10	(18)
65310	Gain (loss) allowance for debt instruments measured at fair value through other comprehensive income	35,923	-	(9,004)	-	499
65320	Income tax relating to items that may be reclassified subsequently to profit or loss (Note 34)	532,247	1	(247,245)	(1)	315
65300	Subtotal of items that may be reclassified subsequently to profit or loss	(3,792,312)	(10)	816,466	2	(564)
65000	Other comprehensive income for the period, net of income tax	(5,579,247)	(15)	2,047,686	5	(372)
66000	Total comprehensive income for the period	$ 12,235,369	32	$ 21,772,165	53	(44)
	Net profit attributable to:					
67101	Owners of the Bank	$ 13,462,945	36	$ 14,661,111	36	(8)
67111	Non-controlling interests	4,351,671	11	5,063,368	12	(14)
67100		$ 17,814,616	47	$ 19,724,479	48	(10)
	Total comprehensive income attributable to:					
67301	Owners of the Bank	$ 10,804,858	28	$ 16,298,352	40	(34)
67311	Non-controlling interests	1,430,511	4	5,473,813	13	(74)
67300		$ 12,235,369	32	$ 21,772,165	53	(44)
	Earnings per share (Note 35)					
67500	Basic	$ 3.01		$ 3.50		
67700	Diluted	$ 3.01		$ 3.50		

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

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

Codes		Equity Attributable to Owners of the Bank (Note 32): Share Capital: Ordinary Shares	Capital Surplus	Retained Earnings: Legal Reserve	Retained Earnings: Special Reserve	Retained Earnings: Unappropriated Earnings	Other Equity: Exchange Differences on Translating Foreign Operations	Other Equity: Change in Financial Assets at FVTOCI	Other Equity: 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, 2019	$ 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 subsidiaries 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 for 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	Capital increase	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
	Appropriation of 2019 earnings												
B1	Legal reserve	-	-	4,398,333	-	(4,398,333)	-	-	-	-	-	-	-
B5	Cash dividends	-	-	-	-	(9,187,286)	-	-	-	-	(9,187,286)	-	(9,187,286)
C7	Changes in capital surplus from subsidiaries accounted for using the equity method	-	10,798	-	-	-	-	-	-	-	10,798	-	10,798
C17	Dividends not yet collected	-	107,302	-	-	-	-	-	-	-	107,302	-	107,302
M7	Changes in equity of subsidiaries	-	-	-	-	(200,035)	-	-	-	-	(200,035)	(566,457)	(766,492)
D1	Net profit for the year ended December 31, 2020	-	-	-	-	13,462,945	-	-	-	-	13,462,945	4,351,671	17,814,616
D3	Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(105,249)	(3,737,681)	1,133,012	51,831	-	(2,658,087)	(2,921,160)	(5,579,247)
D5	Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	13,357,696	(3,737,681)	1,133,012	51,831	-	10,804,858	1,430,511	12,235,369
Q1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	(225,262)	-	225,262	-	-	-	-	-
O1	Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,526,804)	(1,526,804)
Z1	Balance at December 31, 2020	$ 44,816,031	$ 16,550,661	$ 56,344,918	$ 7,669,374	$ 24,913,053	$ (5,643,162)	$ 10,529,113	$ 6,412	$ (83,144)	$ 155,103,256	$ 49,995,956	$ 205,099,212

ccompanying 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, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

Codes		For the Year Ended December 31 2020	2019
	Cash flows from operating activities		
A00010	Consolidated net profit before income tax	$ 21,553,768	$ 24,630,823
A20010	Adjustments to reconcile net profit to net cash provided by operating activities		
A20100	Depreciation expenses	1,500,044	1,590,085
A20200	Amortization expenses	213,415	214,099
A20300	Provisions for bad debt expense, commitment and guarantee liability	1,671,916	907,741
A20400	Gain on financial assets and liabilities at fair value through profit or loss	(334,143)	(332,884)
A20900	Interest expenses	15,598,447	20,968,852
A21200	Interest revenue	(41,987,057)	(50,914,621)
A21300	Dividend income	(1,135,181)	(1,010,804)
A21900	Share-based payment transaction	-	362,748
A22400	Proportionate share of profit of associates	(235,013)	(178,969)
A22500	Gain on disposal of properties and equipment, net	37,546	(12,246)
A23500	Loss (gain) on expected credit loss (recovery)	38,443	(8,707)
A23700	Loss on non-financial asset impairment	27	-
A29900	Others	(63,974)	(83,881)
A40000	Changes in operating assets and liabilities		
A41110	Due from the Central Bank and call loans to banks	(10,655,376)	(6,128,527)
A41120	Financial assets measured at fair value through profit or loss	(2,203,832)	2,199,921
A41123	Financial assets measured at fair value through other comprehensive income	(34,909,196)	(50,946,484)
A41125	Debt instrument investments measured at amortized cost	(2,175,967)	(815,711)
A41150	Receivables	(1,945,870)	(1,279,604)
A41160	Discounts and loans	(49,198,128)	(90,691,727)
A41190	Other financial assets	3,986,171	(2,827,787)
A42110	Due to the Central Bank and banks	(24,595,060)	15,611,650
A42120	Financial liabilities at fair value through profit or loss	2,278,366	70,927
A42140	Securities sold under repurchase agreements	14,720,790	(3,568,909)
A42150	Payables	6,518,452	(3,201,170)
A42160	Deposits and remittances	71,380,175	147,249,149
A42170	Other financial liabilities	4,435,640	406,167
A42180	Employee benefit provisions	(36,604)	91,685
A42990	Other liabilities	(287,326)	322,358
A33000	Cash from (used in) operations	(25,829,527)	2,624,174
A33100	Interest received	43,437,735	51,329,476
A33200	Dividends received	1,167,720	1,007,400
A33300	Interest paid	(17,299,674)	(20,561,741)
A33500	Income tax paid	(5,089,839)	(2,944,395)
AAAA	Net cash flows from (used in) operating activities	(3,613,585)	31,454,914

(Continued)

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

Codes		For the Year Ended December 31 2020	2019
	Cash flows from investing activities		
B02700	Acquisition of properties	$ (680,929)	$ (701,632)
B02800	Proceeds from disposal of properties	2,319	73,920
B03700	Increase in refundable deposits	(302,611)	(70,451)
B03800	Decrease in refundable deposits	45	27,410
B04500	Acquisition of intangible assets	(72,892)	(140,868)
B05400	Acquisition of investment properties	(546,372)	(131,024)
B06700	(Increase) decrease in other assets	(1,114,581)	143,565
BBBB	Net cash flows from (used in) investing activities	(2,715,021)	(799,080)
	Cash flows from financing activities		
C01400	Proceeds from issuance of financial bonds	10,000,000	19,209,891
C01500	Payments for financial bonds	-	(10,300,000)
C03000	Increase in guarantee deposits received	6,011	544,691
C03100	Decrease in guarantee deposits received	(229,767)	(1,304)
C04020	Payments for principal portion of lease liabilities	(963,358)	(694,598)
C04600	Proceeds from capital increase by cash	-	13,680,000
C05400	Acquisition of subsidiaries	(766,492)	-
C05600	Payment of cash dividend	(9,176,489)	(8,192,672)
C05800	Changes in non-controlling interests	(1,526,804)	(1,580,339)
CCCC	Net cash flows from (used in) financing activities	(2,656,899)	12,665,669
DDDD	Effects of exchange rate changes on the balance of cash held in foreign currencies	(3,596,318)	(1,733,869)
EEEE	Net (decrease) increase in cash and cash equivalents	(12,581,823)	41,587,634
E00100	Cash and cash equivalents at the beginning of the period	208,424,935	166,837,301
E00200	Cash and cash equivalents at the end of the period	$ 195,843,112	$ 208,424,935

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, 2020 and 2019:

Codes		December 31, 2020	December 31, 2019
E00210	Cash and cash equivalents in consolidated balance sheets	$ 80,572,282	$ 57,667,823
E00220	Due from the Central Bank and call loans to banks which fall within the definition of cash and cash equivalents under IAS 7	115,124,013	148,857,538
E00230	Securities purchased under resale agreements which fall within the definition of cash and cash equivalents under IAS 7	146,817	1,899,574
E00200	Cash and cash equivalents in consolidated statements of cash flows	$ 195,843,112	$ 208,424,935

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

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

1. ORGANIZATION AND OPERATIONS

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

The Bank has a head office in Taipei, 72 branches, 4 foreign branches located in Hong Kong, Vietnam, Singapore and Wuxi China, 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.

In order to integrate the use of resources and achieve operating synergy, the Bank merged SCSB Life Insurance Agency and SCSB Property Insurance Agency on May 6, 2019, which were both 100% owned by the Bank. The shareholder's equity was not affected after the merger, refer to Note 15.

2. AUTHORIZATION OF CONSOLIDATED FINANCIAL STATEMENTS

On March 27, 2021, the consolidated financial statements were approved by the board of directors and issued afterward.

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

3.1 Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

Aside from the following explanations, the applicable amendments to the IFRSs approved and issued by the FSC will not result in significant changes to the Bank's accounting policies:

IFRS 16 "Amendment to COVID-19 related rent concessions"

The Group chooses to apply the revised practical expedients to deal with rent negotiations directly related to COVID-19 with the lessor; for the related accounting policy, see Note 4. Before the amendment was issued, the Group was required to determine whether the aforementioned rent negotiation should apply the provisions of lease amendment.

The Group began to apply the amendment on January 1, 2020. Since the aforementioned rent negotiation only affected the year of 2020, the retrospective application of the amendment did not affect the retained earnings on January 1, 2020.

3.2 IFRSs approved by the FSC for application starting from 2021

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 4 "Extension of Provisional Exemption applicable to IFRS 9"	Effective from release date
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform-Stage 2"	Effective from the annual reporting period beginning on January 1, 2021

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 " Interest Rate Benchmark Reform -Stage 2"

"Interest Rate Benchmark Reform-Stage 2" mainly amends IFRS 9, IFRS 7 and IFRS 16, which provides practical expedients for the impact of interest rate benchmark reform.

Changes in the basis for determining contractual cash flows caused by changes in interest rate benchmark reform

Changes in the basis for determining the contractual cash flow of financial assets, financial liabilities and lease liabilities, if necessary as a direct result of changes in interest rate indicators, and the new basis is economically equivalent to the basis before the change, should be considered when determining the basis changes in effective interest rates.

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 6)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 7)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contract - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

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

Note 3: This amendment will be applied 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, 2022.

Note 4: This amendment will be applied to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: This amendment will be applied to contracts in which parties will not have fulfilled all obligations on January 1, 2022.

Note 6: This amendment will be applied to annual reporting periods beginning on or after January 1, 2023.

Note 7: This amendment will be applied to changes in accounting estimates and accounting policies on or after the annual reporting period beginning on January 1, 2023.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Statement of Compliance

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

4.2 Basis of Preparation

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

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

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

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

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

4.3 Classification of Current and Non-current Assets and Liabilities

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

4.4 Basis of Consolidation

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

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

4.5 Business Combinations

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

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

4.6 Foreign Currencies

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

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

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

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

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

4.7 Financial Instruments

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

For financial assets and financial liabilities other than financial assets or financial liabilities at fair value through profit or loss (FVTPL), the fair value is directly attributable to the transaction costs of acquiring or issuing financial assets or financial liabilities. Transaction costs directly attributable to the acquisition or issue of financial assets or financial liabilities at FVTPL are recognized as current expenses.

4.7.1 Financial assets

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

(1) Measurement

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

A. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on re-measurement (excluding any dividends or interest arising from such financial assets) recognized in profit or loss. Fair value is determined in the manner described in Note 41.

B. Financial assets at amortized cost

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

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

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

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

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

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

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

C. Investments in debt instruments at FVTOCI
Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

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

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

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

D. Investments in equity instruments at FVTOCI

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

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

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

(2) Impairment of financial assets

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

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

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

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

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

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

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

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

Debts that are determined to be uncollectible are written off after being reported to the board of directors for approval.

(3) Derecognition of financial assets

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

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

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

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

4.7.2 Equity instruments

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

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

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

4.7.3 Financial liabilities

(1) Subsequent measurement

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

A. Financial liabilities at FVTPL

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

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

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

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

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

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

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

Fair value is determined in the manner described in Note 41.

B. Financial guarantee contracts

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

(2) Derecognition of financial liabilities

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

4.7.4 Derivatives

Derivatives signed by the Group include forward foreign exchange contracts, interest rate swaps and others to manage the Group's interest rate and exchange rate risk.
Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

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

4.8 Investment in Associates

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

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

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

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

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

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

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

4.9 Non-performing Loans

Under the guidelines of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans", the balance of loans and other credits extended by the Bank and the related accrued interest thereon are classified as non-performing.

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

4.10 Securities Purchased/Sold Under Resale/Repurchase Agreements

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

4.11 Properties and Equipment

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

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

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

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

4.12 Assets for Sale

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

4.13 Investment Properties

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

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

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

4.14 Goodwill

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

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

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

4.15 Intangible Assets

4.15.1 Acquisition as separate asset

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

4.15.2 Acquisition by business combination

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

4.15.3 Derecognition

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

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

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

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

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

4.17 Collaterals Assumed

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

4.18 Provisions

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

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

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

4.19 Revenue Recognition

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

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

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

4.20 Leasing

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

4.20.1 The Group as lessor

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

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

4.20.2 The Group as lessee

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

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

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

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

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

4.21 Employee Benefits

4.21.1 Short-term employee benefits

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

4.21.2 Retirement benefit costs

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

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

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

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

4.21.3 Employee preferential deposits

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

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

4.21.4 Other long-term employee benefits

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

4.22 Share-based payment arrangements

The fair value at the acquisition date of the employee share options is expensed on a straight-line basis over the vesting period, based on the 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 Group applied for cash capital increase to reserve employee subscriptions, and the acquisition date is based on the day when the number of shares subscribed by employees is confirmed.

4.23 Taxation

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

4.23.1 Current tax

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

According to the Taiwan Income Tax Law, an additional tax on unappropriated earnings is recognized in the year the shareholders approve to retain earnings.

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

4.23.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized on all taxable temporary differences. Deferred tax assets are recognized on deductible temporary difference and loss carry forwards provided that taxable income will be available for use in deducting the benefits of the temporary differences probably.

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

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

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

4.23.3 Current tax and deferred tax of the period

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

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

In the application of the 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 Group takes the economic impact of COVID-19 into consideration in major accounting estimates, and the management will continue to review the estimates and underlying assumptions. Revisions to accounting estimate are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimated impairment of financial assets

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 41 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.

6. CASH AND CASH EQUIVALENTS

	December 31, 2020	December 31, 2019
Cash on hand and working fund	$ 10,069,077	$ 13,372,366
Checks for clearing	1,018,144	701,645
Due from other banks	69,485,061	43,593,812
	$ 80,572,282	$ 57,667,823

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, 2020 and 2019, cash and cash equivalents recognized as allowances were in the amounts of $4,299 thousand and $1,622 thousand, respectively.

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

	December 31, 2020	December 31, 2019
Call loans to banks	$ 166,909,572	$ 209,442,695
Deposit reserves - I	16,057,031	6,259,957
Deposit reserves - II	22,407,116	20,732,422
Deposit reserves – foreign currency	205,158	164,985
Due from foreign central banks	3,220,903	2,610,113
	$ 208,799,780	$ 239,210,172

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

The Group assesses the loss allowance for due from the Central Bank and call loans to banks based on the expected credit loss model. Due to the low credit risk of dues from the Central Bank and call loans to banks, the loss allowance is recognized based on 12-month expected credit losses. On December 31, 2020 and 2019, the allowances recognized for the dues from the Central Bank and call loans to banks were in the amounts of $23,470 thousand and $2,046 thousand, respectively.

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

	December 31, 2020	December 31, 2019
Financial assets at fair value through profit or loss		
Financial assets mandatorily classified as at FVTPL		
Corporate bonds	$ 7,554,990	$ 7,775,745
Forward contracts	3,204,220	1,135,180
Shares	1,148,316	986,730
Beneficiary certificates	505,928	863,054
Option contracts	439,409	262,575
Government bonds	340,921	129,046
Interest rate swap contracts	309,673	275,096
Bank debentures	62,417	-
Others	91,941	89,539
	$ 13,657,815	$ 11,516,965
Financial liabilities at fair value through profit or loss		
Held-for-trading financial liabilities		
Forward contracts	$ 3,203,318	$ 1,083,502
Option contracts	484,306	316,189
Currency swap contracts	175,573	39,047
Others	26,203	4,258
	3,889,400	1,442,996
Financial liabilities designated at FVTPL		
Bank debentures	2,245,100	2,394,829
	$ 6,134,500	$ 3,837,825

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, 2020	December 31, 2019
Forward contracts	$ 278,429,579	$ 277,543,459
Option contracts	277,761,331	193,404,322
Currency swap contracts	44,267,235	19,759,208
Interest rate swap contracts	3,351,580	2,637,988
Asset exchange transactions	140,495	539,856
Future contracts	28,739	11,441

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

	December 31, 2020	December 31, 2019
The difference between the fair value and the maturity value		
－Fair value	$ 2,245,100	$ 2,394,829
－Maturity value	2,364,343	2,405,361
	$ (119,243)	$ (10,532)

	Effects of changes in credit risk
Current amount of change	
From January1, 2020 to December 31, 2020	$ 51,831
From January1, 2019 to December 31, 2019	$ (45,419)
Cumulative amount of change	
Up to December 31, 2020	$ 6,412
Up to December 31, 2019	$ (45,419)

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

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

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

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31, 2020	December 31, 2019
Investments in equity instruments measured at FVTOCI		
Shares	$ 20,407,824	$ 21,515,462
Investments in debt instruments measured at FVTOCI		
Corporate bonds	191,477,949	144,921,560
Bank debentures	146,254,410	171,568,869
Government bonds	81,851,329	101,354,338
Commercial papers	64,736,070	39,559,030
Asset-backed securities	3,010,124	2,174,260
Treasury bonds	499,317	1,986,829
	487,829,199	461,564,886
	$ 508,237,023	$ 483,080,348

The Group invests in ordinary shares for medium- and long-term strategic purposes and expects to make a profit through long-term investments. The management of the Group considers that if the short-term fair value fluctuations of these investments are included in profit or loss, they are inconsistent with the aforementioned long-term investment plans. Therefore, the designated investments are selected to be measured at FVTOCI.

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

Parts of the aforementioned financial assets at FVTOCI were sold under repurchase agreements as of December 31, 2020 and 2019. The par values of bonds and commercial papers sold under repurchase agreements were $24,684,350 thousand and $10,213,392 thousand, respectively.

For the information on financial assets pledged at FVTOCI, refer to Note 39.

10. INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTIZED COST

	December 31, 2020	December 31, 2019
Negotiable certificates of deposit	$ 98,765,000	$ 93,430,000
Government bonds	3,690,354	11,833,155
Corporate bonds	2,681,798	2,980,648
Bank debentures	863,056	1,065,682
Restricted due from banks	1,686,960	-
	107,687,168	109,309,485
Less: Loss allowance	(1,420)	(1,569)
	$ 107,685,748	$ 109,307,916

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

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

For the information on related financial assets at amortized cost pledged as collateral, refer to Note 39.

11. CREDIT RISK MANAGEMENT OF INVESTMENTS IN DEBT INSTRUMENTS

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

December 31, 2020

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

December 31, 2019

	At FVTOCI	At Amortized Cost	Total
Total carrying amount	$ 459,495,785	$ 109,309,485	$ 568,805,270
Loss allowance	(91,725)	(1,569)	(93,294)
Amortized cost	459,404,060	$ 109,307,916	568,711,976
Fair value adjustment	2,160,826		2,160,826
	$ 461,564,886		$ 570,872,802

The Group implements a policy of investing in debt instruments with investment grade and have low credit risk. For the purpose of impairment assessment, the Group continues to track external rating information and monitors changes in credit risk of the investments of debt instruments and reviews other information such as the bond yield curve and the debtor's material information to assess whether the credit risk of the debt instrument investments has increased significantly since the initial recognition.

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

December 31, 2020

Credit Rating	Definitions	Expected Credit Loss Recognition Base	Expected Credit Loss Rate	December 31, 2020 Total Carrying Amount
Stage 1	The debtor has a low credit risk and is fully capable of paying off contractual cash flows	12-month expected credit loss	0.000%~0.915%	$ 589,660,590
Stage 2	Credit risk has increased significantly since the initial recognition	Expected credit loss during the period of existence (no credit impairment)	0.528%~7.905%	494,595

December 31, 2019

Credit Rating	Definitions	Expected Credit Loss Recognition Base	Expected Credit Loss Rate	December 31, 2019 Total Carrying Amount
Stage 1	The debtor has a low credit risk and is fully capable of paying off contractual cash flows	12-month expected credit loss	0.000%~0.880%	$ 568,634,646
Stage 2	Credit risk has increased significantly since the initial recognition	Expected credit loss during the period of existence (no credit impairment)	2.240%~8.521%	170,624

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

Investments in debt instruments at FVTOCI

	Credit Risk Rating		
	Stage 1 (12-Month ECLs)	Stage 2 (Lifetime ECLs - Unimpaired)	Total
Balance at January 1, 2020	$ 84,260	$ 7,465	$ 91,725
Purchase of new debt instruments	49,150	13,894	63,044
Derecognition	(31,814)	(10,108)	(41,922)
Model/risk parameter changes	16,461	961	17,422
Exchange rate and other changes	(5,064)	2,443	(2,621)
Balance at December 31, 2020	$ 112,993	$ 14,655	$ 127,648
Balance at January 1, 2019	$ 91,711	$ 9,018	$ 100,729
Purchase of new debt instruments	40,721	6,536	47,257
Derecognition	(32,609)	(4,151)	(36,760)
Model/risk parameter changes	(15,157)	(3,865)	(19,022)
Exchange rate and other changes	(406)	(73)	(479)
Balance at December 31, 2019	$ 84,260	$ 7,465	$ 91,725

Investments in debt instruments at amortized cost

	Credit Risk Rating		
	Stage 1 (12-Month ECLs)	Stage 2 (Lifetime ECLs - Unimpaired)	Total
Balance at January 1, 2020	$ 1,569	$ -	$ 1,569
Purchase of new debt instruments	121	-	121
Derecognition	(215)	-	(215)
Model/risk parameter changes	(7)	-	(7)
Exchange rate and other changes	(48)	-	(48)
Balance at December 31, 2020	$ 1,420	$ -	$ 1,420
Balance at January 1, 2019	$ 1,767	$ -	$ 1,767
Purchase of new debt instruments	335	-	335
Derecognition	(483)	-	(483)
Model/risk parameter changes	(34)	-	(34)
Exchange rate and other changes	(16)	-	(16)
Balance at December 31, 2019	$ 1,569	$ -	$ 1,569

12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities purchased under resell agreements as of December 31, 2020 and 2019 were $146,817 thousand and $1,899,574 thousand, respectively. The aforementioned securities will be bought back one after another before January 11, 2021 and January 15, 2020 at $146,943 thousand and $1,902,974 thousand, respectively.

13. RECEIVABLES, NET

	December 31, 2020	December 31, 2019
Accrued interest	$ 4,462,802	$ 5,735,770
Credit card receivables	3,383,489	3,737,865
Accounts receivable due from sale of securities	3,629,263	1,410,652
Acceptances	2,573,938	2,686,912
Finance lease receivable	1,126,746	1,217,696
Accounts receivable - factoring	479,948	835,039
Others	3,149,496	2,526,353
	18,805,682	18,150,287
Less: Allowance for credit losses	(263,058)	(353,237)
	$ 18,542,624	$ 17,797,050

The changes in total carrying amount and the allowance of receivables and other financial assets for the years ended December 31, 2020 and 2019 (including non-accrual loans and bills of exchange, refer to Note 17) are as follows:

For the Year Ended December 31, 2020

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

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

For the Year Ended December 31, 2019

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Total
Receivables and other financial assets					
Beginning on January 1, 2019	$16,228,239	$246,377	$355,156	$651,093	$17,480,865
Changes due to financial assets recognized at the beginning of the period:					
Transfer to lifetime ECLs	(92,372)	16,653	54,094	(477)	(22,102)
Transfer to ECLs on financial assets	(17,543)	(10,064)	(7,818)	38,465	3,040
Transfer to 12-month ECLs	87,953	(225,339)	(80,601)	(76,593)	(294,580)
Financial assets derecognized in the current period	(4,211,920)	(62,231)	(216,784)	(144,475)	(4,635,410)
Purchased or originated financial assets	5,313,928	111,363	125,707	10,247	5,561,245
Write-offs	(2,570)	(15,395)	-	(51,151)	(69,116)
Exchange rate and other changes	120,666	7,376	(3,907)	(2,016)	122,119
Balance at December 31, 2019	$17,426,381	$68,740	$225,847	$425,093	$18,146,061

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulatory Decree	Total
Allowance							
Beginning on January 1, 2019	$67,787	$47,499	$6,018	$338,807	$460,111	$30,863	$490,974
Changes due to financial assets recognized at the beginning of the period:							
Transfer to lifetime ECLs	(1,049)	9,096	2,296	(394)	9,949	-	9,949
Transfer to ECLs on financial assets	(389)	(2,197)	(437)	4,353	1,330	-	1,330
Transfer to 12-month ECLs	18,256	(806)	(1,851)	(17,324)	(1,725)	-	(1,725)
Financial assets derecognized in the current period	(11,784)	(9,706)	(323)	(1,790)	(23,603)	-	(23,603)
Purchased or originated financial assets	11,712	14,178	295	4,858	31,043	-	31,043
The difference of impairment under the regulatory decree	-	-	-	-	-	(3,410)	(3,410)
Write-offs	(2,570)	(15,395)	-	(51,151)	(69,116)	-	(69,116)
Recoveries after write-off	-	-	-	31,437	31,437	-	31,437
Exchange rate and other changes	37,401	(13,669)	(1,359)	(133,699)	(111,326)	-	(111,326)
Balance at December 31, 2019	$119,364	$29,000	$4,639	$175,097	$328,100	$27,453	$355,553

14. DISCOUNTS AND LOANS, NET

	December 31, 2020	December 31, 2019
Loans	$ 1,131,175,205	$ 1,102,510,004
Inward/outward documentary bills	14,907,025	17,377,702
Non-performing loans	1,843,511	2,874,965
	1,147,925,741	1,122,762,671
Discount and premium adjustments	289,948	626,288
Allowance for credit losses	(11,785,384)	(11,259,545)
	$ 1,136,430,305	$ 1,112,129,414

The Group discontinues accruing interest when loans are deemed non-performing. For the years ended December 31, 2020 and 2019, the unrecognized interest revenue on the non-performing loans amounted to $19,097 thousand and $22,174 thousand, respectively.

For the years ended December 31, 2020 and 2019, the Group only had written off certain credits after completing the required legal procedures.

The changes in carrying amount and allowance for discounts and loans for the years ended December 31, 2020 and 2019 are as follows:

For the Year Ended December 31, 2020

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

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

For the Year Ended December 31, 2019

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Lifetime ECLs (Purchased or Originated Credit Impairment on Financial Assets)	Total
Discounts and loans						
Beginning on January 1, 2019	$1,011,099,721	$6,271,115	$18,224,867	$4,563,914	$104,259	$1,040,263,876
Changes due to financial assets recognized at the beginning of the period:						
Transfer to lifetime ECLs	(11,842,528)	959,952	10,347,347	(39,935)	-	(575,164)
Transfer to ECLs on financial assets	(1,108,745)	(651,710)	(83,417)	1,795,083	-	(48,789)
Transfer to 12-month ECLs	7,698,142	(984,104)	(4,645,282)	(436,027)	-	1,632,729
Financial assets derecognized in the current period	(259,995,311)	(1,323,964)	(6,937,788)	(1,576,845)	(42,593)	(269,876,501)
Purchased or originated financial assets	356,637,530	685,464	4,682,130	161,042	60,553	362,226,719
Write-offs	(33,476)	(225,558)	-	(498,193)	-	(757,227)
Exchange rate and other changes	(9,267,520)	(8,437)	(763,918)	(60,544)	(2,553)	(10,102,972)
Balance at December 31, 2019	$1,093,187,813	$4,722,758	$20,823,939	$3,908,495	$119,666	$1,122,762,671

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Lifetime ECLs (Purchased or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulatory Decree	Total
Allowance								
Beginning on January 1, 2019	$1,997,988	$601,389	$745,022	$947,141	$46,049	$4,337,589	$6,683,015	$11,020,604
Changes due to financial assets recognized at the beginning of the period:								
Transfer to lifetime ECLs	(48,998)	329,436	161,166	(8)	-	441,596	-	441,596
Transfer to ECLs on financial assets	(1,941)	(153,167)	(3,423)	288,109	-	129,578	-	129,578
Transfer to 12-month ECLs	59,588	(47,612)	(447,409)	(165,087)	-	(600,520)	-	(600,520)
Financial assets derecognized in the current period	(531,572)	(67,799)	(156,249)	(437,117)	(496)	(1,193,233)	-	(1,193,233)
Purchased or originated financial assets	673,427	57,199	41,184	16,543	10,737	799,090	-	799,090
The difference of impairment under the regulatory decree	-	-	-	-	-	-	1,285,869	1,285,869
Write-offs	(33,476)	(225,558)	-	(498,193)	-	(757,227)	-	(757,227)
Recoveries of write-offs	-	-	-	298,750	-	298,750	-	298,750
Exchange rate and other changes	(137,247)	(14,439)	3,216	(13,337)	(3,155)	(164,962)	-	(164,962)
Balance at December 31, 2019	$1,977,769	$479,449	$343,507	$436,801	$53,135	$3,290,661	$7,968,884	$11,259,545

The details of provisions for bad debt expense, commitment and guarantee liability for the years ended December 31, 2020 and 2019 are listed below:

	December 31	
	2020	2019
Provisions for loans and discounts	$ 1,358,283	$ 862,380
Provisions for reserve of possible losses on guarantees	296,985	51,424
Provisions (reversal) for receivables	(6,547)	13,584
Other provisions	23,195	(19,647)
	$ 1,671,916	$ 907,741

15. SUBSIDIARIES

15.1 Subsidiaries included in the consolidated financial statements

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

Investor	Investee	Nature of Activities	Proportion of Ownership (%) December 31, 2020	Proportion of Ownership (%) December 31, 2019	Note
Domestic subsidiaries					
The Bank	China Travel Service (Taiwan)	Traveling	99.99	99.99	
	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	99.99	84.89	
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	
Right Honour Investments Limited	Silver Wisdom Westpoint Investments Limited	Property holding	100.00	100.00	

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

On November 10, 2018, the Bank's board approved to increase cash capital of AMK by US$15,300 thousand, and the number of shares obtained through capital increase was 1,554 thousand shares. The case was approved by the FSC and Cambodian authorities on January 19, 2019 and July 16, 2019, respectively. Hence, the Group's shareholding ratio increased to 84.89% on July 29, 2019. Because the subscription to capital increase was not according to the shareholding ratio, there was a discrepancy between the price and equity value of investment. Therefore, a change in the ownership interest of subsidiary credited under the capital reserve amounted to $85,518 thousand (refer to Notes 32 and 37).

In addition, the Bank's board of directors approved to acquire 962 thousand shares from AMK's external shareholders for US$26,120 thousand on March 21, 2020. The case was approved by the FSC and Cambodian authorities on May 27, 2020 and June 23, 2020, respectively. Hence, the Group's shareholding ratio increased to 99.99% on August 6, 2020. Since the transaction did not change the bank's control over AMK, it was treated as an equity transaction. Difference arising from the above equity transaction debited to unappropriated earnings $200,035 thousand (refer to Notes 32 and 37).

The Bank merged with SCSB Life Insurance Agency and SCSB Property Insurance Agency on May 6, 2019. Since the SCSB Life Insurance Agency and SCSB Property Insurance Agency are both 100% wholly owned by the Bank, the merger with SCSB Life Insurance Agency and SCSB Property Insurance Agency was considered as corporate reorganization. According to the relevant interpretation letter issued by the Accounting Research and

Development Foundation, when the Bank merged with SCSB Life Insurance Agency and SCSB Property Insurance Agency, it should account for the book value of all assets and liabilities and prepared the consolidated balance sheets accordingly. The consolidated financial statements would not be affected after the merger.

15.2 Details of subsidiaries that have material non-controlling interests ("NCI")

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests December 31, 2020	December 31, 2019
Shanghai Commercial Bank (H.K.)	Hong Kong	42.4%	42.4%

Name of Subsidiary	Profit Allocated to Non-controlling Interests December 31 2020	2019	Accumulated Non-controlling December 31 2020	2019
Shanghai Commercial Bank (H.K.) (excluding NCI in its subsidiaries)	$ 4,420,029	$ 5,036,850	$ 49,798,941	$ 49,887,057

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

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

	December 31, 2020	December 31, 2019
Assets	$ 822,438,994	$ 858,870,070
Liabilities	(704,656,770)	(740,879,110)
NCI of SCB's subsidiaries	(331,891)	(332,806)
Equity	$ 117,450,333	$ 117,658,154
Equity attributable to:		
Owners of SCSB	$ 67,651,392	$ 67,771,097
NCI of SCSB	49,798,941	49,887,057
	$ 117,450,333	$ 117,658,154

	For the Year Ended December 31 2020	2019
Revenue	$ 19,374,587	$ 21,544,368
Net profit for the period	$ 10,373,818	$ 11,856,137
Net profit allocated to NCI of SCB's subsidiaries	21,530	23,226
	10,395,348	11,879,363
Other comprehensive income for the period	(7,038,950)	1,031,657
OCI allocated to NCI of SCB's subsidiaries	(49)	83
Total comprehensive income for the period	$ 3,356,349	$ 12,911,103
Profit attributable to:		
Owners of SCSB	$ 5,975,319	$ 6,842,513
NCI of SCSB	4,420,029	5,036,850
	$ 10,395,348	$ 11,879,363
Total comprehensive income attributable to:		
Owners of SCSB	$ 1,933,257	$ 7,436,795
NCI of SCSB	1,423,092	5,474,308
	$ 3,356,349	$ 12,911,103
Cash flows		
Operating activities	$ (31,721,497)	$ 27,183,171
Investing activities	8,482,762	(542,603)
Financing activities	(4,887,868)	4,693,125
Net cash (outflows) inflows	$ (28,126,603)	$ 31,333,693
Dividends paid to non-controlling interests		
SCB (HK)	$ 1,526,804	$ 1,580,339

16. INVESTMENTS UNDER THE EQUITY METHOD

	December 31, 2020	December 31, 2019
Investments in associates	$ 1,880,035	$ 1,851,065

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

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

	For the Year Ended December 31	
	2020	2019
Profit from continuing operations	$ 235,013	$ 178,969
Other comprehensive income	22,991	70,245
Total comprehensive income for the period	$ 258,004	$ 249,214

17. OTHER FINANCIAL ASSETS, NET

	December 31, 2020	December 31, 2019
Fixed deposit with original maturity of more than three months	$ 1,297,620	$ 5,289,203
Non-performing receivables	3,721	2,308
Bills of exchange	565	39
	1,301,906	5,291,550
Allowance for non-performing credit card receivables	(3,727)	(2,316)
	$ 1,298,179	$ 5,289,234

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

The balances of credit card receivables which were reported as non-performing amounted to $3,681 thousand and $2,308 thousand as of December 31, 2020 and 2019, respectively. The unrecognized interest revenue on the receivables amounted to $98 thousand and $47 thousand for the years ended December 31, 2020 and 2019, respectively.

18. PROPERTIES, NET

	December 31, 2020	December 31, 2019
Land	$ 14,080,843	$ 14,483,237
Buildings and improvements	4,388,944	4,736,578
Office equipment	613,331	580,814
Transportation equipment	78,360	103,535
Miscellaneous equipment	695,125	789,761
Construction in progress and prepayments	766,934	519,503
	$ 20,623,537	$ 21,213,428

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

Items	For the Year Ended December 31, 2019 Balance at January 1, 2019	Additions	Disposals	Internal Transfers	Effects of Exchange Rate Changes, Net	Balance at December 31, 2019
Cost						
Land	$ 15,270,893	$ -	$ (30,606)	$ -	$ (64,623)	$ 15,175,664
Buildings and improvements	8,320,236	131,498	(10,857)	-	(77,735)	8,363,142
Office equipment	2,399,697	346,567	(203,109)	16,571	(26,456)	2,533,270
Transportation equipment	242,797	26,105	(2,679)	-	(7,028)	259,195
Miscellaneous equipment	2,694,440	87,942	(58,979)	695	(46,878)	2,677,220
Construction in progress and prepayments	525,501	109,520	-	(102,790)	(9,462)	522,769
	29,453,564	$ 701,632	$ (306,230)	$ (85,524)	$ (232,182)	29,531,260
Accumulated depreciation						
Land	636,930	$ 68,659	$ -	$ -	$ (13,162)	692,427
Buildings and improvements	3,310,465	340,678	(1,278)	-	(23,301)	3,626,564
Office equipment	2,005,346	154,130	(186,332)	-	(20,688)	1,952,456
Transportation equipment	139,181	22,640	(2,423)	-	(3,738)	155,660
Miscellaneous equipment	1,812,076	162,244	(54,523)	-	(32,338)	1,887,459
Construction in progress and prepayments	2,897	429	-	-	(60)	3,266
	7,906,895	$ 748,780	$ (244,556)	$ -	$ (93,287)	8,317,832
Net amount	$ 21,546,669					$ 21,213,428

The Group did not have any impairment losses on the properties for the years ended December 31, 2020 and 2019.

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

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

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

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

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

	December 31, 2020
Land	$ 54,859
Buildings and improvements	30,985
Assets held for sale－net	$ 85,844

19. LEASE ARRANGEMENTS

19.1 Right-of-use assets

	December 31, 2020	December 31, 2019
Carrying amount of right-of-use assets		
Land	$ 3,318	$ 4,939
Buildings and improvements	2,140,558	2,236,423
Mechanical equipment	24,590	39,544
Office equipment	8,565	35,103
Transportation equipment	29,273	28,418
	$ 2,206,304	$ 2,344,427

	For the Year Ended December 31	
	2020	2019
Increase in right-of-use assets	$ 770,503	$ 1,103,080
Depreciation expenses of right-of-use assets		
Land	$ 1,370	$ 1,064
Buildings and improvements	761,062	743,366
Office equipment	25,859	27,539
Mechanical equipment	21,453	22,998
Transportation equipment	12,904	11,308
	$ 822,648	$ 806,275

19.2 Lease liabilities

	December 31, 2020	December 31, 2019
Carrying amount of lease liabilities	$ 2,287,181	$ 2,415,515

The discount rate intervals for lease liabilities are as follows:

	December 31, 2020	December 31, 2019
Land	7.60%	7.83%
Buildings and improvements	0.67%~7.60%	1.25%~7.83%
Office equipment	0.75%~3.00%	2.46%~3.00%
Mechanical equipment	1.25%~7.60%	1.25%~7.83%
Transportation equipment	1.25%~3.00%	1.25%~3.00%

19.3 Other lease information

	For the Year Ended December 31	
	2020	2019
Short-term lease expenses	$ 36,772	$ 28,058
Leases of low value assets	$ 14,034	$ 14,557
Variable lease payments which are not included in lease liabilities measurements	$ 3,179	$ 3,233
Total cash outflow for leases	$ 1,017,574	$ 866,689

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

20. INVESTMENT PROPERTIES, NET

	December 31, 2020	December 31, 2019
Land	$ 4,731,808	$ 4,486,122
Buildings and improvements	1,074,676	1,164,519
	$ 5,806,484	$ 5,650,641

	For the Year Ended December 31, 2020			
	Balance at January 1, 2020	Additions	Effect of Exchange Rate Changes, Net	Balance at December 31, 2020
Cost				
Land	$ 4,526,211	$ 537,765	$ (291,318)	$ 4,772,658
Buildings and improvements	1,280,513	8,607	(76,218)	1,212,902
	5,806,724	$ 546,372	$ (367,536)	5,985,560
Less: Accumulated depreciation				
Land	40,089	$ 3,277	$ (2,516)	40,850
Buildings and improvements	115,994	30,416	(8,184)	138,226
	156,083	$ 33,693	$ (10,700)	179,076
Net amount	$ 5,650,641			$ 5,806,484

	For the Year Ended December 31, 2019			
	Balance at January 1, 2019	Additions	Effect of Exchange Rate Changes, Net	Balance at December 31, 2019
Cost				
Land	$ 4,481,459	$ 130,433	$ (85,681)	$ 4,526,211
Buildings and improvements	1,304,040	591	(24,118)	1,280,513
	5,785,499	$ 131,024	$ (109,799)	5,806,724
Less: Accumulated depreciation				
Land	37,445	$ 3,411	$ (767)	40,089
Buildings and improvements	86,664	31,620	(2,290)	115,994
	124,109	$ 35,031	$ (3,057)	156,083
Net amount	$ 5,661,390			$ 5,650,641

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

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

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

The fair value of investment properties has been measured mainly by 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, 2020	December 31, 2019
Fair value	$ 10,754,332	$ 12,949,458

The rental income from investment properties is stated below:

	For the Year Ended December 31	
	2020	2019
Rental income from investment properties	$ 271,974	$ 345,512

21. INTANGIBLE ASSETS, NET

	December 31, 2020	December 31, 2019
Bank license	$ 1,357,706	$ 1,466,954
Computer software	215,272	250,390
Goodwill	84,704	90,411
	$ 1,657,682	$ 1,807,755

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

	For the Year Ended December 31, 2019				
	Balance at January 1, 2019	Additions	Disposals	Effects of Exchange Rate Changes, Net	Balance at December 31, 2019
Cost					
Operating license	$ 1,527,740	$ -	$ -	$ (37,078)	$ 1,490,662
Computer software	477,446	140,868	(110,718)	(3,647)	503,949
Goodwill	92,660	-	-	(2,249)	90,411
	2,097,846	$ 140,868	$ (110,718)	$ (42,974)	2,085,022
Less: Accumulated depreciation					
Operating license	6,074	$ 18,295	$ -	$ (661)	23,708
Computer software	254,441	111,427	(110,351)	(1,958)	253,559
	260,515	$ 129,722	$ (110,351)	$ (2,619)	277,267
Net amount	$ 1,837,331				$ 1,807,755

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

Bank license	84 years
Computer software	3-5 years

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

The Group underwent the impairment assessment of the recoverable amount of goodwill, and the calculation of the recoverable amount was based on the value in use. The calculation of the value in use was based on the cash flow of AMK's future financial projections and was calculated using the annual discount rate to reflect the specific risks of AMK. The assessment results showed no sign of impairment. The Group did not need to recognize impairment loss on goodwill in 2020 and 2019.

22. OTHER ASSETS, NET

	December 31, 2020	December 31, 2019
Prepaid expenses	$ 2,722,603	$ 2,034,552
Refundable deposits	1,163,628	884,905
Deferred charges	293,070	267,969
Temporary payments and suspension	219,166	140,355
Others	327,001	194,045
	$ 4,725,468	$ 3,521,826

23. DUE TO THE CENTRAL BANK AND BANKS

	December 31, 2020	December 31, 2019
Call loans from banks	$ 35,895,400	$ 62,705,548
Due to banks	9,311,438	7,741,287
Deposits transferred from Chunghwa Post Co., Ltd.	1,221,799	1,839,203
Bank overdrafts	389,024	1,206,492
	$ 46,817,661	$ 73,492,530

24. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold under repurchase agreements as of December 31, 2020 and 2019 were $25,781,411 thousand and $11,060,621 thousand, respectively. The aforementioned securities will be bought back by September 29, 2021 and September 15, 2020 at $25,787,641 thousand and $11,066,235 thousand, respectively.

25. PAYABLES

	December 31, 2020	December 31, 2019
Dividends payable	$ 14,076,764	$ 13,079,523
Accounts payable	10,245,613	4,552,854
Accrued interest	2,687,621	4,474,329
Acceptances	2,608,951	2,757,275
Accrued expenses	1,606,808	1,631,960
Others	683,025	730,558
	$ 31,908,782	$ 27,226,499

26. DEPOSITS AND REMITTANCES

	December 31, 2020	December 31, 2019
Time deposits	$ 773,344,702	$ 850,425,351
Savings deposits	518,354,786	470,002,250
Demand deposits	375,424,247	298,530,890
Negotiable certificates of deposit	9,218,600	25,581,000
Checking deposits	9,145,403	10,056,312
Remittances	409,076	471,900
	$ 1,685,896,814	$ 1,655,067,703

27. BANK DEBENTURES

27.1 The Bank

	December 31, 2020	December 31, 2019
The subordinated bank debenture - 7-10 years maturity, third issued in 2012; maturity date is from November 2019 to November 2022.	$ 4,000,000	$ 4,000,000
The subordinated bank debenture - 7-10 years maturity, fourth issued in 2012; maturity date is from December 2019 to December 2022.	5,700,000	5,700,000
The subordinated bank debenture - 7-10 years maturity, first issued in 2014; maturity date is from March 2021 to March 2024	6,700,000	6,700,000
The subordinated bank debenture - 7 years maturity, second issued in 2014; maturity date is in November 2021	3,300,000	3,300,000
The subordinated bank debenture - 7 years maturity; first issued in 2015; maturity date is in June 2022	2,150,000	2,150,000
The subordinated bank debenture - 8.5 years maturity; second issued in 2015; maturity date is in June 2024	3,000,000	3,000,000
The subordinated bank debenture - 7-10 years maturity; first issued in 2017; maturity date is from June 2024 to 2027	5,000,000	5,000,000
The subordinated bank debenture - 7-10 years maturity; second issued in 2017; maturity date is from December 2024 to 2027	5,000,000	5,000,000
The subordinated bank debenture - 7-10 years maturity; first issued in 2018; maturity date is from June 2025 to 2028	5,000,000	5,000,000
The subordinated bank debenture; third issued in 2018; no maturity date	7,000,000	7,000,000
The bank debenture - 5 years maturity; first issued in 2019; maturity date is in September 2024	6,900,000	6,900,000
The bank debenture - 3 years maturity; first issued in 2019; maturity date is in September 2022	3,100,000	3,100,000
The bank debenture - 7 years maturity; first issued in 2020; maturity date is in March 2027	3,000,000	-
The bank debenture - 10 years maturity; first issued in 2020; maturity date is in March 2030	7,000,000	-
	$ 66,850,000	$ 56,850,000

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

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

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

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

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

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

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

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

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

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

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

The first issuance of the 2020 bank debenture was classified into two types in accordance with the issued terms and the methods of interest accrual: Types A and B. Their terms were as follows: Type A, seven-year bank debenture at a fixed annual interest rate of 0.62%; Type B, ten-year bank debenture at a fixed annual interest rate of 0.64%. Their interests were paid annually with repayment of principals at maturity.

27.2 SCB (HK)

	December 31, 2020	December 31, 2019
The subordinate bank debenture with a 10 years maturity and maturity date on November 2027	$ 6,986,031	$ 7,455,698
The subordinate bank debenture with a 10 years maturity and maturity date on January 2029	8,387,843	8,948,414
	$ 15,373,874	$ 16,404,112

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

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

28. OTHER FINANCIAL LIABILITIES

	December 31, 2020	December 31, 2019
Appropriated loan funds	$ 7,798,501	$ 1,812,424
Principal of structured instruments	416,965	1,779,449
Bank borrowings	546,442	732,986
Other financial liabilities	1,771,047	1,714,123
	$ 10,532,955	$ 6,038,982

29. PROVISIONS

	December 31, 2020	December 31, 2019
Reserve for employee benefits (Note 31)	$ 1,294,159	$ 1,372,663
Reserve for guarantees liabilities	1,092,208	814,599
Reserve for other operations	347,866	371,429
Reserve for financing commitment	78,063	69,441
Reserve for unexpected losses	3,566	3,564
	$ 2,815,862	$ 2,631,696

Provisions for changes in financing commitment and guarantee liability of the Group for the years ended December 31, 2020 and 2019 were as follows:

For the Year Ended December 31, 2020

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

For the Year Ended December 31, 2019

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulatory Decree	Total
Provisions for commitment and guarantee liability							
January 1, 2019	$150,974	$115,497	$1,028	$ -	$267,499	$455,731	$723,230
Changes due to financial assets recognized at the beginning of the period:							
Transfer to lifetime ECLs	(157)	12,736	154	-	12,733	-	12,733
Transfer to credit impaired financial assets	(5)	-	-	864	859	-	859
Transfer to 12-month ECLs	913	-	(8)	-	905	-	905
Financial assets derecognized in the current period	(138,088)	(101,842)	(811)	-	(240,741)	-	(240,741)
Purchased or originated financial assets	89,001	12,182	2,804	811	104,798	-	104,798
The difference of impairment under the regulatory decree	-	-	-	-	-	172,870	172,870
Exchange rate and other changes	94,847	14,697	(158)	-	109,386	-	109,386
December 31, 2019	$197,485	$53,270	$3,009	$1,675	$255,439	$628,601	$884,040

30. OTHER LIABILITIES

	December 31, 2020	December 31, 2019
Guarantee deposits received	$ 1,954,771	$ 2,257,092
Deferred revenue	572,742	844,395
Temporary credit	42,062	15,261
Interest received in advance	12,659	30,664
Others	489,560	544,367
	$ 3,071,794	$ 3,691,779

31. PENSION PLAN

The Bank

(1) Defined contribution plans

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

The total amounts of contributions to the defined contribution plans for the years ended December 31, 2020 and 2019 were $82,308 thousand and $76,515 thousand, respectively.

(2) Defined benefit plans

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

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

	December 31, 2020	December 31, 2019
Present value of defined benefit obligation	$ 3,081,512	$ 2,960,095
Fair value of plan assets	(2,925,648)	(2,732,294)
Net defined benefit liabilities	$ 155,864	$ 227,801

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

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

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

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

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

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

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

	December 31, 2020	December 31, 2019
Discount rate	1.00%	1.25%
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, 2020	December 31, 2019
Discount rate		
0.25% increase	$ (74,167)	$ (76,555)
0.25% decrease	$ 76,715	$ 79,369
Expected rate of salary increase		
0.25% increase	$ 62,480	$ 76,832
0.25% decrease	$ (60,674)	$ (74,507)

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, 2020	December 31, 2019
Average duration of the defined benefit obligation	10.0 years	10.8 years
Expected contributions to the plans for the next year	$ 366,034	$ 315,959

(3) Employee preferential deposit plan

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

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

	December 31, 2020	December 31, 2019
Discount rate	4.00%	4.00%
Deposit rate of return	2.00%	2.00%
Preferential deposit withdrawal rate	2.00%	2.00%
Change in the preferential deposit policy	50.00%	50.00%

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

	December 31, 2020	December 31, 2019
Retired employees' preferential deposit liabilities, net	$ 474,273	$ 419,114

The amounts of the retired employees' preferential deposit benefit expenses in the consolidated statements of comprehensive income for the years ended December 31, 2020 and 2019 were $74,908 thousand and $62,354 thousand, respectively; and in other comprehensive losses were $28,866 thousand and $21,328 thousand, respectively.

(4) Other long-term employee benefit liabilities

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

The amounts of the Bank's obligations arising from the employee's pension were included in the balance sheets as follows:

	December 31, 2020	December 31, 2019
Other long-term employee benefit liabilities, net	$ 10,303	$ 8,796

The Bank recognized employee pension benefit cost of $1,506 thousand and $1,358 thousand in the consolidated statements of comprehensive income for the years ended December 31,2020 and 2019, respectively.

SUBSIDIARIES

(1) Defined contribution plans

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

The total amounts of contributions to the defined contribution plans as reported in the consolidated statements of comprehensive income for the years ended December 31, 2020 and 2019 were $301,429 thousand and $295,385 thousand, respectively.

(2) Defined benefit plans

Domestic and foreign subsidiaries recognize the relevant costs based on the results of the evaluation of the actuary. Costs of the ddefined benefit plans recognized in the consolidated statements of comprehensive loss in 2020 and 2019 were $344 thousand and $384 thousand, respectively; and in other comprehensive income were $1,956 thousand and $950 thousand, respectively.

Defined benefit plan

	December 31, 2020	December 31, 2019
Defined benefit plan	$ 809,583	$ 944,753
Retired employees' preferential deposit liabilities	474,273	419,114
Other long-term employment benefits	10,303	8,796
	$ 1,294,159	$ 1,372,663

32. EQUITY

32.1 Share capital

	December 31, 2020	December 31, 2019
Ordinary shares		
Authorized shares (in thousands)	6,000,000	6,000,000
Authorized capital	$ 60,000,000	$ 60,000,000
Issued and fully paid shares (in thousands)	4,481,603	4,481,603
Issued capital	$ 44,816,031	$ 44,816,031

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

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

32.2 Capital surplus

	December 31, 2020	December 31, 2019
Share premium	$13,431,903	$ 13,431,903
Treasury shares transaction	2,037,566	2,026,768
Dividends not yet collected	994,456	887,154
Recognition of changes in equity of subsidiaries	85,518	85,518
Proportionate share in investee's surplus from donated assets under the equity method	1,218	1,218
	$16,550,661	$ 16,432,561

The capital surplus from shares issued in excess of par (including additional paid-in capital from the issuance of ordinary shares, conversion of bonds and treasury share transactions) and donations may be capitalized from capital surplus into share capital, which is limited to a certain percentage of the Bank's paid-in capital. In addition, the capital surpluses generated by the issuance of employee stock options were all $2,971,968 thousand on December 31, 2020 and 2019, which are limited to offset losses.

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

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

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

32.3 Retained earnings and dividend policy

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

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

According to the Bank's earnings distribution policy before the amendment, if there is surplus after the bank completing the tax payment, it should first allocate 30% to the legal reserve. However, when the statutory surplus reserve has reached the total paid-in capital of the Bank (not subject to the limit); it will appropriate or reverse the special surplus reserve from the regulations or depending on operational needs. The surplus balance and accumulated unappropriated surplus in the previous year. The board of directors drafts a surplus allocation case and proposes for it to be recognized at the shareholders' meeting.

If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be corrected into capital (share capital) or distributed in cash. However, under the Banking Act, if legal reserve is less than its paid-in capital, the Bank is allowed to distribute cash earnings only up to 15% of its capital. For the estimation on the distribution of employees' compensation and remuneration of directors, refer to employees' compensation and remuneration of directors in Note 33(f).

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

The Bank held the shareholders' meeting on June 19, 2020 and June 14, 2019, respectively. The proposals and resolutions for the appropriations of earnings and dividends per share for 2019 and 2018 were as follows:

	Appropriation of Earnings		Dividends Per Share (In NT Dollar)	
	2019	2018	2019	2018
Legal reserve	$ 4,398,333	$ 4,113,591		
Special reserve	-	68,560		
Cash dividends - ordinary shares	9,187,286	8,203,206	$ 2.05	$ 2.00
	$ 13,585,619	$ 12,385,357	$ 2.05	$ 2.00

The appropriations of earnings and dividends per share for 2020 are scheduled to be approved in the board directors' meeting on March 27, 2021, and are detailed as follows:

	Appropriation of Earnings	Dividends Per Share (In NT Dollar)
	2020	2020
Legal reserve	$ 3,879,720	
Cash dividends - ordinary shares	7,618,725	$ 1.70
	$ 11,498,445	

The appropriation of earnings for 2020 will be resolved in the shareholders' meetings on June 15, 2021.

32.4 Special reserve

The Bank made a special reserve due to the transfer of $1,256,859 thousand of its cumulative translation adjustment reported in equity to retained earnings upon first-time IFRS adoption. There was no change in the balance of the special reserve for the year ended December 31, 2020.

According to Rule No. 10510001510 issued by the FSC on May 25, 2016, public banks shall appropriate a special reserve for 0.5% to 1.0% of net profit when making appropriations of earnings from 2016 to 2018 to cope with staff transformation for financial technology development. Public banks may reverse the same amount of transfers or resettle the expenses starting from 2017. The Bank made a special reserve in the amounts of $68,560 thousand from earnings of 2018 proposed by the Bank's board of directors on June 14, 2019. The Bank made a special reserve in the amount of $189,228 thousand according to the rule for the year ended December 31, 2020.

32.5 Treasury shares

On December 31, 2020 and 2019, Shancom Reconstruction Inc. and China Travel Service (Taiwan) held 11,370 thousand shares and 27 thousand shares of the Bank, respectively.

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

32.6. Non-controlling interests

	For the Year Ended December 31	
	2020	2019
Beginning balance	$ 50,658,706	$ 46,865,979
Retrospective application of the impact of IFRS 16	-	(15,229)
Beginning balance after adjustment	50,658,706	46,850,750
Attributed to non-controlling interests		
Acquisition of non-controlling interests in subsidiaries (Note15 and 37)	(566,457)	-
Changes in equity of subsidiaries (Note 15 and 37)	-	(85,518)
Net income	4,351,671	5,063,368
Translation adjustments for foreign operations	(2,845,677)	(852,934)
Unrealized gain (loss) on financial assets measured at FVTOCI	252,877	1,444,560
Realized loss on financial assets measured at FVTOCI	(202,332)	(99,134)
Gain (loss) on investments in debt instruments at FVTOCI	6,916	(1,780)
Share of other comprehensive income under the equity method	9,758	29,763
Income tax	(142,702)	(110,030)
Distribution of cash dividends	(1,526,804)	(1,580,339)
Ending balance	$ 49,995,956	$ 50,658,706

33. DETAILS OF COMPREHENSIVE INCOME STATEMENT ITEMS

33.1 Interest revenue, net

	For the Year Ended December 31	
	2020	2019
Interest revenue		
Discounts and loans	$ 30,105,993	$ 34,807,126
Securities investments	8,944,704	10,856,676
Due from banks	2,684,374	4,852,099
Others	251,986	398,720
	41,987,057	50,914,621
Interest expense		
Deposits	12,509,331	16,981,557
Bank debentures	1,775,542	1,805,710
Due to banks	809,046	1,663,682
Securities sold under repurchase agreements	77,332	67,246
Lease liabilities	45,935	77,878
Others	381,261	372,779
	15,598,447	20,968,852
Interest revenue, net	$ 26,388,610	$ 29,945,769

33.2 Service fee income, net

	For the Year Ended December 31	
	2020	2019
Service fee income		
Trust and custody services	$ 2,259,665	$ 1,751,129
Loan service fees	1,563,870	1,526,748
Nominee and brokerage service charge	809,667	857,432
Guarantees related fees	691,170	548,320
Credit card related fees	423,915	533,624
Remittance related fees	399,914	430,206
Insurance commission fees	352,866	608,213
Inward/outward business	285,609	380,417
Others	694,886	786,836
	7,481,562	7,422,925
Service charge		
Credit card service charge	212,907	244,461
Nominee and brokerage service charge	91,616	84,596
Finance service charge	54,758	61,305
Custody service charge	47,967	45,451
Interbank service charge	13,130	16,881
Others	457,376	441,051
	877,754	893,745
Service fee income, net	$ 6,603,808	$ 6,529,180

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

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

	For the Year Ended December 31, 2019		
	Realized Gain (Loss)	Unrealized Gain (Loss)	Total
Financial assets mandatorily classified as at FVTPL	$ 3,708,801	$ 293,947	$ 4,002,748
Held-for-trading financial liabilities	(3,048,880)	198,046	(2,850,834)
Financial liabilities designated as at FVTPL	-	(159,109)	(159,109)
	$ 659,921	$ 332,884	$ 992,805

33.4 Realized gain or loss on financial assets at FVTOCI

	For the Year Ended December 31	
	2020	2019
Disposal of debt instruments	$ 1,151,560	$ 440,223
Dividend income	1,119,042	977,928
	$ 2,270,602	$ 1,418,151

33.5 Employment benefits expense

	For the Year Ended December 31	
	2020	2019
Short-term employment benefits	$ 8,071,163	$ 8,432,551
Retirement benefits		
Defined contribution plan	383,737	371,900
Defined benefit plan	179,504	186,370
Other employment benefits	375,264	356,359
	$ 9,009,668	$ 9,347,180

33.6 Employees' compensation and remuneration of directors

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

The employees' compensation and the remuneration of directors for 2020 and 2019 as approved in the board meetings on March 27, 2021 and March 21, 2020, respectively, were as follows:

	For the Year Ended December 31			
	2020		2019	
	Cash	Shares	Cash	Shares
Employees' compensation	$ 60,000	$ -	$ 60,000	$ -
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 estimation and will be adjusted in the next year.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2019 and 2018.

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

33.7 Depreciation and amortization

	For the Year Ended December 31	
	2020	2019
Depreciation expense		
Right-of-use assets	$ 822,648	$ 806,275
Properties	643,703	748,780
Investment properties	33,693	35,031
	1,500,044	1,590,086
Amortization expense		
Intangible assets	119,667	129,722
Other assets	93,748	84,376
	213,415	214,098
	$ 1,713,459	$ 1,804,184

34. INCOME TAXES RELATING TO CONTINUING OPERATIONS

34.1 Income tax expense recognized in profit or loss

The major components of tax expenses were as follows:

	For the Year Ended December 31 2020	For the Year Ended December 31 2019
Current tax		
In respect of the current year	$ 3,428,668	$ 4,365,182
In respect of prior periods	(26,717)	36,070
Tax on the repatriation of earnings	165,932	-
	3,567,883	4,401,252
Deferred tax		
In respect of the current year	615,213	534,060
In respect of prior periods	(29,114)	(28,968)
Effect of deferred income tax on the repatriation of earnings from subsidiaries	(414,830)	-
	171,269	505,092
Income tax expense recognized in profit or loss	$ 3,739,152	$ 4,906,344

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

	For the Year Ended December 31 2020	For the Year Ended December 31 2019
Profit before tax from continuing operations	$ 21,553,768	$ 24,680,964
Income tax expense calculated at the statutory rate	$ 6,128,254	$ 6,417,480
Add (deduct) tax effect of：		
Tax-exempt cash dividend	(77,915)	(59,559)
Permanent difference - investment income	(619,716)	(499,871)
Tax-exempt gain on security transactions	(38,532)	(45,492)
Tax-exempt income from subsidiaries	(715,938)	(89,040)
Tax-exempt income from offshore banking unit (OBU)	(612,830)	(791,415)
Tax-exempt gain on sale of land	-	(3,378)
Others	(67,220)	(78,685)
	3,996,103	4,850,040
Tax on unappropriated earnings	35,087	49,202
Basic tax payable difference	12,691	-
Adjustments for prior years' current tax	(26,717)	36,070
Adjustments for prior years' deferred tax	(29,114)	(28,968)
Tax on the repatriation of earnings	165,932	-
Effect of deferred income tax on the repatriation of earnings from subsidiaries	(414,830)	-
Income tax expense recognized in profit or loss	$ 3,739,152	$ 4,906,344

In July 2019, Taiwan amended the Statute for Industrial Innovation, and stipulated that amounts reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. Therefore, the Bank was allowed to deduct the amount reinvested in capital expenditure when computing the tax on unappropriated earnings.

34.2 Income tax expense recognized in other comprehensive income

	For the Year Ended December 31 2020	For the Year Ended December 31 2019
Deferred income tax expense		
Arising on income and expenses recognized in other comprehensive income		
Translation adjustments for foreign operations	$1,037,394	$ 440,423
Unrealized gain or loss on financial assets measured at FVTOCI	(493,049)	(711,722)
Defined benefit plans remeasurement	26,801	19,146
Income tax expense recognized in other comprehensive income	$ 571,146	$ (252,153)

34.3 Income tax assessments

	December 31	
	2020	2019
Current tax assets		
Tax refund receivable	$ 122,342	$ 116,128
Current tax liabilities		
Income tax payable	$ 1,251,695	$ 2,568,931

34.4 Deferred tax assets and liabilities

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

For the Year Ended December 31, 2020

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

For the Year Ended December 31, 2019

Deferred Tax Assets	Opening Balance	Effects of Adopting IFRS16	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Translation Difference	Closing Balance
Temporary differences						
Doubtful debts	$ 674,083	$ -	$ 20,969	$ -	$ (6,966)	$ 688,086
Impairment loss on financial assets at FVTOCI	8,349	-	(910)	-	-	7,439
Unrealized loss on financial instruments	295,825	-	28,245	(316,430)	(1,675)	5,965
Investment loss of domestic subsidiaries recognized under equity method	28,423	-	(6,989)	-	-	21,434
Unrealized foreign exchange loss	5,103	-	34,379	-	-	39,482
Cumulative translation adjustment	13,683	-	-	7,697	(1)	21,379
Employee benefits plan	165,895	-	(7,263)	19,146	-	177,778
Others	134,635	-	53,965	-	2,805	191,405
	$ 1,325,996	$ -	$ 122,396	$ (289,587)	$ (5,837)	$ 1,152,968
Temporary differences						
Unrealized gain on financial instruments	$ -	$ -	$ (71,845)	$ (395,292)	$ 5,779	$ (461,358)
Investment gain of domestic subsidiaries recognized under equity method	(9,254,467)	5,699	(514,199)	432,968	(52,035)	(9,382,034)
Recognized deferred depreciation expenses	(156,032)	-	(47,491)	-	3,398	(200,125)
Others	(804)	-	348	(242)	(1)	(699)
	$ (9,411,303)	$ 5,699	$ (633,187)	$ 37,434	$ (42,859)	$(10,044,216)

34.5 Income tax assessments

The Bank's income tax returns through 2017 had been assessed by the tax authorities.

Income tax returns of the Bank's domestic subsidiaries through 2018 had been assessed by the tax authorities.

35. EARNINGS PER SHARE

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

Unit: NT$ Per Share

	For the Year Ended December 31	
	2020	2019
Basic earnings per share	$ 3.01	$ 3.50
Diluted earnings per share	$ 3.01	$ 3.50

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	
	2020	2019
Earnings used in the computation of basic and diluted earnings per share	$ 13,462,945	$ 14,661,111

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

	For the Year Ended December 31	
	2020	2019
Weighted average number of ordinary shares in computation of basic earnings per share	4,470,206	4,187,513
Effect of potentially dilutive ordinary shares:		
Employees' compensation	1,810	1,458
Weighted average number of ordinary shares used in the computation of diluted earnings per share	4,472,016	4,188,971

In the computation of diluted earnings per share, it assumed the entire amount of the compensation will be settled in potential shares. If the Bank offered to settle compensation paid to employees in cash or shares, the potential shares are included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

36. SHARE-BASED PAYMENT ARRANGEMENTS

Employee share option plan of the Bank

The board approved the issuance of new shares on June 14, 2019 and resolved to allocate 15% of the new shares for subscription by its employees according to the Company Law. According to IFRS 2 “Share-based Payment”, the employee’s share options should be measured at fair value, and the related compensation cost was $362,748 thousand. The relevant information of employee share options is as follows:

Employee Share Option	2019 Unit (In thousands of shares)
Options granted	57,000
Options exercised	55,507
Options expired	1,493
Fair value of options granted (NT$/per share)	$ 6.36

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

	2019
Acquisition date share price (NT$/per share)	42.29
Exercise price (NT$/per share)	36
Expected volatility	25.00%
Option life (in days)	33
Dividend yield	-
Risk-free interest rate	0.45%

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

37. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The Bank subscribed for the additional share capital of AMK, after which the shareholding in AMK held by the Bank increased from 80.01% to 84.89% on July 29, 2019. In addition, the Bank acquired equity interest from AMK’s external shareholders, after which the shareholding in AMK held by the Bank further increased from 84.89% to 99.99% on August 31, 2020.

The above transactions were treated as equity transactions. Therefore, the difference resulting from equity transaction was adjusted by reducing the unappropriated earnings by $200,035 thousand and increasing the capital reserve by $85,518 thousand in 2020 and 2019, respectively.

38. RELATED-PARTY TRANSACTIONS

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

38.1 The Bank's related parties

Related Party	Relationship with the Bank
The SCSB Cultural & Educational Foundation	Exceeding 1/3 of total fund donated by the Bank
The SCSB Charity Foundation	Exceeding 1/3 of total fund donated by the Bank
Silks Place Taroko	Investment under the equity method held by subsidiary
Hung Ta Investment Corporation	The chairman and the Bank's chairman are related by marriage
Hung Shen Investment Corporation	The chairman and the Bank's chairman are related by marriage
GTM Corporation	The director of the Bank is the director of the 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 relatives of the Bank's directors and managers

38.2 Significant transactions between related parties

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

38.2.1 Deposits

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

	December 31, 2019			For the Year Ended December 31, 2019
	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Expense
Directors and related management	$ 26,028,546	$ 25,619,065	0.00-4.90	$ 473,452
Employees	620,966	135,489	0.00-9.97	4,224
The SCSB Cultural & Educational Foundation	338,369	314,721	0.01-1.07	1,914
Others	62,035	60,640	0.00-1.03	333
	$ 27,049,916	$ 26,129,915		$ 479,923

38.2.2 Interest receivable (accounted for as receivables)

	December 31, 2020	December 31, 2019
Directors and related management	$ 89	$ 138

38.2.3 Interest payable (accounted for as payables)

	December 31, 2020	December 31, 2019
Directors and related management	$ 48	$ 175
The SCSB Cultural & Educational Foundation	38	62
The SCSB Charity Foundation	15	12
	$ 101	$ 249

38.2.4 Guarantee deposits received (accounted for as other liabilities)

	December 31, 2020	December 31, 2019
The SCSB Cultural & Educational Foundation	$ 318	$ 529

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

	For the Year Ended December 31	
	2020	2019
The SCSB Cultural & Educational Foundation	$ 1,272	$ 914

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

38.2.6 Loans

December 31, 2020									For the Year Ended December 31, 2020
				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)	$ 1,062	$ 607	$ 607	-	Real estate	1.56-1.83	None	$ 14
Others	Hung Shen Investment Corporation	388,000	378,000	378,000	-	Real estate	1.46-1.71	None	5,847
Others	Directors and related management (14)	1,163,269	1,094,478	1,094,478	-	Real estate/ financial instruments	1.29-2.26	None	63,232
		$ 1,552,331	$ 1,473,085	$ 1,473,085					$ 69,093

December 31, 2019									For the Year Ended December 31, 2019
				Performance					
Category	Name	Maximum Balance	Ending Balance	Normal Loans	Non-performing Loans	Collateral	Interest Rate (%)	Difference of Terms of the Transactions with Unrelated Parties	Interest Income
Loans for personal house mortgages	Directors and related management (1)	$ 9,112	$ 658	$ 658	-	Real estate	2.09	None	$ 103
Others	Hung Shen Investment Corporation	388,000	388,000	388,000	-	Real estate	1.46-1.71	None	3,317
Others	Directors and related management (11)	2,324,823	2,282,638	2,282,638	-	Real estate/ financial instruments	1.68-2.66	None	116,595
		$ 2,721,935	$ 2,671,296	$ 2,671,296					$ 120,015

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.

38.3 Compensation of directors and management personnel

	For the Year Ended December 31	
	2020	2019
Salaries and other short-term employee benefits	$ 500,861	$ 478,333
Bonuses issued to employees	42,009	87,632
Remuneration of directors	141,338	129,201
Post-employment benefits	82,586	40,413
Others	443	713
	$ 767,237	$ 736,292

39. PLEDGED ASSETS

Under the Central Bank's clearing system of Real-Time Gross Settlement (RTGS), on December 31, 2020 and 2019, the assets listed below had been provided as collateral for day-term overdrafts with the pledged amount adjustable at any time.

	December 31, 2020	December 31, 2019	Guaranty Purpose
The Bank			
Financial assets at amortized cost	$ 11,100,000	$ 15,000,000	Day-term overdraft with the pledge

On December 31, 2020 and 2019, the Bank provided financial assets at FVTOCI listed below which had been provided as operating guarantees.

	December 31, 2020	December 31, 2019	Guaranty Purpose
The Bank			
Financial assets at FVTOCI	$ 339,588	$ 317,093	Operating guarantee

On December 31, 2020 and 2019, SCB (HK) and its overseas branch provided financial assets at amortized cost listed below which had been provided as operating guarantees.

	December 31, 2020	December 31, 2019	Guaranty Purpose
The SCB (HK)			
Financial assets at amortized cost	$ 1,249,343	$ 1,529,647	Operating guarantee

On December 31, 2020 and 2019, SCB (HK) and its overseas branch provided financial assets at FVTOCI listed below which had been provided as operating guarantees.

	December 31, 2020	December 31, 2019	Guaranty Purpose
The SCB (HK)			
Financial assets at FVTOCI	$ 7,078,184	$ 7,879,119	Operating guarantee

40. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Bank as of December 31, 2020 and 2019, were as follows:

	December 31, 2020	December 31, 2019
Commitments of forward contracts with customers	$ 501,101,372	$ 402,427,884
Securities held in custody	230,840,454	243,735,280
Assets under trust	199,810,665	166,851,769
Guarantee notes payable	162,081,230	147,608,160
Government bonds in brokerage accounts	30,612,200	64,090,200
Receivables under custody	27,636,732	29,657,223
Short-term bills in brokerage accounts	1,261,600	808,800
Consigned travelers' checks	-	162,850

41. FINANCIAL INSTRUMENTS

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

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

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

	December 31, 2020		December 31, 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Financial assets measured at amortized cost	$ 107,685,748	$ 107,419,195	$ 109,307,916	$ 109,447,744
Financial liabilities				
Bank debentures	82,223,874	83,479,721	73,254,112	74,275,967

41.1.2 Fair value level

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Financial assets				
Financial assets measured at amortized cost	$ 107,419,195	$ 5,138,129	$ 102,281,066	$ -
Financial liabilities				
Bank debentures	83,479,721	-	83,479,721	-

	December 31, 2019			
	Total	Level 1	Level 2	Level 3
Financial assets				
Financial assets measured at amortized cost	$ 109,447,744	$ 12,529,573	$ 96,918,171	$ -
Financial liabilities				
Bank debentures	74,275,967	17,071,970	57,203,997	-

41.1.3 The evaluation method and assumptions used in measuring fair value.

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

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

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

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

41.2.1 Fair value level

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

Financial Instruments Measured at Fair Value	December 31, 2020 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets measured at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Shares	$ 1,148,316	$ 1,116,702	$ 31,614	$ -
Bonds	7,958,328	733,730	7,044,749	179,849
Beneficiary certificates	505,928	505,928	-	-
Financial assets measured at FVTOCI				
Equity instruments	20,407,824	18,477,657	-	1,930,167
Debt instruments	487,829,199	210,287,819	277,530,962	10,418
	$ 517,849,595	$ 231,121,836	$ 284,607,325	$ 2,120,434
Liabilities				
Financial liabilities measured at FVTPL	$ 2,245,100	$ -	$ 2,245,100	$ -
Derivative financial instruments				
Assets				
Financial assets measured at FVTPL	$ 4,045,244	$ 47,077	$ 3,690,419	$ 307,748
Liabilities				
Financial liabilities measured at FVTPL	$ 3,889,400	$ 39,235	$ 3,783,097	$ 67,068

Financial Instruments Measured at Fair Value	December 31, 2019 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets measured at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Shares	$ 986,730	$ 959,013	$ 27,717	$ -
Bonds	7,904,791	136,428	7,190,885	577,478
Beneficiary certificates	863,054	863,054	-	-
Financial assets measured at FVTOCI				
Equity instruments	21,515,462	19,713,063	-	1,802,399
Debt instruments	461,564,886	187,864,752	273,689,060	11,074
	$ 492,834,923	$ 209,536,310	$ 280,907,662	$ 2,390,951
Liabilities				
Financial liabilities measured at FVTPL	$ 2,394,829	$ -	$ 2,394,829	$ -
Derivative financial instruments				
Assets				
Financial assets measured at FVTPL	$ 1,762,390	$ 39,010	$ 1,448,284	$ 275,096
Liabilities				
Financial liabilities measured at FVTPL	$ 1,442,996	$ 15,611	$ 1,369,620	$ 57,765

There were no transfers of financial instruments between Level 1 and Level 2 fair value measurement for the years ended December 31, 2020 and 2019.

41.2.2 Reconciliation of Level 3 fair value measurement

For the Year Ended December 31, 2020

Item	Beginning Balance	Amount of Valuation Gain or Loss		Addition		Reduction		Exchange	Ending Balance
		Included in Profit or Loss	Included in Other Comprehensive Income	Buy or Issue	Transferred In	Sell Out, Disposal or Settlement	Transferred Out from Third Level		
Assets									
Financial assets measured at FVTPL									
Financial assets mandatorily classified as at FVTPL	$ 880,291	$ 4,686	$ -	$ -	$ -	$(369,663)	$ -	$ (27,717)	$ 487,597
Financial assets measured at FVTOCI	1,813,473	-	82,365	61,779	-	(14,593)	-	(2,439)	1,940,585
Liabilities									
Financial liabilities measured at FVTPL									
Held-for-trading financial liabilities	57,765	9,303	-	-	-	-	-	-	67,068

For the Year Ended December 31, 2019

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 measured at FVTPL									
Financial assets mandatorily classified as at FVTPL	$ 1,128,224	$ 195,166	$ -	$ -	$ -	$ (466,282)	$ -	$ 23,183	$ 880,291
Financial assets measured at FVTOCI	2,520,744	-	64,421	10,748	-	(622,347)	(154,641)	(5,452)	1,813,473
Liabilities									
Financial liabilities measured at FVTPL									
Held-for-trading financial liabilities	37,829	19,936	-	-	-	-	-	-	57,765

Some of the Group's investments became listed during the years ended December 31, 2020 and 2019. After the assessment, the market's fair values are available for reference. Therefore, such financial assets have been transferred from Level 3 to Level 1.

41.2.3 Valuation techniques and inputs applied for Level 2 fair value measurement

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

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

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

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

	Fair Value as of December 31, 2020	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-Average)	Notes
Non-derivative financial assets					
Financial assets measured at FVTPL					
Bonds	$ 179,849	Counterparty quote and check with other quotations	Discount for lack of market liquidity	0%-10%	The higher of the discount for lack of liquidity, and the lower of the fair value.
Financial assets measured at FVTOCI					
Shares	1,930,167	1. Market approach	Market liquidity reduction	10%-19%	1. The higher of the liquidity reduction, and the lower of the fair value.
		2. Net asset value method	Market liquidity reduction	10%-19%	2. The higher of the liquidity reduction, and the lower of the fair value
Bonds	10,418	1.Counterparty quote 2.Discounted cash flow method	Discount rate	0%-10%	The higher of the discount rate, and the lower of the fair value.
Derivative financial assets					
Financial assets measured at FVTPL					
Interest rate exchange	307,748	Discounted cash flow method	Discount rate	0%-10%	The higher of the discount rate, and the lower of the fair value.
Derivative financial liabilities					
Financial liabilities measured at FVTPL					
Sell options	67,068	Black-Scholes Model	Volatility	0%-15%	The higher of the volatility and the higher of the fair value.

41.2.5 Sensitivity analysis of alternative assumptions of Level 3 fair value measurements

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

December 31, 2020

	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	$ 261	$ (4,773)	$ -	$ -
Financial assets measured at FVTOCI	-	-	1,138	(17,562)

December 31, 2019

	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	$ 277	$ (18,370)	$ -	$ -
Financial assets measured at FVTOCI	-	-	2,901	(17,559)

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, 2020

	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	$ 4,773	$ (261)	$ -	$ -
Financial assets measured at FVTOCI	-	-	17,562	(1,138)

December 31, 2019

	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	$ 18,370	$ (277)	$ -	$ -
Financial assets measured at FVTOCI	-	-	17,559	(2,901)

41.3 Financial risk management

41.3.1 Risk management

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

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

The Group's risk management department performs the Group's risk management activities pursuant to the policies 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.

41.3.2 Credit risks

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

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

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

(1) Procedures of credit risk management

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

A Credit business (including loan commitments and guarantees)

The Bank

a. The credit risk has increased significantly since initial recognition

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

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

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

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

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

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

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

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

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

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

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

iv. The debtor has died or been dissolved.

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

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

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

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

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

c. Measurement of expected credit loss

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

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

The estimation method and significant assumptions used to assess expected credit losses have not changed significantly since December 31, 2020.

d. Forward-looking information considerations

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

SCB (HK)

a. The credit risk has increased significantly since initial recognition

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

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

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

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

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

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

vi. There is doubt about the collateral rights under the debt, or the collateral price is affected by the surrounding economic environment, and the mortgage value will decline due to economic recession.

vii. There are unfavorable changes in the business of the debtor industry which are affected by the surrounding economy or policy.

viii. Key person in debt companies have financial difficulties, debt or dispute litigation, or serious illness or death, all of which have a negative impact on the ability of debt companies to meet their debt obligations.

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

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

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

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

iii. The debtor has died or been dissolved.

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

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

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

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

viii. If the debtor invests in a project or delays the construction of a project, the cost exceeds the budget, and the creditor needs to arrange for debt restructuring.

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

x. Estimated debt contract payments failed to be fully recovered.

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

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

c. Measurement of expected credit loss

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

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

The estimation method and significant assumptions used to assess expected credit losses have not changed significantly since December 31, 2020.

d. Forward-looking information considerations

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

B. Due from and call loans to bank

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

C. Debt investments and derivative financial instruments

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

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

(2) Policies of credit risk hedging or mitigation

A. Collateral

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

B. Credit risk limitation and credit concentration management

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

C. Other mechanisms for credit risk management

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

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

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

December 31, 2020

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

December 31, 2019

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	$ 425,093	$ 86,886	$ -	$ -	$ 86,886
Discounts and loans	4,028,161	3,203,191	-	230,790	3,433,981

(3) Credit risk exposures

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

	December 31	
	2020	2019
Issued and non-cancelable loan commitments	$ 56,881,727	$ 60,577,239
Non-cancelable credit card commitments	651,646	708,400
Issued but unused letters of credit	32,719,060	35,955,513
Other guarantees	104,521,028	82,316,792

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

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

	December 31, 2020			
	12-Month ECLs	Lifetime ECLs - Unimpaired	Lifetime ECLs - Impaired	Total
Discounts and loans				
Consumer banking				
-Residential mortgage loans	$ 276,042,517	$ 2,165,375	$ 562,131	$ 278,770,023
-Small scale credit loans	14,132,617	151,629	161,580	14,445,826
-Others	51,660,037	202,005	49,312	51,911,354
Corporate banking				
-Secured	505,743,454	12,246,503	1,240,602	519,230,559
-Unsecured	253,980,660	28,980,835	606,484	283,567,979
Total	$ 1,101,559,285	$ 43,746,347	$ 2,620,109	$ 1,147,925,741
Accounts receivable (including non-performing credit card receivables)				
Credit cards	$ 2,923,203	$ 167,022	$ 70,947	$ 3,161,172
Others	15,486,132	147,888	11,878	15,645,898
Total	$ 18,409,335	$ 314,910	$ 82,825	$ 18,807,070
Debt instruments measured at FVTOCI	$ 481,973,422	$ 494,595	$ -	$ 482,468,017
Investments in debt instruments measured at amortized cost	$ 107,687,168	$ -	$ -	$ 107,687,168

	December 31, 2019			
	12-Month ECLs	Lifetime ECLs - Unimpaired	Lifetime ECLs - Impaired	Total
Discounts and loans				
Consumer banking				
-Residential mortgage loans	$ 260,977,998	$ 2,614,868	$ 734,759	$ 264,327,625
-Small scale credit loans	13,957,745	78,272	110,022	14,146,039
-Others	50,511,320	287,626	126,707	50,925,653
Corporate banking				
-Secured	486,685,477	15,350,425	2,326,723	504,362,625
-Unsecured	281,055,273	7,215,506	729,950	289,000,729
Total	$ 1,093,187,813	$ 25,546,697	$ 4,028,161	$ 1,122,762,671
Accounts receivable (including non-performing credit card receivables)				
Credit cards	$ 3,032,739	$ 200,515	$ 73,106	$ 3,306,360
Others	14,393,642	94,072	351,987	14,839,701
Total	$ 17,426,381	$ 294,587	$ 425,093	$ 18,146,061
Debt instruments measured at FVTOCI	$ 459,325,161	$ 170,624	$ -	$ 459,495,785
Investments in debt instruments measured at amortized cost	$ 109,309,485	$ -	$ -	$ 109,309,485

(4) Information on concentration of credit risk

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

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

A. Industry

	December 31			
	2020		2019	
Sector	Amount	%	Amount	%
Private sector	$ 727,245,269	63	$ 693,216,485	62
Consumer	390,287,673	34	370,599,762	33
Financial institution	17,910,294	2	47,720,972	4
Others	12,482,505	1	11,225,452	1
	$ 1,147,925,741	100	$ 1,122,762,671	100

B. Region

	December 31			
	2020		2019	
Region	Amount	%	Amount	%
Taiwan	$ 661,839,169	58	$ 625,426,134	56
Asia Pacific except Taiwan	356,071,837	31	371,406,041	33
Others	130,014,735	11	125,930,496	11
	$ 1,147,925,741	100	$ 1,122,762,671	100

C. Collateral

Collaterals Assumed	December 31 2020 Amount	%	2019 Amount	%
Unsecured	$ 280,626,148	24	$ 284,873,242	22
Secured				
Properties	730,573,644	64	719,720,612	65
Guarantee	76,304,205	7	61,962,114	5
Financial collateral	38,160,939	3	37,258,124	4
Movable properties	3,684,467	1	4,100,700	1
Other collateral	18,576,338	1	14,847,879	3
	$ 1,147,925,741	100	$ 1,122,762,671	100

(5) Information on credit risk quality

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

41.3.3 Market risk

(1) The sources and definition of market risk

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

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

(2) Market risk management policies

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

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

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

(3) Market risk management process

A. Recognition and measurement

The Group's operation and risk management sections both identify market risk factors of exposure positions, which are used to measure market risks. Market risk factors include interest rates, foreign exchange rates and market price of equity securities, and exposures, gains and losses and sensitivity (PV01, Delta, Beta) etc. Measurement of investment portfolio is affected by interest rate risk, foreign exchange risk and price of equity securities.

B. Monitoring and reporting

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

(4) Interest rate risk management

A. Definition of interest rate risk

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

B. Purpose of interest risk management

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

C. Procedures of interest risk management

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

When the Group undertakes business activities related to interest rate commodities, it will identify interest rate reprising risks and yield curve risks, and measure the possible impact of interest rate changes on the Group's earnings and economic value. The Group reports the analysis and monitoring of limit on interest rate risk position and various interest rate management objectives to the strategy management committee and the board of directors on a monthly basis.

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

D. Measurement methods

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

(5) Foreign exchange rate risk management

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

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

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

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

(6) Equity securities price risk management

A. Definition of equity securities price risk

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

B. Purpose of equity security price risk management

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

C. Procedures of equity security price risk management

The Group regularly uses 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.

D. Measurement method

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

(7) Market valuation technique

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

A. Sensitivity analysis

a. Interest rate risk

The Group has assessed the possible impact on income if global yield curve moves between -1 to +1 basis points simultaneously on December 31, 2020 and 2019 while other factors remain unchanged.

b. Foreign exchange rate risk

The Group assesses the possible impact on income when exchange rates of the NTD against various currencies fluctuate between -1% and +1% on December 31, 2020 and 2019 while other factors remain unchanged.

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

c. Equity securities price risk

The Group has assessed the possible impact on income when equity security prices on December 31, 2020 and 2019 rise or fall by 1% while other factors remain unchanged.

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

B. Sensitivity analysis is summarized as follows:

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

December 31, 2019			
Major Risk	Fluctuation Range	Amount	
		Equity	Profit or Loss
Foreign exchange risk	Foreign currency appreciated 1% against NTD	$ 698,096	$ 20,353
	Foreign currency depreciated 1% against NTD	(698,096)	(20,353)
Interest rate risk	Interest rate curve edged up 1bp	(71,125)	(7,691)
	Interest rate curve edged down 1bp	71,125	7,691
Equity price risk	Equity price increased 1%	196,778	8,326
	Equity price decreased 1%	(196,778)	(8,326)

41.3.4 Liquidity risk

(1) The sources and definition of liquidity risk

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

(2) The management policies are as follows:

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

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

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

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

D. Managing the maturity date of debt instruments.

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

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

(3) Maturity analysis

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

December 31, 2020	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Due to the Central Bank and banks	$ 27,036,180	$ 12,196,668	$ 3,265,218	$ 1,399,007	$ 2,920,588	$ 46,817,661
Financial liabilities measured at FVTPL	-	-	-	-	2,364,343	2,364,343
Securities sold under repurchase agreements	21,081,371	4,139,127	526,931	33,982	-	25,781,411
Payables	30,480,415	625,081	264,585	284,596	254,105	31,908,782
Deposits and remittances	1,005,052,057	313,807,777	170,852,338	184,964,952	11,219,690	1,685,896,814
Bank debentures	210,744	1,600,000	131,712	3,642,457	76,638,961	82,223,874
Other financial liabilities	2,790,654	30,999	2,620,019	3,786,958	1,304,325	10,532,955
Lease liabilities	37,704	104,011	111,203	289,837	1,744,426	2,287,181

December 31, 2019	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Due to the Central Bank and banks	$ 46,435,613	$ 18,099,140	$ 4,255,228	$ 2,120,591	$ 2,581,958	$ 73,492,530
Financial liabilities measured at FVTPL	-	-	-	-	2,405,361	2,405,361
Securities sold under repurchase agreements	5,541,237	5,374,546	132,573	12,265	-	11,060,621
Payables	23,209,748	1,996,903	756,433	1,106,919	156,496	27,226,499
Deposits and remittances	921,636,154	331,112,717	184,812,589	206,889,565	10,616,678	1,655,067,703
Bank debentures	224,941	-	140,587	365,528	72,523,056	73,254,112
Other financial liabilities	4,285,440	38,052	80,716	163,552	1,471,222	6,038,982
Lease liabilities	41,360	125,378	113,752	211,301	1,923,724	2,415,515

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

A. Derivative financial liabilities in net settlement

December 31, 2020	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial liabilities measured at FVTPL						
Foreign exchange derivatives	$ 22,568	$ 40,706	$ 25,262	$ 22,436	$ -	$ 110,972
Rate derivatives	-	-	-	40,283	26,786	67,069
Equity securities derivatives	578	-	-	-	-	578

December 31, 2019	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial liabilities measured at FVTPL						
Foreign exchange derivatives	$ 21,869	$ 17,695	$ 4,522	$ 8,509	$ 284	$ 52,879
Rate derivatives	-	-	-	77	57,688	57,765
Equity securities derivatives	34	-	-	-	-	34

B. Derivative financial liabilities in total settlement

December 31, 2020	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial liabilities measured at FVTPL						
Foreign exchange derivatives						
Cash inflow	$ 122,239,801	$ 54,962,642	$ 94,258,175	$ 32,844,775	$ 426,975	$ 304,732,368
Cash outflow	122,890,662	55,343,874	94,444,452	33,028,403	426,972	306,134,363

December 31, 2019	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial liabilities measured at FVTPL						
Foreign exchange derivatives						
Cash inflow	$ 112,629,952	$ 66,699,746	$ 61,548,393	$ 134,262,329	$ 73,396,402	$ 448,536,822
Cash outflow	112,767,871	66,946,573	61,719,840	134,290,256	73,396,402	449,120,942

The analysis of cash outflows of off-balance-sheet items is illustrated according to the remaining terms from the balance date to maturity date of the contract. For financial guarantee contracts, the largest amount is categorized under the shortest time 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 sheets.

December 31, 2020	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Open-end and non-cancelable loan commitments	$ 7,017,759	$ 2,229,107	$ 3,274,688	$ 10,125,895	$ 34,234,279	$ 56,881,728
Non-cancelable credit card commitments	66,012	132,089	198,100	255,445	-	651,646
Issued but unused letters of credit	27,112,987	4,108,707	1,296,551	200,815	-	32,719,060
Other guarantees	40,491,873	23,032,143	8,204,885	18,595,591	14,196,536	104,521,028

December 31, 2019	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Open-end and non-cancelable loan commitments	$ 6,132,170	$ 3,335,704	$ 3,843,878	$ 2,902,272	$ 44,363,215	$ 60,577,239
Non-cancelable credit card commitments	71,761	143,593	215,353	277,693	-	708,400
Issued but unused letters of credit	30,294,160	4,461,724	825,402	248,895	125,332	35,955,513
Other guarantees	16,848,063	21,827,179	7,243,819	19,169,101	17,228,630	82,316,792

41.4 Transfer of financial assets

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

December 31, 2020

Type of Financial Assets	The Book Value of Financial Assets Transferred	The Book Value of Related Financial Liabilities	The Fair Value of Financial Assets Transferred	The Fair Value of Related Financial Liabilities	Net Amount
Financial assets measured at FVTOCI - purchase of call options	$ 25,014,292	$ 25,781,411	$ 25,014,292	$ 25,781,411	$ (767,119)

December 31, 2019

Type of Financial Assets	The Book Value of Financial Assets Transferred	The Book Value of Related Financial Liabilities	The Fair Value of Financial Assets Transferred	The Fair Value of Related Financial Liabilities	Net Amount
Financial assets measured at FVTOCI - purchase of call options	$ 10,189,672	$ 11,060,621	$ 10,189,672	$ 11,060,621	$ (870,949)

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

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

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

42.1 The Bank

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

	For the Year Ended December 31, 2019	
	Average Balance	Average Rate (%)
Interest-bearing assets		
Cash and cash equivalents - due from other banks	$ 13,850,804	0.81
Due from the Central Bank and call loans to banks	109,422,612	1.35
Financial assets measured at FVTPL	51,158	0.58
Securities purchased under resell agreements	1,830,684	1.92
Revolving credit card balances	679,151	12.55
Discounts and loans (excluding non-performing loans)	708,099,399	2.33
Financial assets measured at FVTOCI - investments in debt instruments	185,584,719	1.62
Financial assets measured at amortized cost	100,889,751	0.64
Other financial assets due from other banks (time deposits of more than three months)	5,284,203	2.34

	For the Year Ended December 31, 2019	
	Average Balance	Average Rate (%)
Interest-bearing liabilities		
Due to the Central Bank and banks	28,984,523	2.01
Financial liabilities measured at FVTPL	2,160,094	4.90
Securities sold under repurchase agreements	14,744,785	0.46
Negotiable certificates of deposit	31,553,638	0.66
Demand deposits	223,267,143	0.25
Savings deposits	146,052,704	0.31
Time deposits	402,605,531	1.30
Time savings	143,681,506	1.03
Bank debentures	56,120,878	1.64
Principal amount of structured deposit	1,742,978	2.29
Lease liabilities	707,016	1.27

42.2 SCB (HK)

	For the Year Ended December 31, 2020	
	Average Balance	Average Rate (%)
Interest-bearing assets		
Due from other banks	$ 155,693,089	0.95
Discounts and loans (excluding non-performing loans)	366,212,184	3.70
Revolving credit card balances	124,246	30.84
Debt instruments (including financial assets measured at FVTOCI and at amortized cost)	246,252,530	2.23
Interest-bearing liabilities		
Due to other banks	41,103,673	1.31
Demand deposits	229,663,488	0.02
Time deposits	408,955,638	1.56
Bank debentures	15,377,428	4.49

	For the Year Ended December 31, 2019	
	Average Balance	Average Rate (%)
Interest-bearing assets		
Due from other banks	$ 149,720,961	1.96
Discounts and loans (excluding non-performing loans)	366,169,707	4.34
Revolving credit card balances	154,700	30.91
Debt instruments (including financial assets measured at FVTOCI and at amortized cost)	244,714,718	2.88
Interest-bearing liabilities		
Due to other banks	49,256,840	2.28
Demand deposits	237,064,911	0.07
Time deposits	392,968,809	2.18
Bank debentures	16,118,722	4.53

43. CAPITAL MANAGEMENT

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

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

The following table which lists the equity capital, risk-weighted assets, and risk exposure as of December 31, 2020 is prepared according to the "Regulations Governing the Capital Adequacy and Capital Category of Banks" that was modified by the Financial Supervisory Commission of Taiwan (Ref. No. 10802744341) on December 23, 2019; the equity capital, risk-weighted assets, and risk exposure as of December 31, 2019 is prepared according to the "Regulations Governing the Capital Adequacy and Capital Category of Banks" that was modified by the Financial Supervisory Commission of Taiwan (Ref. No. 10200362920) on January 9, 2014.

The Group conformed to the regulation on capital management as of December 31, 2020 and 2019.

	December 31	
	2020	2019
Analysis items		
Eligible capital		
Common equity	$ 165,191,816	$ 165,638,855
Other Tier I capital	6,104,095	5,202,361
Tier II capital	50,765,432	54,130,329
Eligible capital	$ 222,061,343	$ 224,971,545
Risk-weighted assets		
Credit risk		
Standardized approach	$ 1,429,205,765	$ 1,404,923,260
Credit valuation adjustment (CVA)	1,327,408	1,242,086
Internal rating based approach	N/A	N/A
Synthetic securitization	1,204,050	869,704
Operational risk		
Basic indicator approach	68,763,627	67,569,151
Standardized approach /alternative standardized approach	N/A	N/A
Advanced measurement approach	N/A	N/A
Market risk		
Standardized approach	80,030,662	61,482,231
Internal models approach	N/A	N/A
Total risk-weighted assets	$ 1,580,531,512	$ 1,536,086,432
Capital adequacy ratio	14.05%	14.65%
Ratio of common equity to risk-weighted assets	10.45%	10.78%
Ratio of Tier I capital to risk-weighted assets	10.84%	11.12%
Leverage ratio	7.57%	7.69%

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

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

44.1 Assets quality: as stated in Table 1

44.2 Concentration of credit risks

Top 10 credit extensions information of the Group was as below:

Ranking (Note 1)	December 31, 2020					
	The Bank			SCB (HK)		
	Categorized by Sector (Note 2)	Credit Amount (Note 3)	Credit Amount / Stockholders' equity	Categorized by Sector (Note 2)	Credit Amount (Note 3)	Credit Amount / Stockholders' equity (Note 4)
1	A Group (general management agency)	6,365,394	4.10%	a Group (other holding companies)	18,245,451	15.19%
2	B Group (electricity supply industry)	5,697,983	3.67%	b Group (automobile retail)	9,565,969	7.96%
3	C Group (computer manufacturing)	5,493,784	3.54%	c Group (hotel property development)	9,429,226	7.85%
4	D Group (other holding companies)	5,473,133	3.53%	d Group (property investment and development)	9,187,186	7.65%
5	E Group (real estate selling and leasing)	5,234,067	3.37%	e Group (hotel property development)	8,014,091	6.67%
6	F Group (metallic furniture manufacturing)	5,099,207	3.29%	f Group (hotel property development)	7,259,917	6.04%
7	G Group (wiring and cable system manufacturing)	4,394,663	2.83%	g Group (broadcasting and entertainment industry)	7,107,874	5.92%
8	H Group (general management agency)	4,280,262	2.76%	h Group (property investment)	5,867,824	4.88%
9	I Group (general management agency)	4,214,850	2.72%	i Group (import and export of garments and accessories)	5,160,321	4.29%
10	J Group (apparel manufacturing)	4,022,186	2.59%	j Group (hotel property development)	5,011,580	4.17%

Ranking (Note 1)	December 31, 2019					
	The Bank			SCB (HK)		
	Categorized by Sector (Note 2)	Credit Amount (Note 3)	Credit Amount / Stockholders' equity	Categorized by Sector (Note 2)	Credit Amount (Note 3)	Credit Amount / Stockholders' equity (Note 4)
1	D Group (other holding companies)	5,795,975	3.77%	a Group (other holding companies)	22,101,423	18.34%
2	H Group (general management agency)	5,687,749	3.70%	b Group (automobile retail)	10,162,030	8.43%
3	A Group (general management agency)	5,241,956	3.41%	e Group (hotel property development)	9,081,527	7.54%
4	F Group (metallic furniture manufacturing)	4,787,639	3.12%	c Group (hotel property development)	8,378,727	6.95%
5	K Group (other computer peripheral manufacturing)	4,580,967	2.98%	d Group (property investment and development)	7,075,243	5.87%
6	G Group (wiring and cable system manufacturing)	4,301,785	2.80%	f Group (hotel property development)	6,435,518	5.34%
7	B Group (electricity supply industry)	4,256,911	2.77%	h Group (property investment)	6,068,395	5.04%
8	L Group (computer manufacturing)	4,132,898	2.69%	k Group (property investment and reconstruction)	5,514,812	4.58%
9	J Group (apparel manufacturing)	3,837,200	2.50%	i Group (import and export of garments and accessories)	5,146,633	4.27%
10	C Group (computer manufacturing)	3,488,604	2.27%	l Group (investment holding and steel sales)	4,757,202	3.95%

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

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

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

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

44.3 Interest rate sensitivity information

44.3.1 The Bank

Interest Rate Sensitivity Analysis
December 31, 2020

(In Thousands of NT$)

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

Interest Rate Sensitivity Analysis
December 31, 2019

(In Thousands of NT$)

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

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

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

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

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

Interest Rate Sensitivity Analysis
December 31, 2020

(In Thousands of US$)

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

Interest Rate Sensitivity Analysis
December 31, 2019

(In Thousands of US$)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate sensitive assets	$ 6,260,487	$ 154,851	$ 49,483	$ 1,681,030	$ 8,145,851
Interest rate sensitive liabilities	2,776,374	4,782,537	562,709	71,417	8,193,037
Interest rate sensitivity gap	3,484,113	(4,627,686)	(513,226)	1,609,613	(47,186)
Net equity					5,120,286
Ratio of interest rate sensitive assets to liabilities					99.42%
Ratio of interest rate sensitivity gap to net equity					(0.92%)

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

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

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

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

44.3.2 SCB (HK)

Interest Rate Sensitivity Analysis
December 31, 2020

(In Thousands of US$)

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

Interest Rate Sensitivity Analysis
December 31, 2019

(In Thousands of US$)

Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate sensitive assets	$ 7,310,109	$ 301,362	$ 381,070	$ 1,836,532	$ 9,829,073
Interest rate sensitive liabilities	6,486,786	1,113,003	891,836	943,605	9,435,230
Interest rate sensitivity gap	823,323	(811,641)	(510,766)	892,927	393,843
Net equity					3,888,596
Ratio of interest rate sensitive assets to liabilities					104.17%
Ratio of interest rate sensitivity gap to net equity					10.13%

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

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

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

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

44.4 Profitability

The Group

Items		December 31, 2020	December 31, 2019
Return on total assets	Before income tax	1.03	1.24
	After income tax	0.85	0.99
Return on equity	Before income tax	10.53	12.89
	After income tax	8.70	10.32
Profit margin		47.09	48.17

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

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

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

Note 4: Income before (after) income tax represents income YTD.

44.5 Maturity analysis of assets and liabilities

44.5.1 The Bank

(1) In Thousands of New Taiwan Dollars

	Total	December 31, 2020 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	$ 935,678,121	$ 94,550,579	$ 86,404,851	$ 69,883,647	$ 95,556,519	$ 121,737,422	$ 467,545,103
Major cash outflow at maturity	1,217,470,374	71,336,979	92,156,790	157,880,743	167,909,621	252,688,539	475,497,702
Gap	(281,792,253)	23,213,600	(5,751,939)	(87,997,096)	(72,353,102)	(130,951,117)	(7,952,599)

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

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

(2) In Thousands of US dollars

	Total	December 31, 2020 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	$ 13,329,661	$ 4,023,059	$ 913,061	$ 1,110,672	$ 1,088,577	$ 6,194,292
Major cash outflow at maturity	15,456,793	2,428,962	1,998,277	1,884,755	2,861,930	6,282,869
Gap	(2,127,132)	1,594,097	(1,085,216)	(774,083)	(1,773,353)	(88,577)

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

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

44.5.2 SCB (HK)

In Thousands of US dollars

	Total	December 31, 2020 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	$ 12,930,661	$ 3,418,276	$ 1,036,717	$ 985,904	$ 1,620,638	$ 5,869,126
Major cash outflow at maturity	9,217,346	4,710,162	2,290,065	825,221	593,698	798,200
Gap	3,713,315	(1,291,886)	(1,253,348)	160,683	1,026,940	5,070,926

	Total	December 31, 2019 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	$ 10,238,115	$ 2,655,328	$ 884,491	$ 783,194	$ 827,218	$ 5,087,884
Major cash outflow at maturity	9,508,928	5,158,563	2,295,173	924,125	576,378	554,689
Gap	729,187	(2,503,235)	(1,410,682)	(140,931)	250,840	4,533,195

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

45. 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, 2020	December 31, 2019	Trust Liabilities	December 31, 2020	December 31, 2019
Bank deposit	$ 7,491,220	$ 3,505,347	Accounts payable	$ 474	$ 166
Short-term investments	83,471,837	81,698,280	Depository of security payable	74,965,228	58,253,237
Net asset value of collective investment trust fund	5,773,176	4,436,498	Trust capital	124,472,786	108,082,884
Accounts receivable	26,088	34,713	Retained earnings	187,974	311,533
Land	24,675,486	17,006,238			
Buildings and improvement, net	176,641	167,855			
Construction in progress	2,991,661	1,492,556			
Depository of security	74,965,228	58,253,237			
Other assets	55,125	53,096			
Total trust assets	$ 199,626,462	$ 166,647,820	Total trust liabilities	$ 199,626,462	$ 166,647,820

Trust Asset Lists

	December 31 2020	December 31 2019
Cash in banks	$ 7,491,220	$ 3,505,347
Short-term investment		
Funds	62,304,964	61,434,704
Bonds	17,760,377	18,069,542
Common stocks	2,746,266	2,022,229
Principals of structured instruments	572,208	153,715
Preferred stock	88,022	18,090
Net asset value of collective trust accounts	5,773,176	4,436,498
Receivables	26,088	34,713
Land	24,675,486	17,006,238
Buildings and improvement, net	176,641	167,855
Construction in progress	2,991,661	1,492,556
Depository of securities	74,965,228	58,253,237
Other assets - principal deferred expense	55,125	53,096
Total	$ 199,626,462	$ 166,647,820

Income Statements of Trust Account

	For the Year Ended December 31	
	2020	2019
Trust income		
Cash dividends revenue	$ 100,438	$ 95,659
Interest revenue	15,320	13,860
Donation revenue	1,357	1,573
Realized investment gains	18,541	7,040
Unrealized investment gains	338,333	289,997
Other revenue	54,892	871
	528,881	409,000
Trust expenses		
Tax expenditures	61,882	7,707
Management fees	5,440	3,205
Service fees	5,646	3,283
Realized investment losses	49	15
Unrealized investment losses	197,839	6,218
Donation expenses	2,335	2,112
Other expenses	22	22
	273,213	22,562
Income before income tax	255,668	386,438
Income tax expense	-	-
Net income	$ 255,668	$ 386,438

46. EXCHANGE RATE INFORMATION OF FOREIGN FINANCIAL ASSETS AND LIABILITIES

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

46.1 The Bank

	December 31					
	2020			2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets						
Monetary items						
Cash and cash equivalents						
USD	$ 610,234	28.0990	$ 17,146,965	$ 118,768	29.9920	$ 3,562,090
JPY	18,800,695	0.2725	5,123,189	17,987,571	0.2760	4,964,570
CNY	827,545	4.3254	3,579,463	158,602	4.2961	681,368
Due from the Central Bank and call loans to banks						
USD	2,305,174	28.0990	64,773,084	1,890,314	29.9920	56,694,297
CNY	553,300	4.3254	2,393,244	2,107,600	4.2961	9,054,460
VND	520,000,000	0.0012	624,000	160,000,000	0.0013	208,000
Receivables						
EUR	20,869	34.5814	721,679	-	-	-
JPY	2,390,667	0.2725	651,457	-	-	-
AUD	9,574	21.6531	207,307	-	-	-
Discounts and loans						
USD	4,408,807	28.0990	123,883,068	4,226,711	29.9920	126,767,516
EUR	503,399	34.5814	17,408,242	431,144	33.6420	14,504,546
HKD	4,033,377	3.6247	14,619,782	5,201,584	3.8517	20,034,941
Financial assets at FVTOCI						
USD	2,132,552	28.0990	59,922,579	1,830,569	29.9920	54,902,425
CNY	1,646,956	4.3254	7,123,743	1,460,003	4.2961	6,272,319
AUD	92,031	21.6531	1,992,756	88,397	21.0109	1,857,301
Financial assets measured at amortized cost						
USD	107,324	28.0990	3,015,697	56,239	29.9920	1,686,720
SGD	60,628	21.2613	1,289,030	56,555	22.2534	1,258,541
Financial assets at FVTPL						
USD	34,070	28.0990	957,333	47,896	29.9920	1,436,497
EUR	57	34.5814	1,971	1,534	33.6420	51,607
ZAR	53	20.3100	1,076	11	20.1996	222
Other financial assets						
CNY	300,000	4.3254	1,297,620	1,230,000	4.2961	5,284,203
Non-monetary items						
Equity investments under the equity method						
USD	2,610,607	28.0990	73,355,441	2,432,832	29.9920	72,965,489
HKD	85,310	3.6247	309,224	80,191	3.8517	308,872
Financial liabilities						
Monetary items						
Payables						
USD	180,448	28.0990	5,070,408	86,823	29.9920	2,603,995
JPY	1,285,370	0.2725	350,263	871,532	0.2760	240,543
EUR	4,142	34.5814	143,236	5,488	33.6420	184,627
Due to the Central Bank and banks						
HKD	1,932,000	3.6247	7,002,920	1,940,678	3.8517	7,474,909
USD	157,241	28.0990	4,418,315	319,814	29.9920	9,591,861
VND	1,070,000,000	0.0012	1,284,000	650,000,000	0.0013	845,000
Deposits and remittances						
USD	9,488,737	28.0990	266,624,021	7,829,498	29.9920	234,822,304
CNY	5,142,221	4.3254	22,242,163	5,251,337	4.2961	22,560,269
EUR	433,662	34.5814	14,996,639	563,349	33.6420	18,952,187
Financial liabilities at FVTPL						
USD	92,085	28.0990	2,587,496	86,643	29.9920	2,598,597
EUR	44	34.5814	1,522	304	33.6420	10,227
NZD	53	20.3100	1,076	11	20.1996	222

46.2 SCB (HK)

	December 31					
	2020			2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets						
Monetary items						
Cash and cash equivalents						
CNY	$ 3,168,571	4.3254	$ 13,705,337	$ 2,299,722	4.2961	$ 9,879,836
EUR	114,040	34.5814	3,943,663	95,806	33.6420	3,223,105
USD	98,931	28.0990	2,779,862	25,070	29.9920	751,899
Due from the Central Bank and call loans to banks						
USD	2,499,454	28.0990	70,232,158	2,642,137	29.9920	79,242,973
CNY	1,989,966	4.3254	8,607,399	3,754,292	4.2961	16,128,814
Receivables						
USD	58,257	28.0990	1,636,963	49,170	29.992	1,474,707
CNY	6,270	4.3254	27,120	10,058	4.2961	43,210
Discounts and loans						
USD	4,691,083	28.0990	131,814,741	4,041,625	29.9920	121,216,417
CNY	5,598,884	4.3254	24,217,413	5,428,192	4.2961	23,320,056
GBP	498,340	38.3383	19,105,508	477,409	39.3630	18,792,251
Financial liabilities						
Monetary items						
Payables						
CNY	589,303	4.3254	2,548,971	10,105	4.2961	43,412
USD	26,582	28.0990	746,928	36,271	29.9920	1,087,840
Due to the central bank and banks						
GBP	162,209	38.3383	6,218,817	152,146	39.3630	5,988,923
USD	345,747	28.0990	9,715,145	730,415	29.9920	21,906,607
CNY	1,705,144	4.3254	7,375,430	3,040,005	4.2961	13,060,165
Deposits and remittances						
USD	8,216,863	28.0990	230,885,633	8,134,459	29.9920	243,968,694
CNY	13,087,454	4.3254	56,608,474	12,575,653	4.2961	54,026,263

47. OTHERS

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

48. ADDITIONAL DISCLOSURES

48.1 Information of significant transaction items and 48.2 Other business investment is as follows:

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

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

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

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

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

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

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

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

48.1.9 Sale of non-performing loans: None.

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

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

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

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

48.3 Investments in Mainland China:

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

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

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

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

49. SEGMENT INFORMATION

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

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

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

The operating segments information is as follows:

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

	For the Year Ended December 31, 2019				
	Taiwan	Hong Kong	Others	Other Adjustments	Total
Net interest	$ 12,927,299	$ 15,716,253	$ 1,302,215	$ 2	$ 29,945,769
Net revenue other than from interest	4,747,868	5,882,658	388,275	(13,298)	11,005,503
Net revenue	17,675,167	21,598,911	1,690,490	(13,296)	40,951,272
Bad debt expenses and reserve for possible losses on guarantees	(599,728)	(242,571)	(65,442)	-	(907,741)
Operating expenses	(7,685,967)	(6,505,310)	(1,186,653)	(34,778)	(15,412,708)
Profit before income tax	$ 9,389,472	$ 14,851,030	$ 438,395	$ (48,074)	$ 24,630,823

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

Main operating clients

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

TABLE 1

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

OVERDUE LOANS AND RECEIVABLES
DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars, %)

Date			December 31, 2020					December 31, 2019				
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		794,595	302,634,799	0.26	3,426,243	431.19	482,394	278,923,677	0.17	3,141,059	651.14
	Unsecured		314,647	185,808,307	0.17	2,016,435	640.86	266,678	191,798,222	0.14	2,112,477	792.15
Consumer banking	Housing mortgage (Note 4)		496,246	247,234,190	0.20	3,955,777	797.14	634,931	231,026,990	0.27	3,925,301	618.22
	Cash cards		-	-	-	-	-	-	-	-	-	-
	Small credit loans (Note 5)		3,817	3,110,277	0.12	33,024	865.18	5,446	2,482,303	0.22	28,795	528.74
	Others (Note 6)	Secured	43,054	30,897,838	0.14	330,646	767.98	101,372	27,595,041	0.37	349,884	345.15
		Unsecured	-	-	-	-	-	-	-	-	-	-
Total			1,652,359	769,198,675	0.21	9,757,258	590.50	1,490,821	731,826,233	0.20	9,557,516	641.09
			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			6,100	2,510,175	0.24	88,570	1,451.97	11,013	2,479,588	0.44	90,633	822.96
Accounts receivable factored without recourse (Note 7)			-	479,948	-	4,799	-	-	835,039	-	8,350	-

Note 1: Non-performing loans represent the amounts of non-performing loans reported to the authorities and disclosed to the public, as required by the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrued Loans."
Non-performing credit card receivables represent the amounts of non-performing receivables reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of non-performing loans: Non-performing loans ÷ Outstanding loan balance.
Ratio of non-performing credit card receivables: Non-performing credit card receivables ÷ Outstanding credit card receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses on loans ÷ Non-performing loans.
Coverage ratio of credit card receivables: Allowance for possible losses on credit card receivables ÷ Non-performing credit card receivables.

Note 4: Housing mortgage is fully secured by property, which is purchased (owned) by the borrower, the spouse or the minor children of the borrower and the rights on mortgage are pledged to the financial institution, for the purpose of purchasing or decorating property.

Note 5: Small scale credit loans, as categorized in accordance with the Banking Bureau's letter dated December 19, 2005 (Ref. No. 09440010950), are unsecured loans with small amounts exclusive of credit cards and cash cards.

Note 6: Other loans of consumer banking refer to secured or unsecured loans exclusive of housing mortgage, cash card, small scale credit loans and credit card.

Note 7: As required by the Banking Bureau's letter dated July 19, 2005 (Ref. No. 0945000494), factoring without recourse is disclosed as non-performing receivables in three months after the factors or insurance companies reject indemnification.

TABLE 1-1

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

OVERDUE LOANS AND RECEIVABLES
DECEMBER 31, 2020 AND 2019
(In Thousands of New Taiwan Dollars)

	December 31, 2020		December 31, 2019	
	Excluded NPL	Excluded Overdue Receivables	Excluded NPL	Excluded Overdue Receivables
As a result of debt consultation and loan agreements (Note 1)	-	-	-	-
As a result of consumer debt clearance (Note 2)	-	34,574	-	35,020

Note 1: The disclosure of excluded NPLs and excluded overdue receivables resulting from debt consultation and loan agreements is based on the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

Note 2: The disclosure of excluded NPLs and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau's letter dated September 15, 2008 (Ref. No. 09700318940) and September 20, 2016 (Ref. No. 10500134790).

TABLE 2

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

LOANS AND OTHER INFORMATION
DECEMBER 31, 2020
(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	$ 82,183	$ 56,230	$ 56,230	6%~11%	1	$ 56,230	-	$ 1,125	Real estate	$ 185,733	$ 381,120	$ 952,800
1	SCSB Leasing (China) Co., Ltd.	B Co., Ltd.	Entrusted loan receivables	N/A	97,322	86,508	86,508	6%~11%	1	86,508	-	1,730	Real estate	260,822	381,120	952,800
1	SCSB Leasing (China) Co., Ltd.	C Co., Ltd.	Entrusted loan receivables	N/A	151,389	147,064	147,064	6%~11%	2	-	Operation turnovers	2,941	Real estate	209,782	190,560	381,120

Note 1: The numbers refer to the following:
(1) Issuer is 0.
(2) Investees are numbered sequentially starting from 1.

Note 2: The nature of capital loans corresponds to the following values:
(1) 1 for business dealing.
(2) 2 for reasons of short-term financing facility.

Note 3: The amounts and calculation of the loan limit are as follows:

1. Individual fund loans and limits

(1) For an enterprise or organization that has no business relationship with the lender but has short-term financing facility, the loan amount to the single enterprise or organization shall not exceed 40% of the net value as presented in the latest financial statements of the lender as audited by the accountant.

(2) For an enterprise or organization that has no business dealings with the lender but has short-term financing facility, the loan amount to the single enterprise or organization shall not exceed 20% of the net value as presented in the latest financial statements of the lender as audited by the accountant.

2. Capital loans and total loan limits

(1) For an enterprise or organization that has no business dealings with the lender but has short-term financing facility, the total accumulated loan balance of the single enterprise or organization shall not exceed twice the net value as presented in the latest financial statements of the lender as audited by the accountant.

(2) For an enterprise or organization that has no business dealings with the lender but has short-term financing facility, the total accumulated loan balance of the single enterprise or organization shall not exceed 40% of the net value as presented in the latest financial statements of the lender as audited by the accountant.

The total accumulated loan balance of the above two parties shall not exceed twice the net value as presented in the latest financial statements of the lender as audited by the accountant.

TABLE 3

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2020
(Amounts in Thousands of New Taiwan Dollars)

Holding Company Name	Name	Security Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2020				Note
				Shares (In Thousands)	Carrying Amount (Note 1)	Percentage of Ownership (%)	Market Value or Net Asset Value	
Shancom Reconstruction Inc.	Empresa Inversiones Generales, S.A.	Indirect subsidiary	Investments in subsidiaries	1	$ 1,637,528	100.00	$ 1,637,528	Note1
	Krinein Company	Indirect subsidiary	Investments in subsidiaries	2	479,248	100.00	479,248	Note1
	Safehaven Investment Corporation	Indirect subsidiary	Investments in subsidiaries	1	45,685	100.00	45,685	Note1
Wresqueue Limitada	Prosperity Realty Inc.	Indirect subsidiary	Investments in subsidiaries	4	23,796	100.00	23,796	Note1
China Travel Service (Taiwan)	Silks Place Taroko	-	Equity investments under the equity method	20,372	272,576	45.00	272,576	
	CTS Travel International Ltd.	Indirect subsidiary	Investments in subsidiaries	600	7,012	100.00	7,012	Note1
	Joy Tour Service Co., Ltd.	-	Financial assets measured at FVTOCI	100	1,000	10.00	1,000	
	Shanghai Commercial & Savings Bank, Ltd.	The Bank	Financial assets measured at FVTOCI	27	1,143	-	1,143	
SCSB Asset Management Ltd.	SCSB Leasing (China) Co., Ltd.	Indirect subsidiary	Investments in subsidiaries	N/A	953,906	100.00	953,906	Note1
Krinein Company	Shanghai Commercial Bank (HK)	Indirect subsidiary	Investments in subsidiaries	1,920	11,275,232	9.60	11,275,232	Note1
Empresa Inversiones Generales, S.A.	Shanghai Commercial Bank (HK)	Indirect subsidiary	Investments in subsidiaries	9,600	56,376,160	48.00	56,376,160	Note1

Note1: A consolidated entity; the related intercompany transaction was eliminated in the consolidated financial statements.

TABLE 4

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES (FOR INVESTEES) OR INVESTMENT IN INVESTEE (FOR THE BANK) ACQUIRED AND DISPOSED OF AT LEAST NT$300 MILLION OR 10% OF THE PAID-IN CAPITAL
DECEMBER 31, 2020
(Amounts in Thousands of New Taiwan Dollars and US Dollars)

Trading company	Name	Financial Statement Account	Counterparty	Relationship	Beginning		Buy		Sell				Ending	
					Shares	Amount	Shares	Amount	Shares	Price	Book Value	Disposal of Profit and Loss	Shares	Amount
The Shanghai Commercial & Savings Bank, Ltd.	AMK Microfinance Institution Plc.	Equity investments under the equity method	-	None	5,404,860	NT$ 3,140,613 US$ 104,715	962,137	NT$ 766,492 US$ 26,120 (Note 2)	-	$ -	$ -	$ -	6,366,997	NT$ 3,651,545 US$ 129,953 (Note 1 and Note 3)

Note 1： It included share of profit in subsidiary accounted for using equity method of NT$159,615 thousand (US$5,422 thousand), change in shareholding ratio NT$200,035 thousand decreased retained earnings and net decrease of NT$215,140 thousand in parent company's other equity.

Note 2：The acquisition of shares from non-controlling interests amounted to $766,492 thousand.

Note 3：When preparing the consolidated financial statements, it had been fully written off.

TABLE 5

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

RELATED INFORMATION OF INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars) (Share in Thousands)

Investee Company	Location	Main Businesses and Products	Percentage of Ownership (%)	Carrying Amount	Investment Income (Loss) Recognized	Consolidated Investment (Note 2)				Note
						Shares (In Thousands)	Shares (Pro forma)	Total Shares (In Thousands)	Percentage of Ownership (%)	
Equity investments under the equity method										
Financial business										
SCSB Asset Management Ltd.	Taiwan	Purchase and management of creditor's rights of financial institutions	100.00	$ 1,555,525	$ 3,156	160,000	-	160,000	100.00	
SCSB Marketing Ltd.	Taiwan	Marketing	100.00	8,559	1,989	500	-	500	100.00	
Paofoong Insurance Company Ltd.	Hong Kong	Insurance	40.00	309,224	19,227	500	-	500	100.00	
Shanghai Commercial Bank (HK)	Hong Kong	Banking and financial	57.60	67,651,392	5,975,319	11,520	-	11,520	57.60	
SCSB Leasing (China) Co., Ltd.	China	Leasing operation	100.00	953,906	1,085	N/A	-	N/A	100.00	
AMK Microfinance Institution Plc.	Cambodia	Microfinance institution	99.99	3,651,545	159,615	6,367	-	6,367	99.99	
Non-financial business										
China Travel Service (Taiwan)	Taiwan	Travel services	99.99	403,389	20,192	38,943	-	38,943	99.99	
Kuo Hai Real Estate Management	Taiwan	Building material distribution	34.69	-	-	3,000	-	3,000	34.69	
Shancom Reconstruction Inc.	Liberia	Securities investment	100.00	69,380,022	6,043,553	5	-	5	100.00	
Wresqueue Limitada	Liberia	Securities investment	100.00	323,874	8,605	176	-	176	100.00	
Empresa Inversiones Generales, S.A.	Panama	Securities investment	100.00	1,637,528	1,727,367	1	-	1	100.00	
Krinein Company	Cayman Islands	Securities investment	100.00	479,248	348,139	2	-	2	100.00	
Safehaven Investment Corporation	Liberia	Securities investment	100.00	45,685	401	1	-	1	100.00	
Prosperity Realty Inc.	US	Real estate services	100.00	23,796	6,887	4	-	4	100.00	
Silks Place Taroko	Taiwan	Travel services	45.00	272,576	62,234	20,372	-	20,372	45.00	
CTS Travel International Ltd.	Taiwan	Travel services	100.00	7,012	6	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, 2020
(Amounts in Thousands of New Taiwan Dollars and US Dollars)

1. Investee company name, main business and products, total amount of paid-in capital, investment type, investment outflows and inflows, % ownership, investment gain (loss), carrying amount as of December 31, 2020 and inward remittance of earnings:

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment as of December 31, 2019	Investment Flows		Accumulated Outflow of Investment as of December 31, 2020	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2020 (Note 3)	Accumulated Inward Remittance of Earnings as of December 31, 2020
					Outflow	Inflow					
SCSB Leasing (China) Co., Ltd.	Leasing operation	NT$ 842,970 US$ 30,000	Note1(c)	NT$ 842,970 US$ 30,000	- -	- -	NT$ 842,970 US$ 30,000	100%	NT$ 1,085 US$ 37	NT$ 953,906 US$ 33,948	$ -
Bank of Shanghai	Banking business approved by local government	NT$ 61,448,921 US$ 2,186,872	Note 4	NT$ 3,167,966 US$ 112,743	- -	- -	NT$ 3,167,966 US$ 112,743	3%	- -	NT$ 14,439,142 US$ 513,867	-
Shanghai Commercial Bank Ltd. - Shenzhen Branch	Banking business approved by local government	NT$ 3,028,321 US$ 107,773	Note 4	NT$ 1,795,329 US$ 63,893	- -	- -	NT$ 1,795,329 US$ 63,893	100%	NT$ 248,877 US$ 8,464	NT$ 2,754,450 US$ 98,027	-
Shanghai Commercial Bank Ltd. - Shanghai Branch	Banking business approved by local government	NT$ 3,126,285 US$ 111,260	Note 4	NT$ 1,818,483 US$ 64,717	- -	- -	NT$ 1,818,483 US$ 64,717	100%	NT$ 30,056 US$ 1,022	NT$ 3,157,109 US$ 112,357	-
The Shanghai Commercial & Savings Bank, Ltd. - Wuxi Branch	Banking business approved by the local government	NT$ 2,525,901 US$ 84,549	Note1(a)	NT$ - US$ -	NT$ 2,525,901 US$ 84,549	- -	NT$ 2,525,901 US$ 84,549	100%	NT$ (9,970) US$ (352)	NT$ 2,525,901 US$ 84,549	-

2. Upper limit on investments in mainland China:

Accumulated Investment in Mainland China as of December 31, 2020 (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA (Note 3)	Upper Limit on Investment Authorized by Investment Commission MOEA
$ 10,000,490 (US$ 355,902)	$ 10,254,084 (US$364,927)	$ 123,059,527

Note 1: Methods of investment in mainland China are listed below:

(a) Directly invest.
(b) Invest indirectly via a third company.
(c) Others.

Note 2: Financial report audited by the accounting firm associated with the parent company in Taiwan.

Note 3: Calculated using the exchange rate on December 31, 2020.

Note 4: To invest via sub-subsidiary of the Bank, Shanghai Commercial Bank (HK).

TABLE 7

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2020
(In Thousands of New Taiwan Dollars)

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transaction			
				Financial Statement Item	Amount	Term	Percentage of Consolidated Total Gross Sales or Total Assets (Note 3)
0	The Shanghai Commercial & Savings Bank, Ltd.	SCSB Asset Management Ltd.	From parent company to subsidiary	Accounts payable	$ 75	Note 4	-
		SCSB Asset Management Ltd.	From parent company to subsidiary	Deposits and remittances	273,420	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	2,143	Note 4	-
		SCSB Marketing	From parent company to subsidiary	Other liabilities	20	Note 4	-
		SCSB Marketing	From parent company to subsidiary	Accounts payable	3	Note 4	-
		SCSB Marketing	From parent company to subsidiary	Deposits and remittances	12,881	Note 4	-
		SCSB Marketing	From parent company to subsidiary	Interest expenses	68	Note 4	-
		SCSB Marketing	From parent company to subsidiary	Other general and administrative expenses	93,816	Note 4	-
		China Travel Service (Taiwan)	From parent company to subsidiary	Accounts payable	87	Note 4	-
		China Travel Service (Taiwan)	From parent company to subsidiary	Deposits and remittances	102,720	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	465	Note 4	-
		China Travel Service (Taiwan)	From parent company to subsidiary	Net revenue other than from interest	720	Note 4	-
		China Travel Service (Taiwan)	From parent company to subsidiary	Other general and administrative expenses	1,821	Note 4	-
		CTS Travel International Ltd.	From parent company to subsidiary	Deposits and remittances	5,460	Note 4	-
		CTS Travel International Ltd.	From parent company to subsidiary	Interest expenses	58	Note 4	-
		CTS Travel International Ltd.	From parent company to subsidiary	Accounts payable	98	Note 4	-
		Shancom Reconstruction Inc.	From parent company to subsidiary	Cash and cash equivalents	176,770	Note 4	-
		Shancom Reconstruction Inc.	From parent company to subsidiary	Due from the Central Bank and call loans to banks	35,594	Note 4	-
		Shancom Reconstruction Inc.	From parent company to subsidiary	Accounts payable	894	Note 4	-
		Shancom Reconstruction Inc.	From parent company to subsidiary	Deposits and remittances	1,375,156	Note 4	-
		Shancom Reconstruction Inc.	From parent company to subsidiary	Interest expenses	13,915	Note 4	-
1	SCSB Asset Management Ltd.	The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Cash and cash equivalents	273,420	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Accounts receivable	75	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Other assets	47	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Interest revenue	2,143	Note 4	-
		Shancom Reconstruction Inc.	From subsidiary to subsidiary	Cash and cash equivalents	267,960	Note 4	-

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transaction			
				Financial Statement Item	Amount	Term	Percentage of Consolidated Total Gross Sales or Total Assets (Note 3)
2	SCSB Marketing	The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Cash and cash equivalents	$ 12,881	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Accounts receivable	3	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	68	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Net revenue other than from interest	93,816	Note 4	-
3	China Travel Service (Taiwan)	The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Accounts receivable	87	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Cash and cash equivalents	102,720	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	465	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Net revenue other than from interest	720	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Net revenue other than from interest	1,281	Note 4	-
		Shancom Reconstruction Inc.	From subsidiary to subsidiary	Cash and cash equivalents	531	Note 4	-
		CTS Travel International Ltd.	From subsidiary to subsidiary	Net revenue other than from interest	114	Note 4	-
		CTS Travel International Ltd.	From subsidiary to subsidiary	Other general and administrative expenses	1,085	Note 4	-
4	CTS Travel International Ltd.	The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Cash and cash equivalents	5,460	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Interest revenue	58	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Accounts receivable	98	Note 4	-
		China Travel Service (Taiwan)	From subsidiary to subsidiary	Net revenue other than from interest	1,085	Note 4	-
		China Travel Service (Taiwan)	From subsidiary to subsidiary	Net revenue other than from interest	114	Note 4	-
5	Shancom Reconstruction Inc.	The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Cash and cash equivalents	1,375,156	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Due from other banks	35,594	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Accounts receivable	894	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Due from the Central Bank and call loans to banks	176,770	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Interest revenue	13,915	Note 4	-
		China Travel Service (Taiwan)	From subsidiary to subsidiary	Deposits and remittances	531	Note 4	-
		SCSB Asset Management Ltd.	From subsidiary to subsidiary	Deposits and remittances	267,960	Note 4	-

Note 1: The parent company and subsidiaries are indicated by the following numbers:

(1) Parent company: 0.
(2) Subsidiaries: 1 onward.

Note 2: The directional flow of the various transactions are indicated according to the following types:

(1) Transactions from parent company to subsidiary.
(2) Transactions from subsidiary to parent company.
(3) Transactions from subsidiary to subsidiary.
(4) Transactions from parent company to indirect subsidiary.
(5) Transactions from indirect subsidiary to parent company.

Note 3: The percentages are recalculated by the consolidated total assets or the consolidated net sales. If the account belongs to the balance sheets, it will be based on the percentage of its final amount divided by the consolidated total assets. Otherwise, if the account belongs to the income statements, it will be based on the percentage of its average amount divided by the consolidated net revenue.

Note 4: All transactions with related parties were carried out at arm's length.

Financial Statements

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
The Shanghai Commercial & Savings Bank, Ltd.
Taipei, Taiwan

Opinion

We have audited the accompanying financial statements of The Shanghai Commercial & Savings Bank, Ltd. (the "Bank"), which comprise the balance sheets as of December 31, 2020 and 2019, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, its financial performance and its cash flows for the years ended December 31, 2020 and 2019 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.

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, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Bank's financial statements as of and for the year ended December 31, 2020 are described as follows:

Allowance for Impairment Losses on Discounts and Loans

The Bank primarily engages in the loan business. As of December 31, 2020, the loan business is significant to the accompanying financial statements. The Bank assessed its discounts and loans for impairment in accordance with IFRS 9 and recognized the allowance for bad debts according to authorities' 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 39 to the financial statements for disclosures related to the impairment of loan portfolios. As the cash flow forecasts involved management's critical judgments in accounting estimates and assumptions, we determined the impairment assessment of loan portfolios as a key audit matter.

In response to the abovementioned key audit matter, our key audit procedures performed included the following:

1. We understood and tested the Bank's internal control on loans and discounts and performed relevant substantive procedures in assessing loan impairment.

2. We tested the accuracy of the method and important parameters (default rate, default loss rate, default exposure amount and forward-looking information) adopted in the expected credit loss model in accordance with the actual situations and also calculated the amount of impairment losses.

3. We tested the classification of credit assets to assess that the allowance for impairment met the requirements of competent authorities' regulations.

4. We assessed the potential risks for discounted lending rates of customers derived from publicly available information, and assured that they had been associated with the appropriate stage of evaluation.

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, 2020 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 27, 2021

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, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

Codes	ASSETS	December 31, 2020 Amount	%	December 31, 2019 Amount	%
11000	Cash and cash equivalents	$ 37,427,286	3	$ 22,497,324	2
11500	Due from the Central Bank and call loans to banks	107,088,363	8	112,615,345	9
12000	Financial assets measured at fair value through profit or loss	2,635,633	-	3,171,234	-
12100	Financial assets measured at fair value through other comprehensive income	234,358,461	17	207,965,724	16
12200	Debt instrument investments measured at amortized cost	106,436,440	8	99,749,266	8
12500	Securities purchased under resell agreements	146,817	-	1,899,574	-
13000	Receivables, net	7,933,610	1	7,932,983	1
13200	Current income tax assets	71,571	-	37,830	-
13500	Discounts and loans, net	760,036,481	56	722,895,002	57
15000	Investments under the equity method, net	75,632,138	6	75,261,305	6
15500	Other financial assets, net	1,298,179	-	5,284,234	-
18500	Properties, net	12,086,661	1	11,968,217	1
18600	Right-of-use assets, net	833,353	-	788,251	-
19000	Intangible assets, net	108,574	-	100,332	-
19300	Deferred income tax assets	666,257	-	622,133	-
19500	Other assets, net	3,756,750	-	2,816,729	-
10000	Total assets	$ 1,350,516,574	100	$ 1,275,605,483	100
Codes	**LIABILITIES AND EQUITY**				
21000	Due to the Central Bank and banks	$ 15,947,884	1	$ 25,743,767	2
22000	Financial liabilities measured at fair value through profit or loss	2,782,900	-	2,710,483	-
22500	Securities sold under repurchase agreements	25,781,411	2	11,060,621	1
23000	Payables	23,618,520	2	20,012,828	2
23200	Current income tax liabilities	744,511	-	611,581	-
23500	Deposits and remittances	1,038,553,856	77	988,279,059	78
24000	Bank debentures	66,850,000	5	56,850,000	4
25500	Other financial liabilities	8,215,465	1	3,591,874	-
25600	Provisions	1,763,688	-	1,500,049	-
26000	Lease liabilities	844,497	-	790,378	-
29300	Deferred income tax liabilities	9,164,381	1	9,643,656	1
29500	Other liabilities	1,146,205	-	1,243,568	-
20000	Total liabilities	1,195,413,318	89	1,122,037,864	88
	Equity				
31101	Ordinary shares	44,816,031	3	44,816,031	3
31500	Capital surplus	16,550,661	1	16,432,561	1
	Retained earnings				
32001	Legal reserve	56,344,918	4	51,946,585	4
32003	Special reserve	7,669,374	1	7,669,374	1
32005	Unappropriated earnings	24,913,053	2	25,566,273	2
32000	Total retained earnings	88,927,345	7	85,182,232	7
32500	Other equity	4,892,363	-	7,219,939	1
32600	Treasury shares	(83,144)	-	(83,144)	-
30000	Total equity	155,103,256	11	153,567,619	12
	Total liabilities and equity	$ 1,350,516,574	100	$ 1,275,605,483	100

The accompanying notes are an integral part of the financial statements.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.
Statements of Comprehensive Income
For the Years Ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars, except Earnings Per Share)

Codes		2020 Amount	2020 %	2019 Amount	2019 %	Change (%)
41000	Interest income	$ 18,514,299	81	$ 22,420,443	90	(17)
51000	Interest expenses	6,892,369	30	9,493,144	38	(27)
49010	Net interest	11,621,930	51	12,927,299	52	(10)
	Non-interest income					
49100	Service fee income, net	3,078,928	14	3,151,821	13	(2)
49200	Gain on financial assets and liabilities measured at fair value through profit or loss	963,407	4	769,770	3	25
49310	Realized gain on financial assets measured at fair value through other comprehensive income	1,025,744	5	482,493	2	113
49450	Gain (loss) on financial assets measured at amortized cost	1,526	-	(231)	-	761
49600	Foreign exchange gain (loss), net	(177,779)	(1)	290,326	1	(161)
49700	Impairment gain (loss) on assets	(21,445)	-	4,441	-	(583)
49750	Proportionate share of profit of subsidiaries, under the equity method	6,256,337	27	7,174,434	29	(13)
49800	Other non-interest revenue	62,339	-	49,247	-	27
49020	Total non-interest revenue	11,189,057	49	11,922,301	48	(6)
4xxxx	Net revenue	22,810,987	100	24,849,600	100	(8)
58200	Provisions for bad-debt expense, commitment and guarantee liability	900,000	4	599,728	2	50
	Operating expenses					
58500	Employee benefits	4,384,983	19	4,570,509	18	(4)
59000	Depreciation and amortization	615,362	3	725,079	3	(15)
59500	Other general and administrative	2,138,014	9	2,390,379	10	(11)
58400	Total operating expenses	7,138,359	31	7,685,967	31	(7)
61001	Profit before income tax	14,772,628	65	16,563,905	67	(11)
61003	Income tax expense	(1,309,683)	(6)	(1,902,794)	(8)	(31)
64000	Net income	13,462,945	59	14,661,111	59	(8)
	Other comprehensive income (loss)					
	Items that will not be reclassified subsequently to profit or loss:					
65201	Remeasurement of defined benefit plans	(134,006)	-	(95,729)	-	40
65204	Gain (loss) on investments in equity instruments measured at fair value through other comprehensive income	201,221	-	(4,985)	-	4,137
65205	Financial liabilities designated at FVTPL which the amount of change derived from credit risk	51,831	-	(45,419)	-	214

(Continued)

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.
Statements of Comprehensive Income
For the Years Ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars, except Earnings Per Share)

Codes		2020 Amount	2020 %	2019 Amount	2019 %	Change (%)
65207	Proportionate share of other comprehensive income of associates under the equity method	$ (1,082,469)	(5)	$ 747,481	3	(245)
65220	Income tax relating to items that may not be reclassified subsequently to profit or loss	26,394	-	18,856	-	40
65200	Subtotal of items that will not be reclassified subsequently to profit or loss	(937,029)	(4)	620,204	3	(251)
	Items that may be reclassified subsequently to profit or loss:					
65301	Exchange differences on translating foreign operations	(5,095,716)	(23)	(2,017,728)	(8)	153
65307	Share of the other comprehensive income of associates accounted for using the equity method	1,539,302	7	622,222	2	147
65309	Gain on debt instruments measured at fair value through other comprehensive income	1,095,732	5	2,481,981	10	(56)
65310	Gain (loss) allowance on debt instruments measured at fair value through other comprehensive income	21,392	-	(4,171)	-	613
65320	Income tax relating to items that may be reclassified subsequently to profit or loss	718,232	3	(65,267)	-	1,200
65300	Subtotal of items that may be reclassified subsequently to profit or loss	(1,721,058)	(8)	1,017,037	4	(269)
65000	Other comprehensive income for the period, net of income tax	(2,658,087)	(12)	1,637,241	7	(262)
66000	Total comprehensive income for the period	$ 10,804,858	47	$ 16,298,352	66	(34)
	Earnings per share					
67500	Basic	$ 3.01		$ 3.50		
67700	Diluted	$ 3.01		$ 3.50		

The accompanying notes are an integral part of the financial statements. (Concluded)

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.
Statements of Changes in Equity
For the Years Ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

Codes		Share Capital: Ordinary Shares	Capital Surplus	Retained Earnings: Legal Reserve	Retained Earnings: Special Reserve	Retained Earnings: Unappropriated Earnings	Other Equity: Exchange Differences on Translating Foreign Operations	Other Equity: Change in Financial Assets at FVTOCI	Other Equity: 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, 2019	$ 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)	-	-	-	-	-
B5	Special reserve	-	-	-	68,560	(68,560)	-	-	-	-	-
B9	Cash dividends	-	-	-	-	(8,203,206)	-	-	-	-	(8,203,206)
C7	Changes in capital surplus from subsidiaries 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	Capital increase	3,800,000	9,880,000	-	-	-	-	-	-	-	13,680,000
N1	Share-based payment transaction	-	362,748	-	-	-	-	-	-	-	362,748
Q1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	(110,087)	-	110,087	-	-	-
Z1	Balance at December 31, 2019	44,816,031	16,432,561	51,946,585	7,669,374	25,566,273	(1,905,481)	9,170,839	(45,419)	(83,144)	153,567,619
	Appropriation of 2019 earnings										
B1	Legal reserve	-	-	4,398,333	-	(4,398,333)	-	-	-	-	-
B9	Cash dividends	-	-	-	-	(9,187,286)	-	-	-	-	(9,187,286)
C9	Changes in capital surplus from subsidiaries accounted for using the equity method	-	10,798	-	-	-	-	-	-	-	10,798
C17	Dividends not yet collected	-	107,302	-	-	-	-	-	-	-	107,302
M5	Changes in equity of subsidiaries	-	-	-	-	(200,035)	-	-	-	-	(200,035)
D1	Net profit for the year ended December 31, 2020	-	-	-	-	13,462,945	-	-	-	-	13,462,945
D3	Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(105,249)	(3,737,681)	1,133,012	51,831	-	(2,658,087)
D5	Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	13,357,696	(3,737,681)	1,133,012	51,831	-	10,804,858
Q1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	(225,262)	-	225,262	-	-	-
Z1	Balance at December 31, 2020	$ 44,816,031	$ 16,550,661	$ 56,344,918	$ 7,669,374	$ 24,913,053	$ (5,643,162)	$ 10,529,113	$ 6,412	$ (83,144)	$ 155,103,256

The accompanying notes are an integral part of the financial statements.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

Codes		2020	2019
	Cash flows from operating activities		
A00010	Net profit before income tax	$ 14,772,628	$ 16,563,905
A20010	Adjustments to reconcile net profit to net cash provided by operating activities:		
A20100	Depreciation expenses	464,600	568,570
A20200	Amortization expenses	150,762	156,509
A20300	Provisions for bad debt expense, commitment and guarantee liability	900,000	599,728
A20400	Gain on financial assets and liabilities at fair value through profit or loss	(274,016)	(322,888)
A20900	Interest expenses	6,892,369	9,493,144
A21200	Interest income	(18,514,299)	(22,420,443)
A21300	Dividend income	(399,738)	(314,114)
A21900	Share-based payment transaction	-	362,748
A22400	Proportionate share of profit of associates	(6,256,337)	(7,174,434)
A22500	Loss on disposal of properties and equipment, net	5,512	20,484
A23500	Loss (gain) on expected credit loss (recovery)	21,418	(4,441)
A23700	Loss on non-financial asset impairment	27	-
A29900	Others	481,992	673,213
A40000	Changes in operating assets and liabilities		
A41110	Due from the Central Bank and call loans to banks	8,620,257	(22,591,067)
A41120	Financial assets measured at fair value through profit or loss	1,049,941	2,165,544
A41123	Financial assets measured at fair value through other comprehensive income	(25,592,887)	(18,693,879)
A41125	Debt instrument investments measured at amortized cost	(6,693,412)	(3,159,609)
A41150	Receivables	(664,025)	872,207
A41160	Discounts and loans	(38,051,244)	(40,821,075)
A41190	Other financial assets	3,986,054	(2,822,901)
A42110	Due to the Central Bank and banks	(9,795,883)	9,270,013
A42120	Financial liabilities at fair value through profit or loss	(116,076)	122,650
A42140	Securities sold under repurchase agreements	14,720,790	(3,568,909)
A42150	Payables	4,124,366	(2,086,711)
A42160	Deposits and remittances	50,274,797	76,632,580
A42170	Other financial liabilities	4,623,591	(101,233)
A42180	Employee benefit provisions	(15,271)	(5,933)
A42990	Other liabilities	12,975	(4,859)
A33000	Cash flows from (used in) operations	4,728,891	(6,591,201)
A33100	Interest received	19,574,649	22,701,113
A33200	Dividends received	2,525,887	2,492,389
A33300	Interest paid	(7,292,471)	(9,692,365)
A33500	Income tax paid	(1,210,200)	(1,540,199)
AAAA	Net cash flows from (used in) operating activities	18,326,756	7,369,737

(Continued)

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

Codes		2020	2019
	Cash flows from investing activities		
B02700	Acquisition of properties	(292,637)	(206,777)
B02800	Proceeds from disposal of properties	1,671	449
B03700	Increase in refundable deposits	(187,112)	25,295
B04500	Acquisition of intangible assets	(70,991)	(60,317)
B06800	Other assets	(841,669)	81,140
BBBB	Net cash flows from (used in) investing activities	(1,390,738)	(160,210)
	Cash flows from financing activities		
C01400	Proceeds from issuance of financial bonds	10,000,000	10,000,000
C01500	Payments for financial bonds	-	(10,300,000)
C03100	Increase in guarantee deposits received	(110,513)	382,342
C04020	Payments for principal portion of lease liabilities	(300,945)	(239,798)
C04500	Payment of cash dividend	(9,187,286)	(8,203,206)
C04600	Proceeds from capital increase by cash	-	13,680,000
C05400	Acquisition of subsidiaries	(766,492)	(475,065)
CCCC	Net cash flows from (used in) financing activities	(365,236)	4,844,273
DDDD	Effects of exchange rate changes on the balance of cash held in foreign currencies	(300,302)	(302,220)
EEEE	Net increase in cash and cash equivalents	16,270,480	11,751,580
E00100	Cash and cash equivalents at the beginning of the period	72,239,191	60,487,611
E00200	Cash and cash equivalents at the end of the period	$ 88,509,671	$ 72,239,191

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, 2020 and 2019:

Codes		December 31, 2020	December 31, 2019
E00210	Cash and cash equivalents in balance sheets	$ 37,427,286	$ 22,497,324
E00220	Due from the Central Bank and call loans to banks which fall within the definition of cash and cash equivalents under IAS 7	50,935,568	47,842,293
E00230	Securities purchased under resell agreements which fall within the definition of cash and cash equivalents under IAS 7	146,817	1,899,574
E00200	Cash and cash equivalents in statements of cash flows	$ 88,509,671	$ 72,239,191

The accompanying notes are an integral part of the financial statements.

(Concluded)

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
The Shanghai Commercial & Savings Bank, Ltd.
Taipei, Taiwan

Opinion

We have audited the accompanying consolidated financial statements of The Shanghai Commercial & Savings Bank, Ltd. (the "Bank") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2021 and 2020, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020, its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2021 and 2020 in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and SIC interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of Taiwan.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in Taiwan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of Taiwan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters related to the Group's consolidated financial statements as of and for the year ended December 31, 2021 are described as follows:

Allowance for Impairment Losses of Discounts and Loans

The Group primarily engages in the loan business. As of December 31, 2021, the loan business is significant to the accompanying consolidated financial statements. The Bank conducted its impairment assessment of discounts and loans and recognized allowance for bad debts according to the requirements of IFRS 9 and the authorities' regulations. The Bank's management assessed the impairment of discounts and loans by using the expected credit loss model. The Group assesses whether the credit risk has increased significantly since initial recognition by taking into consideration factors like the amount of loss on impairment, past experience, current market situation and prospective information, etc. In addition, credit-impaired loans are also evaluated for possible future recovery. Refer to Notes 4, 5, 14 and 40 to the consolidated financial statements for disclosures related to impairment of loan portfolios. As the cash flow forecasts involved management's critical judgments in accounting estimation and the underlying assumptions, we then determined the impairment of loan portfolios as a key audit matter.

In response to the abovementioned key audit matter, the following procedures were performed:

1. We understood and tested the Group's internal control procedures that were relevant to the assessment of loan impairment.

2. We verified that the method and important parameters adopted in the expected credit loss model had properly reflected actual situations and calculated the amount of impairment loss.

3. We tested the classification of credit assets and confirmed that the allowance for loss met the requirements of the competent authorities' regulations.

Other Matter

We have also audited the parent company only financial statements of the Bank as of and for the year ended December 31, 2021 and 2020 on which we have issued an unqualified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, IAS, SIC endorsed and issued into effect by the FSC, and for such internal control as management determines is necessary to ensure the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in Taiwan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in Taiwan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimation and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Chun-Hung Chen and Tzu-Jung Kuo.

Deloitte & Touche
Taipei, Taiwan

March 11, 2022

<u>*Notice to Readers*</u>

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in Taiwan and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in Taiwan.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in Taiwan. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

Codes	ASSETS	December 31, 2021 Amount	%	December 31, 2020 Amount	%
11000	Cash and cash equivalents (Note 6)	$ 70,381,813	3	$ 80,572,282	4
11500	Due from the Central Bank and call loans to banks (Note 7)	211,566,159	10	208,799,780	10
12000	Financial assets measured at fair value through profit or loss (Note 8)	10,598,012	1	13,657,815	1
12100	Financial assets measured at fair value through other comprehensive income (Notes 9 and 11)	518,556,855	24	508,237,023	24
12200	Investments in debt instruments measured at amortized cost (Notes 10 and 11)	159,319,588	8	107,685,748	5
12500	Securities purchased under resell agreements (Note 12)	278,486	-	146,817	-
13000	Receivables, net (Notes 13)	15,216,288	1	18,542,624	1
13200	Current income tax assets (Note 34)	62,485	-	122,342	-
13300	Assets for sale (Note 18)	-	-	85,844	-
13500	Discounts and loans, net (Notes 14)	1,112,234,779	52	1,136,430,305	54
15000	Investments under the equity method, net (Note 16)	1,922,359	-	1,880,035	-
15500	Other financial assets, net (Note 17)	4,817	-	1,298,179	-
18500	Properties, net (Note 18)	20,596,416	1	20,623,537	1
18600	Right-of-use assets, net (Note 19)	1,809,919	-	2,206,304	-
18700	Investment properties, net (Note 20)	5,981,151	-	5,806,484	-
19000	Intangible assets, net (Note 21)	1,665,724	-	1,657,682	-
19300	Deferred income tax assets (Note 34)	1,236,260	-	1,263,521	-
19500	Other assets, net (Note 22)	8,201,600	-	4,725,468	-
10000	Total assets	$ 2,139,632,711	100	$ 2,113,741,790	100
Codes	**LIABILITIES AND EQUITY**				
21000	Deposits from the central bank and other banks (Note 23)	$ 52,655,889	3	$ 46,817,661	2
21500	Due to the central bank and other banks	17,787,080	1	6,052,010	-
22000	Financial liabilities measured at fair value through profit or loss (Note 8)	3,670,954	-	6,134,500	-
22500	Securities sold under repurchase agreements (Note 24)	14,505,024	1	25,781,411	1
23000	Payables (Notes 25)	29,428,955	1	31,908,782	2
23200	Current income tax liabilities (Note 34)	1,184,757	-	1,251,695	-
23500	Deposits and remittances (Notes 26)	1,707,602,522	80	1,685,896,814	80
24000	Bank debentures (Note 27)	82,091,512	4	82,223,874	4
25500	Other financial liabilities (Note 28)	4,784,006	-	4,480,945	-
25600	Provisions (Note 29)	2,932,800	-	2,815,862	-
26000	Lease liabilities (Note 19)	1,868,929	-	2,287,181	-
29300	Deferred income tax liabilities (Note 34)	8,691,595	-	9,920,049	1
29500	Other liabilities (Notes 30)	3,190,488	-	3,071,794	-
20000	Total liabilities	1,930,394,511	90	1,908,642,578	90
	Equity (Note 32)				
	Equity attributable to owners of the Bank				
	Share capital				
31101	Ordinary shares	44,816,031	2	44,816,031	2
31500	Capital surplus	16,666,144	1	16,550,661	1
	Retained earnings				
32001	Legal reserve	60,224,639	3	56,344,918	3
32003	Special reserve	7,669,374	-	7,669,374	-
32005	Unappropriated earnings	27,585,920	1	24,913,053	1
32000	Total retained earnings	95,479,933	4	88,927,345	4
32500	Other equity	922,852	-	4,892,363	-
32600	Treasury shares	(83,144)	-	(83,144)	-
31000	Total equity attributable to owners of the Bank	157,801,816	7	155,103,256	7
38000	Non-controlling interests	51,436,384	3	49,995,956	3
30000	Total equity	209,238,200	10	205,099,212	10
	Total liabilities and equity	$ 2,139,632,711	100	$ 2,113,741,790	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 Year Ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars, except Earnings Per Share)

Codes		2021 Amount	%	2020 Amount	%	Change %
41000	Interest income	$ 35,519,115	93	$ 41,987,057	111	(15)
51000	Interest expenses	9,048,820	24	15,598,447	41	(42)
49010	Net interest income (Notes 33)	26,470,295	69	26,388,610	70	-
	Non-interest income					
49100	Service fee income, net (Note 33)	6,313,428	16	6,603,808	17	(4)
49200	Gain (loss) on financial assets and liabilities measured at fair value through profit or loss (Note 33)	(173,417)	-	1,148,501	3	(115)
49310	Realized gain on financial assets measured at fair value through other comprehensive income (Note 33)	2,254,204	6	2,270,602	6	(1)
49450	Gain on financial assets measured at amortized cost	5,420	-	1,526	-	255
49600	Foreign exchange gain, net	2,250,123	6	418,519	1	438
49700	Impairment loss on assets	(29,274)	-	(38,470)	-	(24)
49750	Proportionate share of profit of associates under the equity method (Note 16)	273,442	1	235,013	1	16
49800	Other non-interest income, net	808,281	2	803,668	2	1
49020	Total non-interest income	11,702,207	31	11,443,167	30	2
4xxxx	Consolidated net revenue	38,172,502	100	37,831,777	100	1
58200	Provisions for bad-debt expense, commitment and guarantee liability (Note 14)	1,241,757	3	1,671,916	4	(26)
	Operating expenses					
58500	Employee benefits (Notes 33)	9,338,175	25	9,009,668	24	4
59000	Depreciation and amortization (Note 33)	1,659,855	4	1,713,459	5	(3)
59500	Other general and administrative	3,793,366	10	3,882,966	10	(2)
58400	Total operating expenses	14,791,396	39	14,606,093	39	1
61001	Profit before income tax	22,139,349	58	21,553,768	57	3
61003	Income tax expense (Note 34)	(3,468,731)	(9)	(3,739,152)	(10)	(7)
64000	Consolidated net income	18,670,618	49	17,814,616	47	5
	Other comprehensive income (loss)					
	Items that will not be reclassified subsequently to profit or loss:					
65201	Remeasurement of defined benefit plans	(136,717)	-	(132,050)	-	4
65204	Gain on investments in equity instruments measured at fair value through other comprehensive income	59,659	-	(1,745,615)	(5)	103
65205	Financial liabilities designated at FVTPL which the amount of change derived from credit risk (Note 8)	17,650	-	51,831	-	(66)
65207	Proportionate share of other comprehensive income of associates under the equity method	(1,404)	-	-	-	-
65220	Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 34)	11,807	-	38,899	-	(70)
65200	Subtotal of items that will not be reclassified subsequently to profit or loss	(49,005)	-	(1,786,935)	(5)	(97)
	Items that may be reclassified subsequently to profit or loss:					
65301	Exchange differences on translating foreign operations	(2,141,546)	(6)	(7,594,796)	(20)	(72)
65307	Share of the other comprehensive income of associates accounted for using the equity method	(32,530)	-	22,991	-	(241)
65309	Gain (loss) on debt instruments measured at fair value through other comprehensive income	(4,922,225)	(13)	3,211,323	9	(253)
65310	Loss allowance for debt instruments measured at fair value through other comprehensive income (Note 11)	28,726	-	35,923	-	(20)
65320	Income tax relating to items that may be reclassified subsequently to profit or loss (Note 34)	564,240	2	532,247	1	6
65300	Subtotal of items that may be reclassified subsequently to profit or loss	(6,503,335)	(17)	(3,792,312)	(10)	(71)
65000	Other comprehensive income for the period, net of income tax	(6,552,340)	(17)	(5,579,247)	(15)	(17)
66000	Total comprehensive income for the period	$ 12,118,278	32	$ 12,235,369	32	(1)
	Net profit attributable to:					
67101	Owners of the Bank	$ 14,255,581	37	$ 13,462,945	36	6
67111	Non-controlling interests	4,415,037	12	4,351,671	11	1
67100		$ 18,670,618	49	$ 17,814,616	47	5
	Total comprehensive income attributable to:					
67301	Owners of the Bank	$ 10,201,802	27	$ 10,804,858	28	(6)
67311	Non-controlling interests	1,916,476	5	1,430,511	4	34
67300		$ 12,118,278	32	$ 12,235,369	32	(1)
	Earnings per share (Note 35)					
67500	Basic	$3.19		$3.01		
67700	Diluted	$3.19		$3.01		

The accompanying notes are an integral part of the consolidated financial statements.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the Year Ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

		Equity Attributable to Owners of the Bank (Note 32)											
		Share Capital		Retained Earnings			Other Equity						
Codes		Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Change in Financial Assets at FVTOCI	Change in Credit Risk From Financial Liabilities Designated at FVTPL	Treasury Shares	Total Equity Attributable to Owners of the Bank	Non-controlling Interests (Note 32)	Total Equity
A1	Balance on January 1, 2020	$ 44,816,031	$ 16,432,561	$ 51,946,585	$ 7,669,374	$ 25,566,273	$ (1,905,481)	$ 9,170,839	$ (45,419)	$ (83,144)	$ 153,567,619	$ 50,658,706	$ 204,226,325
	Appropriation of 2019 earnings												
B1	Legal reserve	-	-	4,398,333	-	(4,398,333)	-	-	-	-	-	-	-
B5	Cash dividends	-	-	-	-	(9,187,286)	-	-	-	-	(9,187,286)	-	(9,187,286)
C7	Changes in capital surplus from investments in associates under the equity method	-	10,798	-	-	-	-	-	-	-	10,798	-	10,798
C17	Unclaimed dividends	-	107,302	-	-	-	-	-	-	-	107,302	-	107,302
M7	Changes in equity of subsidiaries	-	-	-	-	(200,035)	-	-	-	-	(200,035)	(566,457)	(766,492)
D1	Net profit for the year ended December 31, 2020	-	-	-	-	13,462,945	-	-	-	-	13,462,945	4,351,671	17,814,616
D3	Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(105,249)	(3,737,681)	1,133,012	51,831	-	(2,658,087)	(2,921,160)	(5,579,247)
D5	Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	13,357,696	(3,737,681)	1,133,012	51,831	-	10,804,858	1,430,511	12,235,369
Q1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	(225,262)	-	225,262	-	-	-	-	-
O1	Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1,526,804)	(1,526,804)
Z1	Balance on December 31, 2020	$ 44,816,031	16,550,661	56,344,918	7,669,374	24,913,053	(5,643,162)	10,529,113	6,412	(83,144)	155,103,256	49,995,956	205,099,212
	Appropriation of 2020 earnings												
B1	Legal reserve	-	-	3,879,721	-	(3,879,721)	-	-	-	-	-	-	-
B5	Cash dividends	-	-	-	-	(7,618,725)	-	-	-	-	(7,618,725)	-	(7,618,725)
C7	Changes in capital surplus from investments in associates under the equity method	-	8,954	-	-	-	-	-	-	-	8,954	-	8,954
C17	Unclaimed dividends	-	106,529	-	-	-	-	-	-	-	106,529	-	106,529
D1	Net profit for the year ended December 31, 2021	-	-	-	-	14,255,581	-	-	-	-	14,255,581	4,415,037	18,670,618
D3	Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(110,225)	(1,220,626)	(2,740,578)	17,650	-	(4,053,779)	(2,498,561)	(6,552,340)
D5	Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	14,145,356	(1,220,626)	(2,740,578)	17,650	-	10,201,802	1,916,476	12,118,278
Q1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	25,957	-	(25,957)	-	-	-	-	-
O1	Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(476,048)	(476,048)
Z1	Balance on December 31, 2021	$ 44,816,031	$ 16,666,144	$ 60,224,639	$ 7,669,374	$ 27,585,920	$ (6,863,788)	$ 7,762,578	$ 24,062	$ (83,144)	$ 157,801,816	$ 51,436,384	$ 209,238,200

ccompanying notes are an integral part of the consolidated financial statements.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Year Ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

Codes		For the Year Ended December 31 2021	2020
	Cash flows from operating activities		
A00010	Consolidated net profit before income tax	$ 22,139,349	$ 21,553,768
A20010	Adjustments to reconcile net profit to net cash provided by operating activities		
A20100	Depreciation expenses	1,445,349	1,500,044
A20200	Amortization expenses	214,506	213,415
A20300	Provisions for bad debt expense, commitment and guarantee liability	1,241,757	1,671,916
A20400	Gain on financial assets and liabilities measured at fair value through profit or loss	608,765	(334,143)
A20900	Interest expenses	9,048,820	15,598,447
A21200	Interest revenue	(35,519,115)	(41,987,057)
A21300	Dividend income	(1,285,004)	(1,135,181)
A22300	Proportionate share of profit of associates	(273,442)	(235,013)
A22500	Loss on disposal of properties and equipment, net	9,728	37,546
A23500	Loss on expected credit loss	29,732	38,443
A23700	Gain (loss) on non-financial asset impairment	(458)	27
A29900	Others	(370,072)	43,231
A40000	Changes in operating assets and liabilities		
A41110	Due from the central bank and call loans to banks	(1,160,905)	(10,655,376)
A41120	Financial assets measured at fair value through profit or loss	2,557,642	(2,203,832)
A41123	Financial assets measured at fair value through other comprehensive income	(20,490,376)	(34,909,196)
A41125	Investment in debt instruments measured at amortized cost	(51,815,782)	(2,175,967)
A41150	Receivables	2,674,895	(1,945,870)
A41160	Discounts and loans	16,873,205	(49,198,128)
A41190	Other financial assets	1,293,187	3,986,171
A42110	Deposits from the central bank and other banks	6,271,597	(24,595,060)
A42120	Financial liabilities at fair value through profit or loss	(2,720,636)	2,278,366
A42140	Securities sold under repurchase agreements	(11,276,387)	14,720,790
A42150	Payables	(1,584,048)	6,518,452
A42160	Deposits and remittances	30,659,135	71,380,175
A42170	Other financial liabilities	301,719	(1,616,370)
A42180	Employee benefit provisions	(54,763)	(143,809)
A42990	Other liabilities	44,863	(287,326)
A33000	Cash from (used in) operations	(31,136,739)	(31,881,537)
A33100	Interest received	35,854,912	43,437,735
A33200	Dividends received	1,343,473	1,167,720
A33300	Interest paid	(9,536,911)	(17,299,674)
A33500	Income tax paid	(3,220,206)	(5,089,839)
AAAA	Net cash from (used in) operating activities	(6,695,471)	(9,665,595)

(Continued)

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Year Ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

Codes		For the Year Ended December 31 2021	2020
	Cash flows from investing activities		
B02700	Acquisition of properties	$ (843,564)	$ (680,929)
B02800	Proceeds from disposal of properties	5,208	2,319
B02600	Proceeds from assets for sale	261,345	-
B03700	Increase in refundable deposits	(46)	(302,611)
B03800	Decrease in refundable deposits	163,666	45
B04500	Acquisition of intangible assets	(169,240)	(72,892)
B05400	Acquisition of investment properties	(335,733)	(546,372)
B06700	Increase in other assets	(3,744,492)	(1,114,581)
BBBB	Net cash from (used in) investing activities	(4,662,856)	(2,715,021)
	Cash flows from financing activities		
C00400	Increase in funds borrowed from central bank and Banks	11,735,070	6,052,010
C01400	Proceeds from issuance of bank debentures	5,000,000	10,000,000
C01500	Payments for bank debentures	(4,900,000)	-
C03000	Increase in guarantee deposits received	141,806	6,011
C03100	Decrease in guarantee deposits received	(89,106)	(229,767)
C05400	Acquisition of subsidiaries	-	(766,492)
C04020	Payments for principal portion of lease liabilities	(745,095)	(963,358)
C05600	Payment of cash dividend	(7,609,771)	(9,176,489)
C05800	Changes in non-controlling interests	(476,048)	(1,526,804)
CCCC	Net cash from (used in) financing activities	3,056,856	3,395,111
DDDD	Effects of exchange rate changes on the balance of cash held in foreign currencies	(5,491,573)	(3,596,318)
EEEE	Net decrease in cash and cash equivalents	(13,793,044)	(12,581,823)
E00100	Cash and cash equivalents at the beginning of the period	195,843,112	208,424,935
E00200	Cash and cash equivalents at the end of the period	$ 182,050,068	$ 195,843,112

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of December 31, 2021 and 2020:

Codes		December 31, 2021	December 31, 2020
E00210	Cash and cash equivalents in consolidated balance sheets	$ 70,381,813	$ 80,572,282
E00220	Due from the Central Bank and call loans to banks which fall within the definition of cash and cash equivalents under IAS 7	111,389,769	115,124,013
E00230	Securities purchased under resale agreements which fall within the definition of cash and cash equivalents under IAS 7	278,486	146,817
E00200	Cash and cash equivalents in consolidated statements of cash flows	$ 182,050,068	$ 195,843,112

The accompanying notes are an integral part of the consolidated financial statements. (Concluded)

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

1. ORGANIZATION AND OPERATIONS

The Shanghai Commercial & Savings Bank (the "Bank") is incorporated in Taiwan and engaged in the commercial banking businesses under related laws and regulations.

The Bank has its head office in Taipei and 72 domestic branches in Taiwan, 4 foreign branches separately located in Hong Kong, Dong Nai, Vietnam, Singapore and Wuxi China, and 4 representative offices separately located in Thailand, Cambodia, Indonesia and Bac Ninh Vietnam.

The operations of the Bank's trust department include services related to planning, managing and operating a trust business under the Banking Act and Trust Enterprise Act.

The shares of the Bank have been listed and traded on the Taiwan Stock Exchange since October 19, 2018.

The consolidated financial statements are presented in the Bank's functional currency, the New Taiwan dollar.

2. AUTHORIZATION OF CONSOLIDATED FINANCIAL STATEMENTS

On March 11, 2022, the consolidated financial statements were approved by the board of directors and issued afterward.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

3.1 Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

Aside from the following explanations, the applicable amendments to the IFRSs approved and issued by the FSC will not result in significant changes to the Bank's accounting policies:

3.1.1 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 " Interest Rate Benchmark Reform－Phase 2"

The Group chose to apply the amendment of the practical expedient to account for changes in the basis for determining the contractual cash flow of financial assets, financial liabilities and lease liabilities. If the change is necessary as a direct consequence of interest rate benchmark reform, and the new basis is economically equivalent to the previous basis, then the effective interest rate should be adjusted.

3.1.2 Amendment to IFRS 16 "COVID-19 related rent concessions" and "COVID-19 related rent concessions after June 30, 2021"

The Group chose to apply the amendment to deal with rent negotiations directly related to COVID-19 with the lessor. For accounting policies, see Note 4. Before the amendment was issued, the Group was required to determine whether the aforementioned rent negotiation should apply the provisions of lease amendment.

3.2 New IFRSs endorsed by the FSC to be applied in 2022

New IFRSs	Effective Date Announced by IASB
"Annual Improvements to IFRSs Standards 2018-2020"	January 1, 2022 (Note 1)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 2)
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 3)
Amendments to IAS 37 "Onerous Contract - Cost of Fulfilling a Contract"	January 1, 2022 (Note 4)

Note 1: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 2: This amendment will be applied to business combinations for which the acquisition date is on or after January 1, 2022.

Note 3: This amendment will be applied to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 4: This amendment will be applied to contracts in which parties will not have fulfilled all obligations on January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

3.3 New IFRSs in issue by IASB but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17 "Initial application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2023
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note 2)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 3)
Amendments to IAS 12 "Deferred Tax Related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 4)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: This amendment will be applied to annual reporting periods beginning on or after January 1, 2023.

Note 3: This amendment will be applied to changes in accounting estimates and accounting policies on or after the annual reporting period beginning on January 1, 2023.

Note 4: Except for the recognition of deferred income tax on temporary differences between lease and decommissioning obligations on January 1, 2022, the amendment is applicable to transactions that occur after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and IFRSs as endorsed and issued into effect by the FSC.

4.2 Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

4.2.1 Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

4.2.2 Level 2 inputs are observable parameters other than quoted prices included within Level 1, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

4.2.3 Level 3 inputs are unobservable inputs for an asset or liability.

4.3 Classification of Current and Non-current Assets and Liabilities

Since the operating cycle in the banking industry cannot be reasonably identified, accounts included in the Group's consolidated financial statements are not classified as current or non-current. Nevertheless, these accounts are properly categorized according to the nature of each account and sequenced by liquidity.

4.4 Basis of Consolidation

The consolidated financial statements contain the financial statements of the Bank and the subsidiaries controlled by the Bank. The consolidated statements of comprehensive income have included the operating gains and losses of acquired or divested companies in the current period from the date of acquisition or to the date of disposal. The financial statements of subsidiaries have been adjusted to align their accounting policies with the Bank's accounting policies. In the preparation of the consolidated financial statements, all intra-group transactions, account balances, income and losses have been eliminated. The comprehensive income of the subsidiaries is attributed to the owner of the Bank and non-controlling interests, even if the non-controlling interests have negative balance.

For details on subsidiaries, shareholding ratios and business items, refer to Note 15 and Table 5.

4.5 Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

4.6 Foreign Currencies

In preparing the financial statements of each individual entity in the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the associates or branches in other countries or currencies used are different from the currency of the Bank) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Bank and non-controlling interests as appropriate).

4.7 Financial Instruments

Financial assets and financial liabilities are recognized in the consolidated balance sheets when the Group becomes one of the parties of the contract.

For financial assets and financial liabilities other than financial assets or financial liabilities at fair value through profit or loss (FVTPL), the fair value is directly attributable to the transaction costs of acquiring or issuing financial assets or financial liabilities. Transaction costs directly attributable to the acquisition or issue of financial assets or financial liabilities at FVTPL are recognized as current expenses.

4.7.1 Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

(1) Measurement

The Group owns financial assets which are classified into the following specified categories: Financial assets at FVTPL, financial assets at amortized cost, investments in debt instruments at fair value through other comprehensive income (FVTOCI) and investments in equity instruments at FVTOCI.

A. Financial assets at FVTPL

A financial asset is classified as at FVTPL when the financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on re-measurement (excluding any dividends or interest arising from such financial assets) recognized in profit or loss. Fair value is determined in the manner described in Note 40.

B. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

a. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, accounts receivable at amortized cost and others, are measured at amortized cost, which equals to gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

a. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such a financial asset; and
b. Financial assets that have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such a financial asset.

Cash equivalents include accounts due from the Central Bank that are highly liquid, convertible into fixed cash at any time, and have a low-risk of value changes within three months from the date of acquisition, which are used to meet short-term cash commitments.

C. Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

a. The financial asset is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of the financial assets; and

b. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

D. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

(2) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including discounts and loans and accounts receivable), investments in debt instruments that are measured at FVTOCI, lease receivables, loan commitments, as well as contract assets at the estimated credit loss on each balance sheet date.

For such financial assets, the Group recognizes lifetime expected credit losses (ECLs) when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

Under the guidelines of the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" issued by the Banking Bureau of the Financial Supervisory Commission, the credit accounts are categorized into five groups: Normal credit assets, assets that require special mention, substandard assets, doubtful assets and full-amount loss based on clients' financial conditions. After assessing the value of the collateral, the Group will assess the possibilities of recovery.

Under the above guidelines, in addition to the minimum standard allowance for all accounts, allowance is provided for accounts classified as normal (except government accounts), accounts with notice, accounts with warning, difficult accounts and uncollectible accounts at rates of 1%, 2%, 10%, 50%, and 100%, respectively.

According to the local statutes, the Bank's allowances for bad debts and guarantee liabilities for the "acquisition of residential home repair loans and construction loans" and "category one credit assets (including short-term trade financing) due from PRC businesses" should be at least 1.5%.

Under the regulatory decree, the Bank's allowance for bad debts and guarantee liability reserve ratios for "Purchase of Residential Housing plus Repair Loan and Construction Loan" and " Mainland Credit (including short-term trade financing) " shall be at least 1.5%; In addition, the minimum allowance for bad debts for SME loans handled in accordance with the " Regulations for the Central Bank's Handling of Bank Acceptance of SME Loans Affected by the Severe Special Contagious Pneumonia Epidemic" is 0.5%.

Debts that are determined to be uncollectible are written off after being reported to the board of directors for approval.

(3) Derecognition of financial assets

When the contractual rights from the cash flows of financial assets have lapsed or the financial assets and all the risks and rewards of the assets have been transferred to other enterprises, the financial assets are derecognized.

When a financial asset is totally derecognized, the difference between the carrying amount and the sum of any accumulated gain or loss recognized in other comprehensive income is recognized as profit or loss.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part that is no longer recognized is treated in the same way as when the financial asset is derecognized in entirety. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

4.7.2 Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Group's own equity instruments.

4.7.3 Financial liabilities

(1) Subsequent measurement

All financial liabilities are measured at amortized cost using effective interest rate, except for the following situations:

A. Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when such financial liabilities are either held for trading or designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividends paid on such financial liability.

A financial liability may be designated as at FVTPL upon initial recognition when doing so results in more relevant information and if:

a. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

b. The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

c. The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at FVTPL.

For a financial liability designated as at FVTPL, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income and will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which does not incorporate any interest or dividends paid on such financial liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liability is derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in the fair value of the liability are presented in profit or loss.

Fair value is determined in the manner described in Note 40.

B. Financial guarantee contracts

The financial guarantee contracts issued by the Group and not measured at FVTPL are measured at the higher of the allowance for the expected credit losses and the amortized amount after initial recognition.

(2) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4.7.4 Derivatives

Derivatives signed by the Group include forward foreign exchange contracts, interest rate swaps and others to manage the Group's interest rate and exchange rate risk.
Derivatives are initially recognized at fair value at the date on which the derivative contracts are

entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that are within the scope of IFRS 9 "Financial Instruments" are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. those embedded in the principal contract of financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

4.8 Investment in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Group applies equity method to account for investments in associates.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates attributable to the Group.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate, including any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from investment and the carrying amount of investment is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

4.9 Non-performing Loans

Under the guidelines of "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans", the balance of loans and other credits extended by the Bank and the related accrued interest thereon are classified as non-performing.

Non-performing loans in the lending business are classified as discounts and loans; otherwise, are classified as other financial assets.

4.10 Securities Purchased/Sold Under Resale/Repurchase Agreements

Securities purchased under resale agreements and securities sold under repurchase agreements are generally treated as collateralized financing transactions. Interest earned on resale agreements or interest incurred on repurchase agreements is recognized as interest income or interest expense over the life of each agreement.

4.11 Properties and Equipment

Properties and equipment are stated at cost, less recognized accumulated depreciation.

Depreciation is provided on a straight-line basis over estimated useful lives and the critical components are identified and depreciated separately. Depreciation expense of the land and buildings held by SCB (HK) is depreciated using the straight-line method over the useful lives under 40 years. Other equipment is computed using the straight-line method within the durability of 4 to 10 years. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period by the Group. Change in accounting estimates takes effect retrospectively.

Any gain or loss on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The Group is constructing its new head office building; the demolition of the original building started in January 2020. Based on this actual situation, the Group re-evaluated the durability period of the original building, and the proposed change in its estimated useful life came into effect on October 17, 2019 after receiving a letter of approval from the competent authority. The book value of $159,069 thousand of the original building was fully depreciated before the end of 2019.

4.12 Assets for Sale

The carrying amount of assets is classified as held for sale when it is expected to be mainly recovered through sale transactions rather than continued use. Assets that meet this classification must be available for immediate sale in their current state, and their sale must be highly probable. When the appropriate level of management commits to the plan to sell the asset, and the sale transaction is expected to be completed within one year from the date of classification, the sale will be considered highly probable.

4.13 Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation. Depreciation is recognized using the straight-line method.

Any gain or loss on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

4.14 Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

4.15 Intangible Assets

4.15.1 Acquisition as separate asset

Intangible assets that have finite useful lives and are acquired separately are carried at cost less accumulated amortization. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful lives, residual value, and amortization method are reviewed at the end of each reporting period. The residual value of an intangible asset with a finite useful life is assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life. Change in accounting estimate takes effect prospectively.

4.15.2 Acquisition by business combination

The intangible assets acquired from business combination are recognized at the fair value on the acquisition date and are recognized separately from goodwill. Subsequent measurement is the same as intangible assets acquired separately.

4.15.3 Derecognition

Any gain or loss on the disposal or retirement of an item of intangible assets is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

4.16 Impairment of Property and Equipment, Right-of-Use Assets, Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

4.17 Collaterals Assumed

Collaterals assumed are recorded at their appraised values. At balance sheet date, these collaterals are individually revalued at the lower of cost or net realizable value.

4.18 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4.19 Revenue Recognition

Interest revenue from loans is estimated on accrual basis. Interest revenue from non-performing Bank-extended loans and other credits are recognized only when collection is made. In accordance with the Ministry of Finance regulations, the interest from the relief and extension of specific loans is recorded as deferred income and recognized as income upon collection. Service fees are recorded as income upon receipt or when the related services are substantially completed.

The costs of acquisition of loans and accounts receivable and extra fees received are accounted for as adjustments to the book value and the effective interest of loans and accounts receivable.

Dividend revenue is recognized when the right of shareholder to receive dividend is established. The premise is that the economic benefits associated with the transaction are likely to flow into the Group and the amount of revenue can be reliably measured.

4.20 Leasing

The Group assesses whether the contract is (or includes) a lease on the contract date. For contracts that include the lease and non-lease components, the Group distributes the consideration in the contract on a relatively separate price basis and deals with them separately.

4.20.1 The Group as lessor

When the lease terms transfer almost all the risks and rewards attached to the ownership of the assets to the lessee, the leases are classified as finance leases. All other leases are classified as operating leases.

Under finance leases, lease payments include fixed payments, substantially fixed payments, variable lease payments which depend on an index or a rate, guaranteed residual values, and the exercise price of the purchase option that is reasonably certain to be exercised, and the rental termination penalties reflected in the lease term, less the incentives for the lease to be paid. The net amount of the lease investment is measured as the sum of the present value of both the lease receivable and the unguaranteed residual value plus the original direct costs and expressed as a finance lease receivable. The financing income is apportioned to each accounting period so as to reflect a periodic fixed rate of return that the Group's unexpired net lease investment is available for each period. Under operating leases, the lease payments deducted from the lease incentives are recognized as income on a straight-line basis over the relevant lease periods. The original direct costs incurred in obtaining the operating leases are added to the carrying amount of the underlying assets and recognized as an expense on a straight-line basis over the lease terms.

4.20.2 The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight line basis over the lease terms. Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method from the commencement dates of the lease to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, substantially fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of the right-of-use asset has been reduced to zero, the remaining amount of remeasurement is recognized in profit or loss. Lease liabilities are presented separately in the consolidated balance sheets.

The Group and the lessor conducted rent negotiations directly related to COVID-19, and adjusted the rent due before June 30, 2021, which resulted in a decrease in rent. These negotiations did not significantly change other lease terms. The Group chose to adopt practical expedients to deal with all rent negotiations. Therefore, the Group does not have to assess whether the negotiation is a lease modification, but recognize the decrease in lease payments in rent concessions or circumstances when they occur in profit or loss (accounted for as other non-interest revenue, and the lease liability is relatively reduced).

4.21 Employee Benefits

4.21.1 Short-term employee benefits

Liabilities related to short-term employee benefits are measured and recognized at the undiscounted amount expected to be paid to employees for their services.

4.21.2 Retirement benefit costs

The Group currently has both defined contribution and defined benefit retirement plans for its employees. Pursuant to local rules, employees working overseas are enrolled in defined contribution retirement benefit plan.

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

4.21.3 Employee preferential deposits

The Bank provides current and retired employees preferential interests rates for deposits under certain balances. Differences between preferential rate and interest at market rate are recognized as employee benefits.

Under rule No. 30 of the Regulations Governing the Preparation of Financial Reports by Public Banks, post-retirement preferential interests provided to retired employees should be measured and recognized using actuarial calculation pursuant to IAS No. 19 if variables for use in the actuarial assumptions are stipulated in official governing rules, then the rules should be applied first.

4.21.4 Other long-term employee benefits

Current employees who are eligible for retirement will be given a pension according to the retirement plan. If employees do not have the qualification to retire, (a) the pension will be issued for one month if the service lasts less than one year; (b) if the service lasts more than one year and less than five years, they will receive pension for one month for serving each full year; (c) if the service lasts for more than five years, the pension is calculated according to the actuarial calculation method. However, the calculation method is only applicable to the service that existed before the application of the new system.

4.22 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

4.22.1 Current tax

The Group determines the current income (loss) in accordance with the laws and regulations established by each jurisdiction of income tax declaration., and calculates the payable (recoverable) income tax.

According to the Taiwan Income Tax Law, an additional tax on unappropriated earnings is recognized in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current period's income tax expenses.

4.22.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized on all taxable temporary differences. Deferred tax assets are recognized on deductible temporary difference and loss carry forwards provided that taxable income will be available for use in deducting the benefits of the temporary differences probably.

Deferred tax liabilities are recognized on taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to use the benefits of the temporary differences and are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

4.22.3 Current tax and deferred tax of the period

Current tax and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current tax and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND MAIN SOURCES OF UNCERTAINTY IN ESTIMATES AND ASSUMPTIONS

In the application of the Group's accounting policies, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The Group takes the economic impact of COVID-19 into consideration in major accounting estimates such as cash flow estimation, growth rate, discount rate, and profitability, and the management will continue to review the estimates and underlying assumptions. Revisions to accounting estimate are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimates and assumptions of main sources of uncertainty

Estimated impairment of financial assets

Estimates of impairment on loans and receivables, investments in debt instrument and financial guarantee contracts are based on the Group's assumptions about default rates and expected loss rates. The Group considers historical experience, current market conditions and forward-looking information to make assumptions and select input values for impairment assessments. For the important assumptions and input values used, refer to Note 40. If the actual cash flows in the future are less than expected, significant impairment losses may occur.

6. CASH AND CASH EQUIVALENTS

	December 31, 2021	December 31, 2020
Cash on hand and working fund	$ 13,307,764	$ 10,069,077
Checks for clearing	2,973,308	1,018,144
Due from other banks	54,100,741	69,485,061
	$ 70,381,813	$ 80,572,282

The Group assessed the allowance for cash and cash equivalents based on the expected credit loss model. Due to the low credit risk of cash and cash equivalents, allowance losses were recognized based on the 12-month expected credit losses. On December 31, 2021 and 2020, cash and cash equivalents recognized as allowances were in the amounts of $1,802 thousand and $4,299 thousand, respectively.

7. DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS, NET

	December 31, 2021	December 31, 2020
Call loans to banks	$ 180,488,033	$ 166,909,572
Deposit reserves - I	3,692,689	16,057,031
Deposit reserves - II	23,341,841	22,407,116
Deposit reserves - foreign currency	209,619	205,158
Due from foreign central banks	3,833,977	3,220,903
	$ 211,566,159	$ 208,799,780

Deposit reserves are statutory reserves and determined monthly at prescribed rates based on average balances of customers' deposits. The entire balance of deposit reserves - II is subject to withdrawal restrictions while no restrictions are placed on other deposit reserves.

The Group assessed the loss allowance for due from the Central Bank and call loans to banks based on the expected credit loss model. Due to the low credit risk of dues from the Central Bank and call loans to banks, the loss allowance was recognized based on 12-month expected credit losses. On December 31, 2021 and 2020, the allowances recognized for the dues from the Central Bank and call loans to banks were in the amounts of $8,561 thousand and $23,470 thousand, respectively.

8. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	December 31, 2021	December 31, 2020
Financial assets at fair value through profit or loss		
Financial assets mandatorily classified as at FVTPL		
Corporate bonds	$ 6,039,499	$ 7,554,990
Shares	2,174,721	1,148,316
Forward contracts	1,379,882	3,204,220
Beneficiary certificates	535,265	505,928
Interest rate swap contracts	174,788	309,673
Government bonds	49,286	340,921
Option contracts	44,646	439,409
Currency swap contract	32,739	44,866
Bank debentures	11,075	62,417
Others	156,111	47,075
	$ 10,598,012	$ 13,657,815

	December 31, 2021	December 31, 2020
Financial liabilities at fair value through profit or loss		
Held-for-trading financial liabilities		
Forward contracts	$ 1,159,346	$ 3,203,318
Currency swap contract	292,368	175,573
Option contracts	150,266	484,306
Others	850	26,203
	1,602,830	3,889,400
Financial liabilities designated at FVTPL		
Bank debentures	2,068,124	2,245,100
	$ 3,670,954	$ 6,134,500

The Group engaged in derivative transactions mainly to accommodate customers' needs and manage its exposure positions.

The financial assets and liabilities at FVTPL contract (nominal) amounts of derivative transactions were as follows:

	December 31, 2021	December 31, 2020
Forward contracts	$ 226,300,397	$ 278,429,579
Option contracts	143,179,103	277,761,331
Currency swap contract	80,094,212	44,267,235
Interest rate swap contracts	2,886,697	3,351,580
Future contracts	158,533	28,739
Asset exchange transactions	-	140,495

Information for financial liabilities designated by the Group at FVTPL was as follows:

	December 31, 2021	December 31, 2020
The difference between the fair value and the maturity value		
－Fair value	$ 2,068,124	$ 2,245,100
－Maturity value	2,110,011	2,364,343
	$ (41,887)	$ (119,243)

	Effects of changes in credit risk
Current amount of change	
From January1, 2021 to December 31, 2021	$ 17,650
From January1, 2020 to December 31, 2020	$ 51,831
Cumulative amount of change	
Up to December 31, 2021	$ 24,062
Up to December 31, 2020	$ 6,412

The financial liabilities designated by the Group at FVTPL were the second issuance of unsecured debentures amounting to US$70,000 thousand with a 30-year maturity and fixed interest rate of 0% on October 29, 2018. On the expiration of 5 years and every subsequent year, the Group may exercise the option at the agreed redemption price. If the option is not exercised during the period, the payment will be made on the expiration date.

The Group entered an interest rate swap contract to reduce the interest rate risk of the aforementioned financial bonds. The interest rate swap contract was measured at fair value and the fair value changes were included in profit or loss. The Group designated the aforementioned financial bonds as financial liabilities measured at FVTPL for consistency.

The amount of change in the fair value of financial bonds and the combination of financial assets attributable to the changes in the fair value of financial liabilities and the combination of the fair value of financial assets was calculated as the difference between the changes in the fair value of market risk factor. The amount of change in fair value attributable to the market risk factor was calculated using the benchmark yield curve at the balance sheet date. Fair value of financial bonds and combined commodities was based on the benchmark yield curve on the balance sheet date and the estimated credit risk spread by the creditor's interest rate quote on the similar maturity date of the combined company, such that the estimated future cash flow is discounted.

9. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31, 2021	December 31, 2020
Investments in equity instruments measured at FVTOCI		
Shares	$ 23,077,179	$ 20,407,824
Investments in debt instruments measured at FVTOCI		
Corporate bonds	212,429,395	191,477,949
Bank debentures	158,984,827	146,254,410
Commercial papers	65,589,207	64,736,070
Government bonds	52,308,637	81,851,329
Treasury bonds	3,486,483	499,317
Asset-backed securities	2,681,127	3,010,124
	495,479,676	487,829,199
	$ 518,556,855	$ 508,237,023

The Group invests in ordinary shares for medium- and long-term strategic purposes and expects to make a profit through long-term investments. The management of the Group considers that if the short-term fair value fluctuations of these investments are included in profit or loss, they are inconsistent with the aforementioned long-term investment plans. Therefore, the designated investments are selected to be measured at FVTOCI.

For the information on credit risk management and impairment assessment of investments in debt instruments at FVTOCI, refer to Note 11.

Parts of the aforementioned financial assets at FVTOCI were sold under repurchase agreements as of December 31, 2021 and 2020. The par values of bonds and commercial papers sold under repurchase agreements were $14,466,728 thousand and $24,684,350 thousand, respectively.

For the information on financial assets pledged at FVTOCI, refer to Note 38.

10. INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTIZED COST

	December 31, 2021	December 31, 2020
Negotiable certificates of deposit	$ 132,400,000	$ 98,765,000
Treasury bonds	11,987,492	-
Government bonds	7,591,898	3,690,354
Corporate bonds	2,646,795	2,681,798
Bank debentures	859,025	863,056
Restricted due from banks	3,835,505	1,686,960
	159,320,715	107,687,168
Less: Loss allowance	(1,127)	(1,420)
	$ 159,319,588	$ 107,685,748

Restricted due from banks are the funds deposited into specific bank accounts by the Group in compliance with Act of The Management, Utilization, and Taxation of Repatriated Offshore Funds.

For information on the credit risk management and impairment of financial assets measured at amortized cost, refer to Note 11.

For the information on related financial assets at amortized cost pledged as collateral, refer to Note 38.

11. CREDIT RISK MANAGEMENT OF INVESTMENTS IN DEBT INSTRUMENTS

The investments in debt instruments were classified as financial assets measured at FVTOCI and financial assets at amortized cost.

December 31, 2021	At FVTOC	At Amortized Cost	Total
Total carrying amount	$ 495,101,456	$ 159,320,715	$ 654,422,171
Loss allowance	(156,374)	(1,127)	(157,501)
Amortized cost	494,945,082	$ 159,319,588	654,264,670
Fair value adjustment	534,594		534,594
	$ 495,479,676		$ 654,799,264

December 31, 2020	At FVTOC	At Amortized Cost	Total
Total carrying amount	$ 482,468,017	$ 107,687,168	$ 590,155,185
Loss allowance	(127,648)	(1,420)	(129,068)
Amortized cost	482,340,369	$ 107,685,748	590,026,117
Fair value adjustment	5,488,830		5,488,830
	$ 487,829,199		$ 595,514,947

The Group implements a policy of investing in debt instruments with investment grade and have low credit risk. For the purpose of impairment assessment, the Group continues to track external rating information and monitors changes in credit risk of the investments of debt instruments and reviews other information such as the bond yield curve and the debtor's material information to assess whether the credit risk of the debt instrument investments has increased significantly since the initial recognition.

The Group considered the historical default loss rate provided by the independent rating agencies, the debtor's current financial status and the industry's forward-looking forecast to measure the 12-month expected credit loss or full lifetime expected credit loss of the investments in debt instruments. The Group's current credit risk rating mechanism and the total carrying amount of each credit rating investment in debt instruments were as follows:

December 31, 2021

Credit Rating	Definitions	Expected Credit Loss Recognition Base	Expected Credit Loss Rate	December 31, 2021 Carrying Amount
Stage 1	The debtor has a low credit risk and is fully capable of paying off contractual cash flows	12-month expected credit loss	0.000%~0.896%	$ 653,629,515
Stage 2	Credit risk has increased significantly since the initial recognition	Expected credit loss during the period of existence (no credit impairment)	0.340%~7.017%	792,656

December 31, 2020

Credit Rating	Definitions	Expected Credit Loss Recognition Base	Expected Credit Loss Rate	December 31, 2020 Carrying Amount
Stage 1	The debtor has a low credit risk and is fully capable of paying off contractual cash flows	12-month expected credit loss	0.000%~0.915%	$ 589,660,590
Stage 2	Credit risk has increased significantly since the initial recognition	Expected credit loss during the period of existence (no credit impairment)	0.528%~7.905%	494,595

Information on changes in allowance for impairment loss under the credit risk rating assessment of investments in debt instruments at FVTOCI and at amortized cost is summarized as follows:

Investments in debt instruments at FVTOCI

	Credit Risk Rating		
	Stage 1 (12-Month ECLs)	Stage 2 (Lifetime ECLs without impairment)	Total
Balance at January 1, 2021	$ 112,993	$ 14,655	$ 127,648
Purchase of new debt instruments	63,317	3,343	66,660
Derecognition	(33,074)	(4,495)	(37,569)
Model/risk parameter changes	(31)	710	679
Exchange rate and other changes	(1,818)	774	(1,044)
Balance at December 31, 2021	$ 141,387	$ 14,987	$ 156,374
Balance at January 1, 2020	$ 84,260	$ 7,465	$ 91,725
Purchase of new debt instruments	49,150	13,894	63,044
Derecognition	(31,814)	(10,108)	(41,922)
Model/risk parameter changes	16,461	961	17,422
Exchange rate and other changes	(5,064)	2,443	(2,621)
Balance at December 31, 2020	$ 112,993	$ 14,655	$ 127,648

Investments in debt instruments at amortized cost

	Credit Risk Rating		
	Stage 1 (12-Month ECLs)	Stage 2 (Lifetime ECLs without impairment)	Total
Balance at January 1, 2021	$ 1,420	$ -	$ 1,420
Purchase of new debt instruments	205	-	205
Derecognition	(198)	-	(198)
Model/risk parameter changes	(46)	-	(46)
Exchange rate and other changes	(254)	-	(254)
Balance at December 31, 2021	$ 1,127	$ -	$ 1,127
Balance at January 1, 2020	$ 1,569	$ -	$ 1,569
Purchase of new debt instruments	121	-	121
Derecognition	(215)	-	(215)
Model/risk parameter changes	(7)	-	(7)
Exchange rate and other changes	(48)	-	(48)
Balance at December 31, 2020	$ 1,420	$ -	$ 1,420

12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities purchased under resell agreements as of December 31, 2021 and 2020 were $278,486 thousand and $146,817 thousand, respectively. The aforementioned securities would be sold back one after another before February 11, 2022 and January 11, 2021 at $278,770 thousand and $146,943 thousand, respectively.

13. RECEIVABLES, NET

	December 31, 2021	December 31, 2020
Accrued interest	$ 4,177,202	$ 4,462,802
Credit card receivables	3,531,776	3,383,489
Accounts receivable due from sales of securities	1,134,651	3,629,263
Acceptances	2,884,310	2,573,938
Finance lease receivable	1,022,282	1,126,746
Accounts receivable - factoring	567,807	479,948
Others	2,205,351	3,149,496
	15,523,379	18,805,682
Less: Allowance for credit losses	(307,091)	(263,058)
	$ 15,216,288	$ 18,542,624

The changes in total carrying amount and the allowance of receivables and other financial assets for the year ended December 31, 2021 and 2020 (including non-accrual loans and bills of exchange, refer to Note 17) are as follows:

For the Year Ended December 31, 2021

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Total
Receivables and other financial assets					
Beginning on January 1, 2021	$ 18,413,266	$ 87,536	$ 226,341	$ 82,825	$ 18,809,968
Changes due to financial assets recognized at the beginning of the period:					
Transfer to lifetime ECLs	(57,383)	34,044	15,153	(55)	(8,241)
Transfer to ECLs on financial assets	(20,696)	(7,670)	(3,384)	47,127	15,377
Transfer to 12-month ECLs	64,374	(29,329)	(36,259)	(2,158)	(3,372)
Financial assets derecognized in the current period	(6,194,365)	(22,211)	(84,646)	(23,259)	(6,324,481)
Purchased or originated financial assets	3,301,570	149,068	143,892	4,253	3,598,783
Write-offs	-	-	-	(31,686)	(31,686)
Exchange rate and other changes	(519,156)	-	(5,548)	(1,299)	(526,003)
Balance on December 31, 2021	$ 14,987,610	$ 211,438	$ 255,549	$ 75,748	$ 15,530,345

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	mpairment Under the Guidelines of IFRS 9	The Difference of mpairment under the Regulatory Decree	Total
Allowance							
Beginning on January 1, 2021	$ 184,848	$ 34,652	$ 4,893	$ 29,349	$ 253,742	$ 13,043	$ 266,785
Changes due to financial assets recognized at the beginning of the period:							
Transfer to lifetime ECLs	(1,116)	17,654	2,178	(28)	18,688	-	18,688
Transfer to ECLs on financial assets	(409)	(1,912)	(420)	5,003	2,262	-	2,262
Transfer to 12-month ECLs	45,528	(17,657)	(1,802)	(901)	25,168	-	25,168
Financial assets derecognized in the current period	(24,162)	(6,743)	(352)	(1,731)	(32,988)	-	(32,988)
Purchased or originated financial assets	40,124	23,305	811	5,055	69,295	-	69,295
The difference of impairment under the regulation or decree	-	-	-	-	-	5,666	5,666
Write-offs	-	-	-	(31,686)	(31,686)	-	(31,686)
Recoveries after write-off	-	-	-	29,645	29,645	-	29,645
Exchange rate and other changes	(43,642)	-	2,465	(2,418)	(43,595)	-	(43,595)
Balance on December 31, 2021	$ 201,171	$ 49,299	$ 7,773	$ 32,288	$ 290,531	$ 18,709	$ 309,240

For the Year Ended December 31, 2020

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Total
Receivables and other financial assets					
Beginning on January 1, 2020	$ 17,426,381	$ 68,740	$ 225,847	$ 425,093	$ 18,146,061
Changes due to financial assets recognized at the beginning of the period:					
Transfer to lifetime ECLs	(89,318)	35,788	38,943	(460)	(15,047)
Transfer to ECLs on financial assets	(27,849)	(23,107)	(9,516)	67,744	7,272
Transfer to 12-month ECLs	181,464	(22,955)	(111,833)	12,166	58,842
Financial assets derecognized in the current period	(6,455,361)	(10,125)	(66,480)	(386,590)	(6,918,556)
Purchased or originated financial assets	8,174,637	39,195	163,062	8,012	8,384,906
Write-offs	-	-	-	(40,906)	(40,906)
Exchange rate and other changes	(796,688)	-	(13,682)	(2,234)	(812,604)
Balance on December 31, 2020	$ 18,413,266	$ 87,536	$ 226,341	$ 82,825	$ 18,809,968

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulatory Decree	Total
Allowance							
Beginning on January 1, 2020	$ 119,364	$ 29,000	$ 4,639	$ 175,097	$ 328,100	$ 27,453	$ 355,553
Changes due to financial assets recognized at the beginning of the period:							
Transfer to lifetime ECLs	(844)	15,008	1,553	(290)	15,427	-	15,427
Transfer to ECLs on financial assets	(455)	(14,685)	(383)	5,775	(9,748)	-	(9,748)
Transfer to 12-month ECLs	115,622	(13,833)	(1,909)	(1,449)	98,431	-	98,431
Financial assets derecognized in the current period	(8,900)	(5,492)	(284)	(148,121)	(162,797)	-	(162,797)
Purchased or originated financial assets	33,648	24,654	546	7,702	66,550	-	66,550
The difference of impairment under the regulation or decree	-	-	-	-	-	(14,410)	(14,410)
Write-offs	-	-	-	(40,906)	(40,906)	-	(40,906)
Recoveries after write-off	-	-	-	33,578	33,578	-	33,578
Exchange rate and other changes	(73,587)	-	731	(2,037)	(74,893)	-	(74,893)
Balance on December 31, 2020	$ 184,848	$ 34,652	$ 4,893	$ 29,349	$ 253,742	$ 13,043	$ 266,785

14. DISCOUNTS AND LOANS, NET

	December 31, 2021	December 31, 2020
Loans	$ 1,105,944,691	$ 1,131,175,205
Inward/outward documentary bills	16,970,829	14,907,025
Non-performing loans	1,283,245	1,843,511
	1,124,198,765	1,147,925,741
Discount and premium adjustments	237,257	289,948
Allowance for credit losses	(12,201,243)	(11,785,384)
	$ 1,112,234,779	$ 1,136,430,305

The Group discontinues accruing interest when loans are deemed non-performing. for the year ended December 31, 2021 and 2020, the unrecognized interest revenue on the non-performing loans amounted to $17,034 thousand and $19,097 thousand, respectively.

For the year ended December 31, 2021 and 2020, the Group only had written off certain credits after completing the required legal procedures.

The changes in carrying amount and allowance for discounts and loans for the year ended December 31, 2021 and 2020 are as follows:

For the Year Ended December 31, 2021

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Lifetime ECLs (Purchased or Originated Credit Impairment on Financial Assets)	Total
Discounts and loans						
Beginning on January 1, 2021	$ 1,101,559,285	$ 10,238,670	$ 33,507,677	$ 2,480,912	$ 139,197	$ 1,147,925,741
Changes due to financial assets recognized at the beginning of the period:						
Transfer to lifetime ECLs	(5,570,416)	1,071,404	3,979,354	(1,575)	-	(521,233)
Transfer to ECLs on financial assets	(459,450)	(244,532)	(1,117,355)	1,554,929	-	(266,408)
Transfer to 12-month ECLs	2,473,800	(137,826)	(2,334,095)	(1,690)	-	189
Financial assets derecognized in the current period	(474,270,142)	(1,118,041)	(4,559,209)	(697,463)	(3,621)	(480,648,476)
Purchased or originated financial assets	460,915,865	1,664,238	4,198,461	250,918	6,356	467,035,838
Write-offs	-	-	-	(674,681)	-	(674,681)
Exchange rate and other changes	(7,781,068)	(132,874)	(699,912)	(22,106)	(16,245)	(8,652,205)
Balance on December 31, 2021	$ 1,076,867,874	$ 11,341,039	$ 32,974,921	$ 2,889,244	$ 125,687	$ 1,124,198,765

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Lifetime ECLs (Purchased or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulatory Decree	Total
Allowance								
Beginning on January 1, 2021	$ 3,084,995	$ 1,468,387	$ 425,972	$ 729,263	$ 48,338	$ 5,756,955	$ 6,028,429	$ 11,785,384
Changes due to financial assets recognized at the beginning of the period:								
Transfer to lifetime ECLs	157,466	49,528	70,918	(1,374)	-	276,538	-	276,538
Transfer to ECLs on financial assets	(1,604)	(36,828)	(19,395)	308,760	-	250,933	-	250,933
Transfer to 12-month ECLs	47,870	(28,781)	(64,655)	(1,121)	-	(46,687)	-	(46,687)
Financial assets derecognized in the current period	(1,835,160)	(132,765)	(38,757)	(148,424)	-	(2,155,106)	-	(2,155,106)
Purchased or originated financial assets	827,260	421,005	22,661	102,088	-	1,373,014	-	1,373,014
The difference of impairment under the regulation or decree	-	-	-	-	-	-	1,340,563	1,340,563
Write-offs	-	-	-	(674,681)	-	(674,681)	-	(674,681)
Recoveries of write-offs	-	-	-	178,543	-	178,543	-	178,543
Exchange rate and other changes	(339,587)	(10,499)	212,671	11,438	(1,281)	(127,258)	-	(127,258)
Balance on December 31, 2021	$ 1,941,240	$ 1,730,047	$ 609,415	$ 504,492	$ 47,057	$ 4,832,251	$ 7,368,992	$ 12,201,243

For the Year Ended December 31, 2020

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Lifetime ECLs (Purchased or Originated Credit Impairment on Financial Assets)	Total
Discounts and loans						
Beginning on January 1, 2020	$ 1,093,187,813	$ 4,722,758	$ 20,823,939	$ 3,908,495	$ 119,666	$ 1,122,762,671
Changes due to financial assets recognized at the beginning of the period:						
Transfer to lifetime ECLs	(30,489,324)	7,886,628	21,953,863	(1,721)	-	(650,554)
Transfer to ECLs on financial assets	(1,518,173)	(615,215)	(125,865)	1,559,787	-	(699,466)
Transfer to 12-month ECLs	6,453,381	(763,638)	(5,500,239)	(76,893)	-	112,611
Financial assets derecognized in the current period	(239,079,322)	(11,193,680)	(5,011,151)	(2,162,350)	(54,475)	(257,500,978)
Purchased or originated financial assets	297,742,365	11,341,315	3,163,109	43,212	82,584	312,372,585
Write-offs	-	(1,424)	-	(788,282)	-	(789,706)
Exchange rate and other changes	(24,737,455)	(1,138,074)	(1,795,979)	(1,336)	(8,578)	(27,681,422)
Balance on December 31, 2020	$ 1,101,559,285	$ 10,238,670	$ 33,507,677	$ 2,480,912	$ 139,197	$ 1,147,925,741

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Lifetime ECLs (Purchased or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulatory Decree	Total
Allowance								
Beginning on January 1, 2020	$ 1,977,769	$ 479,449	$ 343,507	$ 436,801	$ 53,135	$ 3,290,661	$ 7,968,884	$ 11,259,545
Changes due to financial assets recognized at the beginning of the period:								
Transfer to lifetime ECLs	144,398	1,214,227	172,088	(451)	-	1,530,262	-	1,530,262
Transfer to ECLs on financial assets	(3,155)	(127,083)	(2,012)	765,408	-	633,158	-	633,158
Transfer to 12-month ECLs	836,600	(80,942)	(108,648)	(5,378)	-	641,632	-	641,632
Financial assets derecognized in the current period	(430,568)	(100,563)	(40,970)	20,799	-	(551,302)	-	(551,302)
Purchased or originated financial assets	831,615	173,716	29,484	10,062	110	1,044,987	-	1,044,987
The difference of impairment under the regulation or decree	-	-	-	-	-	-	(1,940,455)	(1,940,455)
Write-offs	-	(1,424)	-	(788,282)	-	(789,706)	-	(789,706)
Recoveries of write-offs	-	-	-	220,745	-	220,745	-	220,745
Exchange rate and other changes	(271,664)	(88,993)	32,523	69,559	(4,907)	(263,482)	-	(263,482)
Balance on December 31, 2020	$ 3,084,995	$ 1,468,387	$ 425,972	$ 729,263	$ 48,338	$ 5,756,955	$ 6,028,429	$ 11,785,384

The details of bad debt expense, commitment and guarantee liability provisions for the year ended December 31, 2021 and 2020 are listed below:

	December 31	
	2021	2020
Provisions for loans and discounts	$ 1,039,255	$ 1,358,283
Provisions for reserve of possible losses on guarantees	107,718	296,985
Provisions (reversal) for receivables	88,091	(6,547)
Other provisions	6,693	23,195
	$ 1,241,757	$ 1,671,916

15. SUBSIDIARIES

15.1 Subsidiaries included in the consolidated financial statements

The consolidated financial statements include the Bank and entities controlled by the Bank.

Investor	Investee	Nature of Activities	Proportion of Ownership (%) December 31, 2021	Proportion of Ownership (%) December 31, 2020	Note
Domestic subsidiaries					
The Bank	China Travel Service (Taiwan)	Traveling	99.99	99.99	
The Bank	SCSB Marketing Ltd.	Human resource services	100.00	100.00	
The Bank	SCSB Asset Management Ltd.	Purchase, evaluation, auction and management of creditor's right of financial institutions	100.00	100.00	
China Travel Service (Taiwan)	CTS Travel International Ltd.	Traveling	100.00	100.00	
Foreign subsidiaries					
The Bank	Shancom Reconstruction Inc.	Investment holding	100.00	100.00	
The Bank	Wresqueue Limitada	Investment holding	100.00	100.00	
The Bank	Paofoong Insurance Company Ltd.	Insurance	40.00	40.00	
The Bank	AMK Microfinance Institution Plc.	Microfinance	99.99	99.99	
SCSB Asset Management Ltd.	SCSB Leasing (China) Co., Ltd.	Leasing operation	100.00	100.00	
Wresqueue Limitada	Prosperity Realty Inc.	Real estate service	100.00	100.00	
Shancom Reconstruction Inc.	Empresa Inversiones Generales, S.A.	Investment holding	100.00	100.00	
Shancom Reconstruction Inc.	Krinein Company	Investment holding	100.00	100.00	
Shancom Reconstruction Inc.	Safehaven Investment Corporation	Investment holding	100.00	100.00	
Empresa Inversiones Generales, S.A.	Shanghai Commercial Bank (HK)	Banking	48.00	48.00	1
Krinein Company	Shanghai Commercial Bank (HK)	Banking	9.60	9.60	1
Shanghai Commercial Bank (HK)	Shanghai Commercial Bank (Nominees) Ltd.	Nominee services	100.00	100.00	
Shanghai Commercial Bank (HK)	Shanghai Commercial Bank Trustee Ltd.	Trustee services	60.00	60.00	
Shanghai Commercial Bank (HK)	Shacom Futures Ltd.	Commodities trading	100.00	100.00	
Shanghai Commercial Bank (HK)	Shacom Investment Ltd.	Investment in exchange fund bills and notes	100.00	100.00	
Shanghai Commercial Bank (HK)	Shacom Property Holdings (BVI) Limited	Property holding	100.00	100.00	
Shanghai Commercial Bank (HK)	Shacom Property (NY) Inc.	Property holding	100.00	100.00	
Shanghai Commercial Bank (HK)	Shacom Property (CA) Inc.	Property holding	100.00	100.00	
Shanghai Commercial Bank (HK)	Shacom Assets Investment Ltd.	Investment in bonds	100.00	100.00	
Shanghai Commercial Bank (HK)	Infinite Financial Solutions Limited	I.T. application services provider	100.00	100.00	
Shanghai Commercial Bank (HK)	Shacom Insurance Brokers Ltd.	Insurance broker	100.00	100.00	
Shanghai Commercial Bank (HK)	Shacom Securities Ltd.	Securities brokerage services	100.00	100.00	
Shanghai Commercial Bank (HK)	Hai Kwang Property Management Co., Ltd.	Property management	100.00	100.00	
Shanghai Commercial Bank (HK)	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	
Right Honour Investments Limited	Silver Wisdom Westpoint Investments Limited	Property holding	100.00	100.00	

Note 1: This entity is a subsidiary with material non-controlling interests.

The Bank's board of directors approved to acquire 962 thousand shares from AMK's external shareholders for US$26,120 thousand on March 21, 2020. The case was approved by the FSC and Cambodian authorities on May 27, 2020 and June 23, 2020, respectively. Hence, the Group's shareholding ratio increased to 99.99% on August 6, 2020. Since the transaction did not change the bank's control over AMK, it was treated as an equity transaction. Difference arising from the above equity transaction debited to unappropriated earnings $200,035 thousand (refer to Notes 32 and 36).

In addition, the Bank's board of directors approved the investment of 912 thousand shares for US$5,700 thousand capital increase on March 21, 2020, and this increase was funded by the Bank. The capital increase was approved by the FSC of Taiwan, National Bank of Cambodia, and Cambodia Ministry of Commerce on May 27, 2020, May 7, 2021 and May 13, 2021, respectively. The Bank's shareholding ratio was maintained at 99.99%.

In addition, the Bank's board of directors approved the investment of 3,668 thousand shares for US$22,500 thousand capital increase on November 13, 2021, and this increase was funded by the Bank. The capital increase was approved by the FSC on December 29, 2021. As of the date of approval of the financial report, it has yet to be approved by the Cambodian authorities.

15.2 Details of subsidiaries that have material non-controlling interests ("NCI")

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests December 31, 2021	Proportion of Ownership and Voting Rights Held by Non-controlling Interests December 31, 2020
Shanghai Commercial Bank (H.K.)	Hong Kong	42.4%	42.4%

Name of Subsidiary	Profit Allocated to Non-controlling Interests For the Year Ended December 31 2021	Profit Allocated to Non-controlling Interests For the Year Ended December 31 2020	Accumulated Non-controlling December 31 2021	Accumulated Non-controlling December 31 2020
Shanghai Commercial Bank (H.K.) (excluding NCI in its subsidiaries)	$ 4,432,500	$ 4,420,029	$ 51,310,816	$ 49,798,941

The summarized financial information of the following subsidiaries is compiled based on the amounts before the eliminations of inter-company transactions:

Shanghai Commercial Bank (SCB) (H.K.) and its subsidiaries

	December 31, 2021	December 31, 2020
Assets	$ 830,423,785	$ 822,438,994
Liabilities	(709,065,040)	(704,656,770)
NCI of SCB's subsidiaries	(342,667)	(331,891)
Equity	$ 121,016,078	$ 117,450,333
Equity attributable to:		
Owners of SCSB	$ 69,705,262	$ 67,651,392
NCI of SCSB	51,310,816	49,798,941
	$ 121,016,078	$ 117,450,333

	For the Year Ended December 31 2021	For the Year Ended December 31 2020
Revenue	$ 18,878,464	$ 19,374,587
Net profit for the period	$ 10,407,103	$ 10,373,818
Net profit allocated to NCI of SCB's subsidiaries	19,888	21,530
	10,426,991	10,395,348
Other comprehensive income for the period	(5,907,010)	(7,038,950)
OCI allocated to NCI of SCB's subsidiaries	-	(49)
Total comprehensive income for the period	$ 4,519,981	$ 3,356,349
Profit attributable to:		
Owners of SCSB	$ 5,994,491	$ 5,975,319
NCI of SCSB	4,432,500	4,420,029
	$ 10,426,991	$ 10,395,348
Total comprehensive income attributable to:		
Owners of SCSB	$ 2,603,509	$ 1,933,257
NCI of SCSB	1,916,472	1,423,092
	$ 4,519,981	$ 3,356,349
Cash flows		
Operating activities	$ 11,997,551	$ (31,721,497)
Investing activities	445,454	8,482,762
Financing activities	(2,117,071)	(4,887,868)
Net cash inflow (outflow)	$ 10,325,934	$ (28,126,603)
Dividends paid to non-controlling interests		
SCB (HK)	$ 476,048	$ 1,526,804

16. INVESTMENTS UNDER THE EQUITY METHOD

	December 31, 2021	December 31, 2020
Investments in associates	$ 1,922,359	$ 1,880,035

The Group decreased the carrying value of Kuo Hai to zero and recognized losses on this investment because of the investee's continuous operating losses over the years.

Information on comprehensive income of immaterial associates was summarized as follows:

	For the Year Ended December 31	
	2021	2020
Profit from continuing operations	273,442	235,013
Other comprehensive income for the period	(33,934)	22,991
Total comprehensive income for the period	$ 239,508	$ 258,004

17. OTHER FINANCIAL ASSETS, NET

	December 31, 2021	December 31, 2020
Bills of exchange	$ 5,037	$ 565
Non-performing receivables	1,929	3,721
Time deposit with original maturity of more than three months	-	1,297,620
	6,966	1,301,906
Allowance for non-performing receivables	(2,149)	(3,727)
	$ 4,817	$ 1,298,179

The amount of non-performing receivables is made up of unsettled transactional for forward exchange contracts and credit card receivables.

The balances of credit card receivables which were reported as non-performing amounted to $1,928 thousand and $3,721 thousand as of December 31, 2021 and 2020, respectively. The unrecognized interest revenue on the receivables amounted to $140 thousand and $98 thousand for the year ended December 31, 2021 and 2020, respectively.

18. PROPERTIES, NET

	December 31, 2021	December 31, 2020
Land	$ 13,923,139	$ 14,080,843
Buildings and improvements	4,178,069	4,388,944
Mechanical equipment	640,268	613,331
Transportation equipment	61,640	78,360
Miscellaneous equipment	630,676	695,125
Construction in progress and prepayments	1,162,624	766,934
	$ 20,596,416	$ 20,623,537

Items	For the Year Ended December 31, 2021 Balance at January 1, 2021	Additions	Disposals	Internal Transfers	Reclassified to held for sale	Effects of Exchange Rate Changes, Net	Balance at December 31, 2021
Cost							
Land	$ 14,795,777	$ -	$ (154)	$ -	$ -	$ (111,061)	$ 14,684,562
Buildings and improvements	8,089,013	7,006	(459)	-	-	(81,273)	8,014,287
Office equipment	2,507,360	279,738	(58,563)	4,840	-	(34,701)	2,698,674
Transportation equipment	191,100	2,486	(46,943)	8,401	-	(2,935)	152,109
Miscellaneous equipment	2,635,678	113,360	(15,683)	1,794	-	(44,661)	2,690,488
Construction in progress and prepayments	770,438	440,974	-	(15,035)	-	(29,926)	1,166,451
	28,989,366	$ 843,564	$ (121,802)	$ -	$ -	$ (304,557)	29,406,571
Accumulated depreciation							
Land	714,934	$ 62,563	$ -	$ -	$ -	$ (16,074)	761,423
Buildings and improvements	3,700,069	163,264	(96)	-	-	(27,019)	3,836,218
Office equipment	1,894,029	247,099	(55,974)	-	-	(26,748)	2,058,406
Transportation equipment	112,740	15,381	(36,143)	-	-	(1,509)	90,469
Miscellaneous equipment	1,940,553	167,043	(14,653)	-	-	(33,131)	2,059,812
Construction in progress and prepayments	3,504	402	-	-	-	(79)	3,827
	8,365,829	$ 655,752	$ (106,866)	$ -	$ -	$ (104,560)	8,810,155
Net amount	$ 20,623,537						$ 20,596,416

Items	For the Year Ended December 31, 2020 Balance at January 1, 2020	Additions	Disposals	Internal Transfers	Reclassified to held for sale	Effects of Exchange Rate Changes, Net	Balance at December 31, 2020
Cost							
Land	$ 15,175,664	$ -	$ -	$ (492)	$ (54,859)	$ (324,536)	$ 14,795,777
Buildings and improvements	8,363,142	15,695	-	-	(49,175)	(240,649)	8,089,013
Office equipment	2,533,270	271,893	(209,576)	4,397	-	(92,624)	2,507,360
Transportation equipment	259,195	18,090	(77,117)	-	-	(9,068)	191,100
Miscellaneous equipment	2,677,220	115,584	(32,287)	198	-	(125,037)	2,635,678
Construction in progress and prepayments	522,769	259,667	-	28,116	-	(40,114)	770,438
	29,531,260	$ 680,929	$ (318,980)	$ 32,219	$ (104,034)	$ (832,028)	28,989,366
Accumulated depreciation							
Land	692,427	$ 66,037	$ -	$ (11)	$ -	$ (43,519)	714,934
Buildings and improvements	3,626,564	167,558	-	-	(18,190)	(75,863)	3,700,069
Office equipment	1,952,456	217,542	(189,959)	-	-	(86,010)	1,894,029
Transportation equipment	155,660	20,434	(58,586)	-	-	(4,768)	112,740
Miscellaneous equipment	1,887,459	171,715	(30,570)	-	-	(88,051)	1,940,553
Construction in progress and prepayments	3,266	417	-	34	-	(213)	3,504
	8,317,832	$ 643,703	$ (279,115)	$ 23	$ (18,190)	$ (298,424)	8,365,829
Net amount	$ 21,213,428						$ 20,623,537

The Group did not have any impairment losses on the properties for the year ended December 31, 2021 and 2020.

The land held by the subsidiary SCB (HK) is a leasehold interest.

Depreciation expense of properties held by SCSB is computed using the straight-line method over the useful life as follows:

Buildings and improvements	
Branches offices	43-55 years
Air conditioning and machine rooms	9 years
Office equipment	3-8 years
Transportation equipment	5-10 years
Miscellaneous equipment	5-20 years

Depreciation expense of the land held by SCB (HK) is computed using the straight-line method; depreciation expense of the buildings is computed over the lease term or the straight-line method of less than 40 durable years. Other equipment is computed using the straight-line method within the durability of 4 to 10 years.

The board of directors of the subsidiary SCSB Asset Management Ltd. approved the plan to dispose of land, buildings and improvements on December 16, 2020, and completed the signing and transfer procedures in January 2021, so the assets were reclassified as assets held for sale. Because the selling price exceeds the book value, no impairment loss was recognized. The composition of assets held for sale is as follows:

	December 31, 2020
Land	$ 54,859
Buildings and improvements	30,985
Assets held for sale－net	$ 85,844

19. LEASE ARRANGEMENTS

19.1 Right-of-use assets

	December 31, 2021	December 31, 2020
Carrying amount of right-of-use assets		
Land	$ 2,082	$ 3,318
Buildings and improvements	1,657,419	2,140,558
Mechanical equipment	56,968	24,590
Office equipment	61,237	8,565
Transportation equipment	32,213	29,273
	$ 1,809,919	$ 2,206,304

	For the Year Ended December 31	
	2021	2020
Increase in right-of-use assets	$ 524,884	$ 770,503
Depreciation expenses of right-of-use assets		
Land	$ 1,285	$ 1,370
Buildings and improvements	698,992	761,062
Mechanical equipment	19,165	21,453
Office equipment	23,824	25,859
Transportation equipment	14,411	12,904
	$ 757,677	$ 822,648

19.2 Lease liabilities

	December 31, 2021	December 31, 2020
Carrying amount of lease liabilities	$ 1,868,929	$ 2,287,181

The discount rate intervals for lease liabilities are as follows:

	December 31, 2021	December 31, 2020
Land	6.19%	7.60%
Buildings and improvements	0.67%~6.19%	0.67%~7.60%
Mechanical equipment	1.25%~6.19%	1.25%~7.60%
Office equipment	0.75%~3.00%	0.75%~3.00%
Transportation equipment	1.25%~4.90%	1.25%~3.00%

19.3 Other lease information

	For the Year Ended December 31	
	2021	2020
Short-term lease expenses	$ 346,867	$ 36,772
Leases of low value assets	$ 62,069	$ 14,034
Variable lease payments which are not included in lease liabilities measurements	$ 3,314	$ 3,179
Total cash outflow for leases	$ 1,119,246	$ 1,017,574

The Group chooses to apply recognition exemption to the rentals of buildings, office equipment, transportation equipment that qualify as short-term lease and computer equipment which qualify as low value assets, and did not recognize related right-of-use assets and lease liabilities.

20. INVESTMENT PROPERTIES, NET

	December 31, 2021	December 31, 2020
Land	$ 4,954,491	$ 4,731,808
Buildings and improvements	1,026,660	1,074,676
	$ 5,981,151	$ 5,806,484

	For the Year Ended December 31, 2021			
	Balance at January 1, 2021	Additions	Effect of Exchange Rate Changes, Net	Balance at December 31, 2021
Cost				
Land	$ 4,772,658	$ 332,000	$ (107,129)	$ 4,997,529
Buildings and improvements	1,212,902	3,733	(26,268)	1,190,367
	5,985,560	$ 335,733	$ (133,397)	6,187,896
Less: Accumulated depreciation				
Land	40,850	$ 3,108	$ (920)	43,038
Buildings and improvements	138,226	28,812	(3,331)	163,707
	179,076	$ 31,920	$ (4,251)	206,745
Net amount	$ 5,806,484			$ 5,981,151

	For the Year Ended December 31, 2020			
	Balance at January 1, 2020	Additions	Effect of Exchange Rate Changes, Net	Balance at December 31, 2020
Cost				
Land	$ 4,526,211	$ 537,765	$ (291,318)	$ 4,772,658
Buildings and improvements	1,280,513	8,607	(76,218)	1,212,902
	5,806,724	$ 546,372	$ (367,536)	5,985,560
Less: Accumulated depreciation				
Land	40,089	$ 3,277	$ (2,516)	40,850
Buildings and improvements	115,994	30,416	(8,184)	138,226
	156,083	$ 33,693	$ (10,700)	179,076
Net amount	$ 5,650,641			$ 5,806,484

The land held by the subsidiary SCB (HK) is a leasehold interest.

Depreciation expense of investment properties is computed using the straight-line method over useful life as follows:

Land	Period of the lease term
Buildings and improvements	Period of the lease term or 40 years, whichever is shorter

The fair value of investment properties were measured mainly by Cushman & Wakefield, an independent appraiser, on the balance sheet date. The valuation applies popular Level 3 input valuation models such as the “direct comparison approach” and the “income capitalization approach”. The applied unobservable inputs include sales proofs from market, potential market rentals, and related costs such as building costs, consulting costs, and financing costs. The fair value is stated below:

	December 31, 2021	December 31, 2020
Fair value	$ 10,082,090	$ 10,754,332

The rental income from investment properties is stated below:

	For the Year Ended December 31	
	2021	2020
Rental income from investment properties	$ 214,903	$ 271,974

21. INTANGIBLE ASSETS, NET

	December 31, 2021	December 31, 2020
Bank license	$ 1,319,857	$ 1,357,706
Computer software	262,501	215,272
Goodwill	83,366	84,704
	$ 1,665,724	$ 1,657,682

	For the Year Ended December 31, 2021				
	Balance at January 1, 2021	Additions	Disposals	Effects of Exchange Rate Changes, Net	Balance at December 31, 2021
Cost					
Operating license	$ 1,396,577	$ -	$ -	$ (22,068)	$ 1,374,509
Computer software	478,901	169,240	(54,087)	(3,756)	590,298
Goodwill	84,704	-	-	(1,338)	83,366
	1,960,182	$ 169,240	$ (54,087)	$ (27,162)	2,048,173
Less: Accumulated depreciation					
Operating license	$ 38,871	$ 16,525	$ -	$ (744)	$ 54,652
Computer software	263,629	120,258	(54,087)	(2,003)	327,797
	302,500	$ 136,783	$ (54,087)	$ (2,747)	382,449
Net amount	$ 1,657,682				$ 1,665,724

	For the Year Ended December 31, 2020				
	Balance at January 1, 2020	Additions	Disposals	Effects of Exchange Rate Changes, Net	Balance at December 31, 2020
Cost					
Operating license	$ 1,490,662	$ -	$ -	$ (94,085)	$ 1,396,577
Computer software	503,949	72,892	(84,380)	(13,560)	478,901
Goodwill	90,411	-	-	(5,707)	84,704
	2,085,022	$ 72,892	$ (84,380)	$ (113,352)	1,960,182
Less: Accumulated depreciation					
Operating license	23,708	$ 17,433	$ -	$ (2,270)	38,871
Computer software	253,559	102,234	(84,380)	(7,784)	263,629
	277,267	$ 119,667	$ (84,380)	$ (10,054)	302,500
Net amount	$ 1,807,755				$ 1,657,682

Amortization expense is computed using the straight-line method over the useful lives as follows:

Bank license	84 years
Computer software	3-5 years

Goodwill was mainly from the control premium generated by the acquisition of Cambodian AMK on August 28, 2018. It also included the expected synergies, revenue growth, and future market development.

The Group underwent the impairment assessment of the recoverable amount of goodwill, and the calculation of the recoverable amount was based on the value in use. The calculation of the value in use was based on the cash flow of AMK's future financial projections and was calculated using the annual discount rate to reflect the specific risks of AMK. The assessment results showed no sign of impairment. The Group did not need to recognize impairment loss on goodwill in 2021 and 2020.

22. OTHER ASSETS, NET

	December 31, 2021	December 31, 2020
Prepaid expenses	$ 6,285,682	$ 2,722,603
Refundable deposits	992,321	1,163,628
Temporary payments and suspension	316,153	219,166
Deferred charges	210,061	293,070
Others	397,383	327,001
	$ 8,201,600	$ 4,725,468

23. DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS

	December 31, 2021	December 31, 2020
Call loans from banks	$ 40,854,566	$ 35,895,400
Due to banks	10,037,561	9,311,438
Deposit from Chunghwa Post Co., Ltd.	1,221,799	1,221,799
Bank overdrafts	541,963	389,024
	$ 52,655,889	$ 46,817,661

24. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold under repurchase agreements as of December 31, 2021 and 2020 were $14,505,024 thousand and $25,781,411 thousand, respectively. The aforementioned securities will be repurchased by September 13, 2022 and September 29, 2021 at $14,508,047 thousand and $25,787,641 thousand, respectively.

25. PAYABLES

	December 31, 2021	December 31, 2020
Dividends payable	$ 14,908,719	$ 14,076,764
Accounts payable	6,920,914	10,245,613
Acceptances	3,046,505	2,608,951
Accrued interest	2,138,298	2,687,621
Accrued expenses	1,676,966	1,606,808
Others	737,553	683,025
	$ 29,428,955	$ 31,908,782

26. DEPOSITS AND REMITTANCES

	December 31, 2021	December 31, 2020
Time deposits	$ 706,005,580	$ 773,344,702
Savings deposits	554,410,590	518,354,786
Demand deposits	427,859,684	375,424,247
Checking deposits	10,221,245	9,145,403
Negotiable certificates of deposit	8,787,700	9,218,600
Remittances	317,723	409,076
	$ 1,707,602,522	$ 1,685,896,814

27. BANK DEBENTURES

27.1 The Bank

	December 31, 2021	December 31, 2020
The subordinated bank debenture - 7-10 years maturity, third issued in 2012; maturity date is from November 2019 to November 2022.	$ 4,000,000	$ 4,000,000
The subordinated bank debenture - 7-10 years maturity, fourth issued in 2012; maturity date is from December 2019 to December 2022.	5,700,000	5,700,000
The subordinated bank debenture - 7-10 years maturity, first issued in 2014; maturity date is from March 2021 to March 2024	5,100,000	6,700,000
The subordinated bank debenture - 7 years maturity, second issued in 2014; maturity date is in November 2021	-	3,300,000
The subordinated bank debenture - 7 years maturity; first issued in 2015; maturity date is in June 2022	2,150,000	2,150,000
The subordinated bank debenture - 8.5 years maturity; second issued in 2015; maturity date is in June 2024	3,000,000	3,000,000
The subordinated bank debenture - 7-10 years maturity; first issued in 2017; maturity date is from June 2024 to 2027	5,000,000	5,000,000
The subordinated bank debenture - 7-10 years maturity; second issued in 2017; maturity date is from December 2024 to 2027	5,000,000	5,000,000
The subordinated bank debenture - 7-10 years maturity; first issued in 2018; maturity date is from June 2025 to 2028	5,000,000	5,000,000
The subordinated bank debenture; third issued in 2018; no maturity date	7,000,000	7,000,000
The bank debenture - 5 years maturity; first issued in 2019; maturity date is in September 2024	6,900,000	6,900,000
The bank debenture - 3 years maturity; first issued in 2019; maturity date is in September 2022	3,100,000	3,100,000
The bank debenture - 7 years maturity; first issued in 2020; maturity date is in March 2027	3,000,000	3,000,000
The bank debenture - 10 years maturity; first issued in 2020; maturity date is in March 2030	7,000,000	7,000,000
The subordinated bank debenture - 7-10 years maturity; first issued in 2021; maturity date is from October 2028 to 2031	5,000,000	-
	$ 66,950,000	$ 66,850,000

The third issuance of the 2012 bank debenture was classified into two types, Types A and B, in accordance with the issued terms. Their terms and methods of interest accrual were as follows: Type A, seven-year of subordinated bank debenture at a fixed annual interest rate of 1.43%; Type B, ten-year of subordinated bank debenture at a fixed annual interest rate of 1.55%. The interests were paid annually with the repayment of principals at maturity.

The fourth issuance of the 2012 bank debenture was classified into two types, Types A and B, in accordance with the issued terms. Their terms and methods of interest accrual were as follows: Type A, seven-year of subordinated bank debenture at a fixed annual interest rate of 1.43%; Type B, ten-year of subordinated bank debenture at a fixed annual interest rate of 1.55%. The interests were paid annually with the repayment of principals at maturity.

The first issuance of the 2014 bank debenture was classified into two types, Types A and B, in accordance with the issued terms. Their terms and methods of interest accrual were as follows: Type A, seven-year of subordinated bank debenture at a fixed annual interest rate of 1.70%; Type B, ten-year of subordinated bank debenture at a fixed annual interest rate of 1.85%. The interests were paid annually with the repayment of principals at maturity.

The second issuance of the 2014 subordinated bank debenture, seven-year of subordinated bank debenture, had a fixed interest rate of 1.83% with the interest paid annually and the repayment of principal at maturity.

The first issuance of the 2015 subordinated bank debenture had a fixed interest rate of 1.83% with the interest paid annually and the repayment of principal at maturity.

The second issuance of the 2015 subordinated bank debenture had a fixed interest rate of 1.83% with the interest paid annually and the repayment of principal at maturity.

The first issuance of the 2017 bank debenture was classified into two types, Types A and B, in accordance with the issued terms. Their terms and methods of interest accrual were as follows: Type A, seven-year of subordinated bank debenture at a fixed annual interest rate of 1.50%; Type B, ten-year of subordinated bank debenture at a fixed annual interest rate of 1.85%. The interests were paid annually with the repayment of principals at maturity.

The second issuance of the 2017 bank debenture was classified into two types in accordance with the issued terms and the methods of interest accrual: Types A and B. Their terms and methods of interest accrual were as follows: Type A, seven-year of subordinated bank debenture at a fixed annual interest rate of 1.30%; Type B, ten-year of subordinated bank debenture at a fixed annual interest rate of 1.55%. Their interests were paid annually with repayment of principals at maturity.

The first issuance of the 2018 bank debenture was classified into two types in accordance with the issued terms and the methods of interest accrual: Types A and B. Their terms were as follows: Type A, seven-year of subordinated bank debenture at a fixed annual interest rate of 1.25%; Type B, ten- year of subordinated bank debenture at a fixed annual interest rate of 1.45%. Their interests were paid annually with repayment of principals at maturity.

The third issuance of the 2018 subordinated bank debenture was at a fixed annual interest rate of 2.15% with the interest paid annually and the repayment of principal at maturity.

The first issuance of the 2019 bank debenture was classified into two types in accordance with the issued terms and the methods of interest accrual: Types A and B. Their terms were as follows: Type A, three-year of bank debenture at a fixed annual interest rate of 0.65%; Type B, five-year of bank debenture at a fixed annual interest rate of 0.69%. Their interests were paid annually with repayment of principals at maturity.

The first issuance of the 2020 bank debenture was classified into two types in accordance with the issued terms and the methods of interest accrual: Types A and B. Their terms were as follows: Type A, seven-year of bank debenture at a fixed annual interest rate of 0.62%; Type B, ten-year of bank debenture at a fixed annual interest rate of 0.64%. Their interests were paid annually with repayment of principals at maturity.

The first issuance of the 2021 bank debenture was classified into two types in accordance with the issued terms and the methods of interest accrual: Types A and B. Their terms were as follows: Type A, seven-year of subordinated bank debenture at a fixed annual interest rate of 0.60%; Type B, ten-year of subordinated bank debenture at a fixed annual interest rate of 0.72%. Their interests were paid annually with repayment of principals at maturity.

27.2 SCB (HK)

	December 31, 2021	December 31, 2020
The subordinate bank debenture with a 10 years maturity and maturity date on November 2027	$ 6,879,578	$ 6,986,031
The subordinate bank debenture with a 10 years maturity and maturity date on January 2029	8,261,934	8,387,843
	$ 15,141,512	$ 15,373,874

The first issuance of the 2017 subordinated bank debenture had a fixed interest rate of 3.75% with interest to be paid semi-annually.

The second issuance of the 2019 subordinated bank debenture had a fixed interest rate of 5.00% with interest to be paid semi-annually.

28. OTHER FINANCIAL LIABILITIES

	December 31, 2021	December 31, 2020
Principals of structured instruments	$ 1,444,718	$ 416,965
Appropriated loan funds	1,378,521	1,746,491
Bank borrowings	453,304	546,442
Other financial liabilities	1,507,463	1,771,047
	$ 4,784,006	$ 4,480,945

29. PROVISIONS

	December 31, 2021	December 31, 2020
Provision for employee benefits (Note 31)	$ 1,332,971	$ 1,294,159
Provision for guarantees liabilities	1,196,049	1,092,208
Provision for other operations	321,658	347,866
Provision for financing commitment	77,582	78,063
Provision for unexpected losses	4,540	3,566
	$ 2,932,800	$ 2,815,862

Provisions for changes in financing commitment and guarantee liability of the Group for the year ended December 31, 2021 and 2020 were as follows:

For the Year Ended December 31, 2021

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulatory Decree	Total
Provisions for commitment and guarantee liability							
January 1, 2021	$ 608,285	$ 22,140	$ 4,081	$ 20,418	$ 654,924	$ 515,348	$ 1,170,272
Changes due to financial assets recognized at the beginning of the period:							
Transfer to lifetime ECLs	(2,978)	3,093	5,556	(3,899)	1,772	-	1,772
Transfer to credit impaired financial assets	-	-	-	-	-	-	-
Transfer to 12-month ECLs	350	(598)	(2,164)	-	(2,412)	-	(2,412)
Financial assets derecognized in the current period	(556,395)	(22,213)	(1,364)	(15,162)	(595,134)	-	(595,134)
Purchased or originated financial assets	274,936	18,622	395	-	293,953	-	293,953
The difference of impairment under the regulation or decree	-	-	-	-	-	409,539	409,539
Exchange rate and other changes	(5,106)	(1)	748	-	(4,359)	-	(4,359)
December 31, 2021	$ 319,092	$ 21,043	$ 7,252	$ 1,357	$ 348,744	$ 924,887	$ 1,273,631

For the Year Ended December 31, 2020

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulatory Decree	Total
Provisions for commitment and guarantee liability							
January 1, 2020	$ 197,485	$ 53,270	$ 3,009	$ 1,675	$ 255,439	$ 628,601	$ 884,040
Changes due to financial assets recognized at the beginning of the period:							
Transfer to lifetime ECLs	6,227	1,193	-	-	7,420	-	7,420
Transfer to credit impaired financial assets	(84)	-	-	17,125	17,041	-	17,041
Transfer to 12-month ECLs	32,719	-	(250)	-	32,469	-	32,469
Financial assets derecognized in the current period	(156,967)	(53,270)	(1,815)	(33)	(212,085)	-	(212,085)
Purchased or originated financial assets	539,533	21,497	2,656	1,707	565,393	-	565,393
The difference of impairment under the regulation or decree	-	-	-	-	-	(113,253)	(113,253)
Exchange rate and other changes	(10,628)	(550)	481	(56)	(10,753)	-	(10,753)
December 31, 2020	$ 608,285	$ 22,140	$ 4,081	$ 20,418	$ 654,924	$ 515,348	$ 1,170,272

30. OTHER LIABILITIES

	December 31, 2021	December 31, 2020
Guarantee deposits received	$ 1,980,597	$ 1,954,771
Deferred revenue	596,736	572,742
Temporary credit	135,751	42,062
Interest received in advance	9,709	12,659
Others	467,695	489,560
	$ 3,190,488	$ 3,071,794

31. PENSION PLAN

The Bank

(1) Defined contribution plans

The Bank adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The total amounts of contributions to the defined contribution plans for the year ended December 31, 2021 and 2020 were $87,910 thousand and $82,308 thousand, respectively.

(2) Defined benefit plans

The defined benefit plans adopted by the Bank in accordance with the Labor Standards Law is operated by the government of Taiwan. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Bank contribute amounts equal to 10% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Bank assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Bank is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Bank has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Bank's defined benefit plans were as follows:

	December 31, 2021	December 31, 2020
Present value of the defined benefit obligation	$ 3,232,621	$ 3,081,512
Fair value of the plan assets	(3,179,529)	(2,925,648)
Net defined benefit liabilities	$ 53,092	$ 155,864

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance on January 1, 2020	$ 2,960,095	$ (2,732,294)	$ 227,801
Service cost			
Current service cost	178,288	-	178,288
Interest expense (income)	36,015	(35,143)	872
Recognized in profit or loss	214,303	(35,143)	179,160
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(48,387)	(48,387)
Actuarial loss			
Changes in demographic assumptions	2,278	-	2,278
Changes in financial assumptions	74,164	-	74,164
Experience adjustments	77,085	-	77,085
Recognized in other comprehensive income	153,527	(48,387)	105,140
Contributions from the employer	-	(356,237)	(356,237)
Benefits paid	(246,413)	246,413	-
Balance on December 31, 2020	$ 3,081,512	$ (2,925,648)	$ 155,864

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance on January 1, 2021	$ 3,081,512	$ (2,925,648)	$ 155,864
Service cost			
Current service cost	173,431	-	173,431
Interest expense (income)	29,549	(29,821)	(272)
Recognized in profit or loss	202,980	(29,821)	173,159
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(19,064)	(19,064)
Actuarial (gain) loss			
Changes in demographic assumptions	71,125	-	71,125
Changes in financial assumptions	73,020	-	73,020
Experience adjustments	(21,612)	-	(21,612)
Recognized in other comprehensive income	122,533	(19,064)	103,469
Contributions from the employer	-	(379,400)	(379,400)
Benefits paid	(174,404)	174,404	-
Balance on December 31, 2021	$ 3,232,621	$ (3,179,529)	$ 53,092

Through the defined benefit plans under the Labor Standards Law, the Bank is exposed to the following risks:

A. Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

B. Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

C. Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31, 2021	December 31, 2020
Discount rate	0.75%	1.00%
Expected rate of salary increase	2.75%	2.75%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31, 2021	December 31, 2020
Discount rate		
0.25% increase	$ (73,992)	$ (74,167)
0.25% decrease	$ 76,433	$ 76,715
Expected rate of salary increase		
0.25% increase	$ 62,261	$ 62,480
0.25% decrease	$ (60,544)	$ (60,674)

The sensitivity analysis presented above may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31, 2021	December 31, 2020
Average duration of the defined benefit obligation	9.5 years	10.0 years
Expected contributions to the plans for the next year	$ 389,834	$ 366,034

(3) Employee preferential deposit plan

The Bank's obligation to pay the quota deposits of current staff and retired employees is based on the Bank's relevant employee preferential deposit benefits. In accordance with the guidelines for the Regulations Governing the Preparation of Financial Reports by Public Banks, the Bank needs to measure on the excess interest arising from the post-retirement preferential deposit interest rate through actuarial process .

The actuarial assumptions of the retired employees' preferential deposit and welfare expenses are based on the Banking Bureau's requirement dated March 15, 2012 (Ref. No. 10110000850). The assumptions are as follows:

	December 31, 2021	December 31, 2020
Discount rate	4.00%	4.00%
Deposit rate of return	2.00%	2.00%
Preferential deposit withdrawal rate	2.00%	2.00%
Change in the preferential deposit policy	50.00%	50.00%

The amount of the Bank's obligations arising from the preferential deposit plan for retired employees is included in the balance sheet as follows:

	December 31, 2021	December 31, 2020
Retired employees' preferential deposit liabilities, net	$ 518,675	$ 474,273

The amounts of the retired employees' preferential deposit benefit expenses in the consolidated statements of comprehensive income for the year ended December 31, 2021 and 2020 were $68,225 thousand and $74,908 thousand, respectively; and in other comprehensive losses were $28,986 thousand and $28,866 thousand, respectively.

(4) Other long-term employee benefit liabilities

Current employees who are eligible for retirement will be given a pension according to the retirement plan. If employees do not have the qualification to retire, (a) the pension will be paid for one month if the service lasts less than one year; (b) if the service lasts more than one year and less than five years, they will receive pension for one month for serving each full year; (c) if the service lasts for more than five years, the pension is calculated according to the actuarial calculation method. However, the calculation method is only applicable to the service that existed before the application of the new system.

The amounts of the Bank's obligations arising from the employee's pension were included in the balance sheets as follows:

	December 31, 2021	December 31, 2020
Other long-term employee benefit liabilities, net	$ 10,469	$ 10,303

The Bank recognized employee pension benefit cost of $166 thousand and $1,506 thousand in the consolidated statements of comprehensive income for the year ended December 31,2021 and 2020, respectively.

SUBSIDIARIES

(1) Defined contribution plans

The Bank adopted a pension plan under the LPA, which is a defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Retirement benefits provided by foreign subsidiaries in accordance with local laws and regulations are funded, and the pension funds are held as independently managed funds separate from the assets of the foreign subsidiaries.

The total amounts of contributions to the defined contribution plans as reported in the consolidated statements of comprehensive income for the year ended December 31, 2021 and 2020 were $281,049 thousand and $301,429 thousand, respectively.

(2) Defined benefit plans

Domestic and foreign subsidiaries recognize the relevant costs based on the results of the evaluation of the actuary. Costs of the defined benefit plans recognized in the consolidated statements of comprehensive loss in 2021 and 2020 were $217 thousand and $344 thousand, respectively; and other comprehensive were loss and income $4,262 thousand and $1,956 thousand, respectively.

Provision for employee benefits

	December 31, 2021	December 31, 2020
Defined benefit liabilities	$ 803,827	$ 809,583
Retired employees' preferential deposit liabilities	518,675	474,273
Other long-term employment benefits	10,469	10,303
	$ 1,332,971	$ 1,294,159

32. EQUITY

32.1 Share capital

	December 31, 2021	December 31, 2020
Ordinary shares		
Authorized shares (in thousands)	6,000,000	6,000,000
Authorized capital	$ 60,000,000	$ 60,000,000
Issued and paid shares (in thousands)	4,481,603	4,481,603
Issued capital	$ 44,816,031	$ 44,816,031

The issued ordinary share has par value of $10. Each shareholder is entitled with the right to vote and receive dividends.

32.2 Capital surplus

	December 31, 2021	December 31, 2020
Share premium	$ 13,431,903	$ 13,431,903
Treasury shares transaction	2,046,520	2,037,566
Unclaimed dividends	1,100,985	994,456
Recognition of changes in equity of subsidiaries	85,518	85,518
Proportionate share in investee's surplus from donated assets under the equity method	1,218	1,218
	$ 16,666,144	$ 16,550,661

The capital surplus from shares issued in excess of par (including additional paid-in capital from the issuance of ordinary shares, conversion of bonds and treasury share transactions) and donations may be capitalized from capital surplus into share capital, which is limited to a certain percentage of the Bank's paid-in capital. In addition, the capital surpluses generated by the issuance of employee stock options were all $2,971,968 thousand on December 31, 2021 and 2020, which are restricted to offset losses.

The capital surplus from investments accounted for using the equity method, dividends not yet collected by shareholders has limited use and can only be used to offset losses.

Since the shares held by subsidiaries were classified as treasury shares, cash dividend distributed to subsidiaries was then recorded as capital surplus - treasury shares according to the shareholding ratio.

When the equity of the company is not actually obtained or processed, the impact of the equity transaction recognized due to changes in the company's equity or the company's recognition of the adjustment to the capital reserve of the subsidiary identified using the equity method.

32.3 Retained earnings and dividend policy

According to the earnings distribution policy of the Bank, where the Bank made a surplus profit in its annual accounts, the profit shall be first utilized for paying taxes and then offsetting losses of previous years. As required by the law, 30% of profit shall be allocated as the legal reserve. However, when the amount of statutory surplus reserve has reached the amount of total paid-in capital of the Bank, the required allocation of 30% of profit to the legal reserve is waived and any amount exempted from allocation to capital reserve may be appropriated to or reversed from the special surplus reserve for distribution of special dividends. After the abovementioned appropriations, the balance and accumulated unappropriated earnings of the previous year, including the special reserve shall be available for earnings for distribution. The board of directors drafts a plan for surplus distribution and submits it to the shareholders' meeting for approval. The distribution of dividends or bonuses is subject to the attendance of more than two-thirds of the members of the board of directors and the resolution of more than half of the directors present. All or part of the dividends or bonuses shall be distributed in cash and reported to the shareholders in their meeting.

If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be corrected into capital (share capital) or distributed in cash. However, under the Banking Act, if legal reserve is less than its paid-in capital, the Bank is allowed to distribute cash earnings only up to 15% of its capital. For the estimation on the distribution of employees' compensation and remuneration of directors, refer to employee benefits expense in Note 33(6).

The Bank has made special reserves for the adoption of IFRS in accordance with Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs".

The Bank held the shareholders' meeting on July 5, 2021 and June 19, 2020 for the appropriations of earnings and dividends per share for 2020 and 2019 were as follows:

	Appropriation of Earnings		Dividends Per Share (In NT Dollar)	
	2020	**2019**	**2020**	**2019**
Legal reserve	$ 3,879,721	$ 4,398,333		
Cash dividends - ordinary shares	7,618,725	9,187,286	$ 1.70	$ 2.05
	$ 11,498,446	$ 13,585,619	$ 1.70	$ 2.05

The appropriations of earnings and dividends per share for 2021 are subjected to the approval of the board directors' meeting on March 26, 2022 and shareholders' meetings on June 17, 2022.

32.4 Special reserve

The Bank made a special reserve due to the transfer of $1,256,859 thousand of its cumulative translation adjustment reported in equity to retained earnings upon first-time IFRS adoption. There was no change in the balance of the special reserve for the year ended December 31, 2021.

According to Rule No. 10510001510 issued by the FSC on May 25, 2016, public banks shall appropriate to a special reserve 0.5% to 1.0% of net profit. Public banks may reverse the same amount of transfers or resettle the expenses starting from 2017. However, in accordance with Rule No. 10802714560 issued by the FSC, starting from 2019, the special reserve method will no longer be used to respond to the development of financial technology and protect the rights and interests of domestic bank employees, and to transfer expenses for employees to pay or resettlement expenses, and employee education and training expenses in response to the needs of financial technology or banking business development shall be returned within the scope of the special surplus reserve balance mentioned above. The Bank made a special reserve in the amount of $189,228 thousand according to the rule as at December 31, 2021.

32.5 Treasury shares

On December 31, 2021 and 2020, Shancom Reconstruction Inc. and China Travel Service (Taiwan) held 11,370 thousand shares and 27 thousand shares of the Bank, respectively.

Under the Company Act, the Bank is not allowed to buy back more than 5% of its issued shares. In addition, the total cost of treasury shares may not exceed the sum of the retained earnings and realized capital surplus. The Bank is not allowed to exercise shareholders' rights on these shares before they are resold. The shares held by its subsidiaries are treated as treasury shares, except for participating in the Bank's cash addition and voting rights, the rest is the same as the general shareholder's rights.

32.6. Non-controlling interests

	For the Year Ended December 31	
	2021	2020
Beginning balance	$ 49,995,956	$ 50,658,706
Attributed to non-controlling interests		
Acquisition of non-controlling interests in subsidiaries (Notes 15 and 36)	-	(566,457)
Net income	4,415,037	4,351,671
Translation adjustments for foreign operations	(1,078,618)	(2,845,677)
Unrealized gain on financial assets measured at FVTOCI	(1,458,282)	252,877
Realized gain on financial assets measured at FVTOCI	(158,189)	(202,332)
Loss on investments in debt instruments measured at FVTOCI	10,447	6,916
Share of other comprehensive profit and loss under the equity method	(14,692)	9,758
Income tax effect	200,773	(142,702)
Cash dividends distribution	(476,048)	(1,526,804)
Ending balance	$ 51,436,384	$ 49,995,956

33. DETAILS OF COMPREHENSIVE INCOME STATEMENT ITEMS

33.1 Interest revenue, net

	For the Year Ended December 31	
	2021	2020
Interest income		
Discounts and loans	$ 27,296,634	$ 30,105,993
Securities investments	7,045,440	8,944,704
Due from banks	991,248	2,684,374
Others	185,793	251,986
	35,519,115	41,987,057
Interest expense		
Deposits	6,520,098	12,509,331
Bank debentures	1,729,058	1,775,542
Due to banks	325,098	809,046
Securities sold under repurchase agreements	57,868	77,332
Leased liability	36,106	45,935
Others	380,592	381,261
	9,048,820	15,598,447
Interest income, net	$ 26,470,295	$ 26,388,610

33.2 Service fee income, net

	For the Year Ended December 31 2021	2020
Service fee income		
Trust and custody services	$ 2,284,778	$ 2,259,665
Loan service fees	1,044,224	1,563,870
Guarantees related fees	893,958	691,170
Nominee and brokerage service charge	806,506	809,667
Credit card related fees	462,882	423,915
Insurance commission fees	409,896	352,866
Exchange related fees	385,494	399,914
Inward/outward business	301,928	285,609
Others	730,938	694,886
	7,320,604	7,481,562
Service charge		
Credit card service charge	229,360	212,907
Nominee and brokerage service charge	91,277	91,616
Finance service charge	53,107	54,758
Custody service charge	47,980	47,967
Interbank service charge	12,267	13,130
Others	573,185	457,376
	1,007,176	877,754
Service fee income, net	$ 6,313,428	$ 6,603,808

33.3 Gain (loss) on financial assets and liabilities at FVTPL

	For the Year Ended December 31, 2021 Realized Gain (Loss)	Unrealized Gain (Loss)	Total
Financial assets mandatorily classified as at FVTPL	$ 8,390,916	$ (290,311)	$ 8,100,605
Held-for-trading financial liabilities	(7,955,568)	(446,700)	(8,402,268)
Financial liabilities designated at FVTPL	-	128,246	128,246
	$ 435,348	$ (608,765)	$ (173,417)

	For the Year Ended December 31, 2020 Realized Gain (Loss)	Unrealized Gain (Loss)	Total
Financial assets mandatorily classified as at FVTPL	$ 6,314,128	$ 574,467	$ 6,888,595
Held-for-trading financial liabilities	(5,499,770)	(205,712)	(5,705,482)
Financial liabilities designated at FVTPL	-	(34,612)	(34,612)
	$ 814,358	$ 334,143	$ 1,148,501

33.4 Realized gain or loss on financial assets at FVTOCI

	For the Year Ended December 31 2021	2020
Disposal of debt instruments interest	$ 976,744	$ 1,151,560
Dividend income	1,277,460	1,119,042
	$ 2,254,204	$ 2,270,602

33.5 Employment benefits expense

	For the Year Ended December 31	
	2021	2020
Short-term employment benefits	$ 8,396,863	$ 8,071,163
Retirement benefits		
Defined contribution plan	368,959	383,737
Defined benefit plan	193,824	179,504
Other benefit plan	378,529	375,264
	$ 9,338,175	$ 9,009,668

33.6 Compensation of employees and remuneration of directors

The employees' compensation and remuneration of directors were at the rates of no less than 0.1% and no higher than 0.6%, respectively, of net profit before income tax, employees' compensation and directors' remuneration.

The employees' compensation and the remuneration of directors for 2020 as approved by the board of directors on March 27, 2021 were as follows:

	For the Year Ended December 31, 2020
	Cash
Compensation of employees	$ 60,000
Remuneration of directors	$ 58,000

The employees' compensation and remuneration of directors in 2021 are subject to the resolution of the board of directors on March 26, 2022.

If the amount of the annual consolidated financial report changes after the release date, it will be treated according to the changes in accounting estimation and will be adjusted in the next year.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2020 and 2019.

Information on the employees' compensation and remuneration of directors resolved by the Bank's board of directors in 2021 and 2020 is available on the Market Observation Post System website of the Taiwan Stock Exchange.

33.7 Depreciation and amortization

	For the Year Ended December 31	
	2021	2020
Depreciation expense		
Right-of-use assets	$ 757,677	$ 822,648
Properties	655,752	643,703
Investment properties	31,920	33,693
	1,445,349	1,500,044
Amortization expense		
Intangible assets	136,783	119,667
Other assets	77,723	93,748
	214,506	213,415
	$ 1,659,855	$ 1,713,459

34. INCOME TAXES RELATING TO CONTINUING OPERATIONS

34.1 Income tax expense recognized in profit or loss

The major components of tax expenses were as follows:

	For the Year Ended December 31	
	2021	2020
Current tax		
In respect of the current year	$ 3,649,684	$ 3,428,668
In respect of prior periods	(281,974)	(26,717)
Tax on the repatriation of earnings	277,000	165,932
	3,644,710	3,567,883
Deferred tax		
In respect of the current year	372,861	615,213
In respect of prior periods	5,160	(29,114)
Effect of deferred income tax on the repatriation of earnings from subsidiaries	(554,000)	(414,830)
	(175,979)	171,269
Income tax expense recognized in profit or loss	$ 3,468,731	$ 3,739,152

The reconciliation of accounting profit and income tax expenses is as follows：

	For the Year Ended December 31	
	2021	2020
Profit before tax from continuing operations	$ 22,139,349	$ 21,553,768
Income tax expense calculated at the statutory rate	$ 6,376,298	$ 6,128,254
Add (deduct) tax effect of：		
Tax-exempt cash dividend	(102,570)	(77,915)
Permanent difference - investment income	(867,587)	(619,716)
Tax-exempt gain on security transactions	(79,038)	(38,532)
Tax-exempt income from subsidiaries	(812,997)	(715,938)
Tax-exempt income from offshore banking unit (OBU)	(547,040)	(612,830)
Others	(26,221)	(67,220)
	3,940,845	3,996,103
Tax on unappropriated earnings	81,700	35,087
Basic tax payable difference	-	12,691
Adjustments for prior years' current tax	(281,974)	(26,717)
Adjustments for prior years' deferred tax	5,160	(29,114)
Tax on the repatriation of earnings	277,000	165,932
Effect of deferred income tax on the repatriation of earnings from subsidiaries	(554,000)	(414,830)
Income tax expense recognized in profit or loss	$ 3,468,731	$ 3,739,152

34.2 Income tax expense recognized in other comprehensive income

	For the Year Ended December 31	
	2021	2020
Deferred income tax		
Recognized in other comprehensive income		
Translation adjustments for foreign operations	$ (162,849)	$ 1,037,394
Unrealized gain or loss on financial assets measured at FVTOCI	712,405	(493,049)
Defined benefit plans remeasurement	26,491	26,801
Income tax expense recognized in other comprehensive income	$ 576,047	$ 571,146

34.3 Current tax assets and liabilities

	December 31, 2021	December 31, 2020
Current tax assets		
Tax refund receivable	$ 62,485	$ 122,342
Current tax liabilities		
Income tax payable	$ 1,184,757	$ 1,251,695

34.4 Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the Year Ended December 31, 2021

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Translation Difference	Closing Balance
Temporary differences					
Doubtful debts	$ 794,317	$ 58,951	$ -	$ (8,489)	$ 844,779
Impairment loss on financial assets at FVTOCI	11,556	943	-	-	12,499
Unrealized loss on financial instruments	5,590	19,948	-	-	25,538
Investment loss of domestic subsidiaries recognized under equity method	17,395	(6,220)	-	-	11,175
Unrealized foreign exchange loss	54,185	(33,367)	-	-	20,818
Cumulative translation adjustment	20,086	-	(762)	-	19,324
Employee benefits plan	170,025	(26,663)	26,491	-	169,853
Others	190,367	(56,740)	-	(1,353)	132,274
	$ 1,263,521	$ (43,148)	$ 25,729	$ (9,842)	$ 1,236,260
Deferred Tax Liabilities					
Temporary differences					
Unrealized gain on financial instruments	$ (946,243)	$ 89,239	$ 712,405	$ 5,101	$ (139,498)
Investment gain of domestic subsidiaries recognized under equity method	(8,744,558)	143,763	(162,087)	448,832	(8,314,050)
Recognized deferred depreciation expenses	(228,318)	(13,596)	-	5,076	(236,838)
Others	(930)	(279)	-	-	(1,209)
	$ (9,920,049)	$ 219,127	$ 550,318	$ 459,009	$ (8,691,595)

For the Year Ended December 31, 2020

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Translation Difference	Closing Balance
Temporary differences					
Doubtful debts	$ 688,086	$ 122,714	$ -	$ (16,483)	$ 794,317
Impairment loss on financial assets at FVTOCI	7,439	4,117	-	-	11,556
Unrealized loss on financial instruments	5,965	(375)	-	-	5,590
Investment loss of domestic subsidiaries recognized under equity method	21,434	(4,039)	-	-	17,395
Unrealized foreign exchange loss	39,482	14,703	-	-	54,185
Cumulative translation adjustment	21,379	-	(1,295)	2	20,086
Employee benefits plan	177,778	(34,554)	26,801	-	170,025
Others	191,405	4,629	-	(5,667)	190,367
	$ 1,152,968	$ 107,195	$ 25,506	$ (22,148)	$ 1,263,521
Deferred Tax Liabilities					
Temporary differences					
Unrealized gain on financial instruments	$ (461,358)	$ (17,391)	$ (493,049)	$ 25,555	$ (946,243)
Investment gain of domestic subsidiaries recognized under equity method	(9,382,034)	(221,376)	1,038,914	(180,062)	(8,744,558)
Recognized deferred depreciation expenses	(200,125)	(39,690)	-	11,497	(228,318)
Others	(699)	(7)	(225)	1	(930)
	$ (10,044,216)	$ (278,464)	$ 545,640	$ (143,009)	$ (9,920,049)

34.5 Income tax assessments

The Bank's income tax returns through 2018 had been assessed by the tax authorities.

Income tax returns of the Bank's domestic subsidiaries through 2019 had been assessed by the tax authorities.

35. EARNINGS PER SHARE

The numerators and denominators used in calculating basic earnings per share were as follows:

Unit: NT$ Per Share

	For the Year Ended December 31	
	2021	2020
Basic earnings per share	$ 3.19	$ 3.01
Diluted earnings per share	$ 3.19	$ 3.01

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net Profit for the Period

	For the Year Ended December 31	
	2021	2020
Earnings used in the computation of basic and diluted earnings per share	$ 14,255,581	$ 13,462,945

Weighted average number of ordinary shares outstanding (in thousands of shares):

	For the Year Ended December 31	
	2021	2020
Weighted average number of ordinary shares in computation of basic earnings per share	4,470,206	4,470,206
Effect of potentially dilutive ordinary shares:		
Employees' compensation	1,606	1,810
Weighted average number of ordinary shares used in the computation of diluted earnings per share	4,471,812	4,472,016

In the computation of diluted earnings per share, it assumed the entire amount of the compensation will be settled in potential shares. If the Bank offered to settle compensation paid to employees in cash or shares, the potential shares are included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

36. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

The Bank acquired equity interest from AMK's external shareholders, after which the shareholding in AMK held by the Bank further increased from 84.89% to 99.99% on August 31, 2020.

The above transaction did not change the state of control. Therefore, the difference resulting from equity transaction was adjusted by reducing the unappropriated earnings by $200,035 thousand in 2020.

37. RELATED-PARTY TRANSACTIONS

The relationship, significant transactions and account balances of the Group and its related parties (except those disclosed in other notes) are summarized as follows:

37.1 The Bank's related parties

Related Party	Relationship with the Bank
The SCSB Cultural & Educational Foundation	Substantive related party
The SCSB Charity Foundation	Substantive related party
Silks Place Taroko	Substantive related party
Hung Shen Investment Corporation	Substantive related party
Hung Ta Investment Corporation	Substantive related party
GTM Corporation	Substantive related party
Chi-Li Investment Co., Ltd.	Substantive related party
Yongye Investment Co., Ltd.	Substantive related party
Qin Mao Consultants Ltd.	Substantive related party
Other related parties	The relatives of the Bank's directors and related management

37.2 Significant transactions between related parties

Balances and transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Bank and other related parties are disclosed below.

37.2.1 Deposits

	December 31, 2021			For the Year Ended December 31, 2021
	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Expense
Directors and related management	$ 21,792,053	$ 21,570,369	0.00-2.18	$ 78,902
Employees	283,275	133,209	0.00-9.78	1,969
The SCSB Cultural & Educational Foundation	334,283	320,723	0.01-1.05	1,051
Others	108,992	107,624	0.00-2.05	541
	$ 22,518,603	$ 22,131,925		$ 82,463

	December 31, 2020			For the Year Ended December 31, 2020
	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Expense
Directors and related management	$ 15,552,217	$ 15,130,654	0.00-4.90	$ 202,557
Employees	423,740	252,079	0.00-9.97	3,022
The SCSB Cultural & Educational Foundation	343,549	324,225	0.01-1.07	1,539
Others	84,046	82,756	0.00-1.90	363
	$ 16,403,552	$ 15,789,714		$ 207,481

37.2.2 Interest receivable (accounted for as receivables)

	December 31, 2021	December 31, 2020
Directors and related management	$ 11	$ 89

37.2.3 Interest payable (accounted for as payables)

	December 31, 2021	December 31, 2020
Directors and related management	$ 44	$ 48
The SCSB Cultural & Educational Foundation	86	38
The SCSB Charity Foundation	15	15
	$ 145	$ 101

37.2.4 Guarantee deposits received (accounted for as other liabilities)

	December 31, 2021	December 31, 2020
The SCSB Cultural & Educational Foundation	$ 318	$ 318

37.2.5 Rental income (accounted for as other non-interest revenue, net)

	For the Year Ended December 31	
	2021	2020
The SCSB Cultural & Educational Foundation	$ 1,272	$ 1,272

For the rental contracts with related parties, the rental is determined in proportion to similar rentals in the area, based on a reference to the rentals in the neighborhood, and is received on a monthly basis.

37.2.6 Loans

December 31, 2021									For the Year Ended December 31, 2021
				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)	$ 608	$ 180	$ 180	-	Real estate	1.56-1.57	None	$ 6
Others	Directors and related management (9)	155,372	140,010	140,010	-	Real estate/ financial instruments	1.29-1.49	None	11,549
		$ 155,980	$ 140,190	$ 140,190					$ 11,555

December 31, 2020									For the Year Ended December 31, 2020
				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)	$ 1,062	$ 607	$ 607	-	Real estate	1.56-1.83	None	$ 14
Others	Hung Shen Investment Corporation	388,000	378,000	378,000	-	Real estate	1.46-1.71	None	5,847
Others	Directors and related management (14)	1,163,269	1,094,478	1,094,478	-	Real estate/ financial instruments	1.29-2.26	None	63,232
		$1,552,331	$ 1,473,085	$ 1,473,085					$ 69,093

Employee deposits and loans have better interest rates within regulated limits, while other related party transactions have similar terms as non-related party transactions.

Under the provisions of Articles 32 and 33 of the Banking Act, the Bank shall not make unsecured loans to related party, except for consumer loans under certain limits, and government loans. Secured loans to a related party should be fully guaranteed, and the relevant terms should not be superior to other similar credit clients.

37.3 Compensation of directors and management personnel

The compensation of key management personnel for the year ended December 30, 2021 and 2020 was as follows:

	For the Year Ended December 31	
	2021	2020
Salaries and other short-term employee benefits	$ 498,603	$ 500,861
Bonuses and compensation of employees	39,841	42,009
Remuneration of directors	124,334	141,338
Post-employment benefits	84,217	82,586
Others	864	443
	$ 747,859	$ 767,237

38. PLEDGED ASSETS

Under the Central Bank's clearing system of Real-Time Gross Settlement (RTGS), on December 31, 2021 and 2020, the assets listed below had been provided as collateral for day-term overdrafts with the pledged amount adjustable at any time.

	December 31, 2021	December 31, 2020	Guaranty Purpose
The Bank			
Investments in debt instruments measured at amortized cost	$ 12,000,000	$ 11,100,000	Day-term overdraft with the pledge

On December 31, 2021 and 2020, the Bank provided financial assets at FVTOCI listed below which had been provided as operating guarantees.

	December 31, 2021	December 31, 2020	Guaranty Purpose
The Bank			
Financial assets at FVTOCI	$ 346,624	$ 339,588	Operating guarantee

On December 31, 2021 and 2020, SCB (HK) and its overseas branch provided financial assets at amortized cost listed below which had been provided as operating guarantees.

	December 31, 2021	December 31, 2020	Guaranty Purpose
The SCB (HK)			
Investments in debt instruments measured at amortized cost	$ 4,872,533	$ 1,249,343	Operating guarantee

On December 31, 2021 and 2020, SCB (HK) and its overseas branch provided financial assets at FVTOCI listed below which had been provided as operating guarantees.

	December 31, 2021	December 31, 2020	Guaranty Purpose
The SCB (HK)			
Financial assets at FVTOCI	$ 21,270,542	$ 14,497,847	Operating guarantee

39. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Bank as of December 31, 2021 and 2020, were as follows:

	December 31, 2021	December 31, 2020
Commitments of forward contracts with customers	$ 312,461,232	$ 501,101,372
Securities in custody	242,180,397	230,840,454
Assets under trust	212,368,082	199,810,665
Guarantee notes payable	164,076,416	162,081,230
Receivables under custody	32,484,286	27,636,732
Government bonds in brokerage accounts	29,466,700	30,612,200
Short-term bills in brokerage accounts	559,450	1,261,600

40. FINANCIAL INSTRUMENTS

40.1 Fair value information - financial instruments not measured at fair value

40.1.1 Financial assets and liabilities with significant differences between carrying amounts and fair values.

Except as detailed in the following table, the Group's management considers that the carrying amounts of financial instruments not measured at fair values are approximate of their fair values or the fair values could not otherwise be reliably measured:

	December 31, 2021		December 31, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Investments in debt instruments measured at amortized cost	$ 159,319,588	$ 159,375,166	$ 107,685,748	$ 107,419,195
Financial liabilities				
Bank debentures	82,091,512	82,882,006	82,223,874	83,479,721

40.1.2 Fair value level

	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Financial assets				
Investments in debt instruments measured at amortized cost	$ 159,375,166	$ 22,634,554	$ 136,740,612	$ -
Financial liabilities				
Bank debentures	82,882,006	-	82,882,006	-

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
Financial assets				
Investments in debt instruments measured at amortized cost	$ 107,419,195	$ 5,138,129	$ 102,281,066	$ -
Financial liabilities				
Bank debentures	83,479,721	-	83,479,721	-

40.1.3 The evaluation method and assumptions used in measuring fair value.

The fair value of financial assets and liabilities are determined as follows:

(1) The fair value of financial assets with standard clauses and terms is quoted market price.

(2) The fair value of financial instruments other than the above is determined by the discounted cash flow analysis or other generally accepted pricing models.

40.2 Fair value information - financial instrument measured at fair value under repetitive basis

40.2.1 Fair value level

Information of the financial instruments measured at fair value categorized by level is as follows:

Financial Instruments Measured at Fair Value	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets measured at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Shares	$ 2,174,721	$ 2,138,464	$ 36,257	$ -
Bonds	6,099,860	92,275	6,007,585	-
Beneficiary certificates	535,265	535,265	-	-
Financial assets measured at FVTOCI				
Equity instruments	23,077,179	20,892,243	-	2,184,936
Debt instruments	495,479,676	198,770,322	295,958,341	751,013
	$ 527,366,701	$ 222,428,569	$ 302,002,183	$ 2,935,949

Financial Instruments Measured at Fair Value	December 31, 2021 Total	Level 1	Level 2	Level 3
Liabilities				
Financial liabilities measured at FVTPL	$ 2,068,124	$ -	$ 2,068,124	$ -
Derivative financial instruments				
Assets				
Financial assets measured at FVTPL	$ 1,788,166	$ 49,737	$ 1,738,429	$ -
Liabilities				
Financial liabilities measured at FVTPL	$ 1,602,830	$ 6,837	$ 1,595,993	$ -

Financial Instruments Measured at Fair Value	December 31, 2020 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets measured at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Shares	$ 1,148,316	$ 1,116,702	$ 31,614	$ -
Bonds	7,958,328	733,730	7,044,749	179,849
Beneficiary certificates	505,928	505,928	-	-
Financial assets measured at FVTOCI				
Equity instruments	20,407,824	18,477,657	-	1,930,167
Debt instruments	487,829,199	210,287,819	277,530,962	10,418
	$ 517,849,595	$ 231,121,836	$ 284,607,325	$ 2,120,434
Liabilities				
Financial liabilities measured at FVTPL	$ 2,245,100	$ -	$ 2,245,100	$ -
Derivative financial instruments				
Assets				
Financial assets measured at FVTPL	$ 4,045,243	$ 47,076	$ 3,690,419	$ 307,748
Liabilities				
Financial liabilities measured at FVTPL	$ 3,889,400	$ 39,235	$ 3,783,097	$ 67,068

There were no transfers of financial instruments between Level 1 and Level 2 fair value measurement for the year ended December 31, 2021 and 2020.

40.2.2 Reconciliation of Level 3 fair value measurement

For the Year Ended December 31, 2021

Item	Beginning Balance	Amount of Valuation Gain or Loss		Addition		Reduction		Exchange	Ending Balance
		Included in Profit or Loss	Included in Other Comprehensive Income	Buy or Issue	Transferred In	Sell Out, Disposal or Settlement	Transferred Out from Third Level		
Assets									
Financial assets measured at FVTPL									
Financial assets mandatorily classified as at FVTPL	$ 487,597	$ (347,949)	$ -	$ -	$ -	$(139,648)	$ -	$ -	$ -
Financial assets measured at FVTOCI	1,940,585	-	248,958	756,599	-	(8,094)	-	(2,099)	2,935,949
Liabilities									
Financial liabilities measured at FVTPL									
Held-for-trading financial liabilities	67,068	(67,068)	-	-	-	-	-	-	-

For the Year Ended December 31, 2020

Item	Beginning Balance	Amount of Valuation Gain or Loss		Addition		Reduction		Exchange	Ending Balance
		Included in Profit or Loss	Included in Other Comprehensive Income	Buy or Issue	Transferred In	Sell Out, Disposal or Settlement	Transferred Out from Third Level		
Assets									
Financial assets measured at FVTPL									
Financial assets mandatorily classified as at FVTPL	$ 852,574	$ 4,686	$ -	$ -	$ -	$(369,663)	$ -	$ -	$ 487,597
Financial assets measured at FVTOCI	1,813,473	-	82,365	61,779	-	(14,593)	-	(2,439)	1,940,585
Liabilities									
Financial liabilities measured at FVTPL									
Held-for-trading financial liabilities	57,765	9,303	-	-	-	-	-	-	67,068

Some of the Group’s investments became listed during the years ended December 31, 2021 and 2020. After the assessment, the market’s fair values are available for reference. Therefore, such financial assets have been transferred from Level 3 to Level 1.

40.2.3 Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Bonds	Valuation was based on observable market prices or assessed by using cash flow method through observable elements.
Derivatives	Valuation was based on widely-adapted pricing techniques. The inputs were assessed by observable elements in the market.
Others	Valuation was based on observable market prices or assessed by using cash flow method through observable elements.

40.2.4 Valuation techniques and inputs applied for Level 3 fair value measurement

The fair value of financial assets classified as Level 3 included but was not limited to bond investments measured at FVTPL, and investments in bonds and equity securities measured at FVTOCI.

Most financial instruments with fair value measurements classified as Level 3 only possess single, unobservable inputs. Non-active market debt instruments possess unobservable inputs. The non-active market equity instruments are independent and thus, are irrelevant to each other. The quantified information of significant unobservable inputs is as follows:

	Fair Value December 31, 2021	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-Average)	Notes
Financial assets measured at FVTOCI					
Shares	2,184,936	1. Market approach	Market liquidity reduction	10%-19%	1. The higher of the liquidity reduction, and the lower of the fair value.
		2. Net asset value method	Market liquidity reduction	10%-19%	2. The higher of the liquidity reduction, and the lower of the fair value
Bonds	751,013	1.Counterparty quote 2.Discounted cash flow method	Discount rate	0%-10%	The higher of the discount rate, and the lower of the fair value.

40.2.5 Sensitivity analysis of alternative assumptions of Level 3 fair value measurements

The Group reasonably measured the fair values of its financial instruments; however, using different valuation models, evaluation methods and underlying assumptions may lead to different results. For financial instruments classified as having Level 3 fair value measurements, if the parameters were to go up 1%, the influence on net income or other comprehensive income would be as follows:

December 31, 2021

	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	$ -	$ (362)	$ -	$ -
Financial assets measured at FVTOCI	-	-	-	(20,719)

December 31, 2020

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflected in Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
Assets				
Financial assets measured at FVTPL				
Financial assets mandatorily classified as at FVTPL	$ -	$ (4,512)	$ -	$ -
Financial assets measured at FVTOCI	-	-	-	(16,424)

For financial instruments classified as having Level 3 fair value measurements, if the parameters were to go down 1%, the influence of net income or other comprehensive income would be as follows:

December 31, 2021

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflected in Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
Assets				
Financial assets measured at FVTPL				
Financial assets mandatorily classified as at FVTPL	$ 362	$ -	$ -	$ -
Financial assets measured at FVTOCI	-	-	20,719	-

December 31, 2020

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflected in Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
Assets				
Financial assets measured at FVTPL				
Financial assets mandatorily classified as at FVTPL	$ 4,512	$ -	$ -	$ -
Financial assets measured at FVTOCI	-	-	16,424	-

40.3 Financial risk management

40.3.1 Risk management

The Group's objective in risk management is to establish a risk control mechanism weighing the entire risk of the Group, restrictions from laws and regulations, to diversify, transfer, and avoid risk, and to pursue the maximum benefits of the Group's customers, shareholders, and employees. The Group's major risks include credit risk, market risk (interest rate, exchange rate and equity securities), operational risk, liquidity risk and so on.

The Group established written risk management policies and procedures that are considered and approved by the board of directors to identify, measure, monitor, and control the credit risk, market risk, operation risk and liquidity risk.

The Group's risk management department performs the Group's risk management activities pursuant to the policies approved by the board of directors. Risk management department works with other business departments in order to identify, evaluate, and avoid any financial risks. The board of directors formulates the written policies for risk management; the policy included specific exposures such as currency risk, interest rate risk, credit risk, derivative and non-derivative financial instruments. In addition, the department of internal audit is responsible for independent review of risk management and control environment.

40.3.2 Credit risks

Credit risk is the risk of counterparties' failure to fulfill their contractual obligations causing the Group's financial losses. Both in-balance-sheet and off-balance-sheet items are exposed to credit risks. For the Group's credit exposures, in-balance-sheet items mainly consisted of discounts and loans, credit card business, due from and call loans to banks, debt investments, and derivative instruments. Off-balance sheet items mainly consisted of financial guarantee, acceptances, letters of credit, loan commitments, and other services which also generate credit exposure.

To ensure that the credit risk is controlled within a tolerable range, the Group established an internal standard for credit risk. In that standard, all transactions are analyzed whether in the banking book or in the trading book, and either in-balance-sheet or off-balance-sheet, to identify the inherent and potential risks. The Group examines and confirms credit risk in accordance with the rules before launching new products and business. Furthermore, the Group also establishes a risk management system for complicated credit business such as factoring, credit derivative financial instruments and so on.

The Group's foreign operation units adopt policies and standards same as above to assess their asset quality and provision for contingent loss, and also include policies that comply with the regulations of the local financial supervisory commission.

(1) Procedures of credit risk management

The major procedures and methods for credit risk management are as follows:

A Credit business (including loan commitments and guarantees)

The Bank

a. The credit risk has increased significantly since initial recognition

The Bank assesses the change in the risk of default over the expected duration of each type of credit asset on each reporting date in order to determine whether the credit risk has increased significantly since initial recognition. For this assessment, the Bank's considerations (including forward-looking information) show that the credit risk has increased significantly since initial recognition and can be corroborated. The main considerations include:

i. Changes in internal and external credit ratings from the significant increase in credit risk.

ii. Information of overdue status (e.g. if the payment is overdue for more than 30 days).

iii. Unfavorable changes in current or projected operating, financial or economic conditions that are expected to result in significant changes in the ability of the debtor to perform its debt obligations.

iv. Significant changes in actual or expected results of the debtor's operations.

v. The credit risk of other financial instruments of the same debtor has increased significantly.

b. The definition of default and credit impairment on financial assets

The Bank's definition of default on financial assets is the same as the judgment of credit impairment on financial assets. If one or more of the following conditions are met, the Bank determines that the financial assets have defaulted and become credit impaired:

i. Changes in internal and external credit ratings from the significant increase in credit risk.

ii. Information of overdue status (e.g. if the payment is overdue for more than 90 days).

iii. The debtor has become bankrupt or may file for bankruptcy or financial restructuring.

iv. The debtor has died or been dissolved.

v. Contracts of other debt instruments of the debtor have defaulted.

vi. The active market of the financial assets disappeared due to financial difficulties.

vii. The debtor's creditor gives the borrower a concession that would not have been considered due to economic or contractual reasons related to the debtor's financial difficulties.

viii. There is a purchase or initiation of financial assets at a significant discount reflecting that credit losses have occurred.

The aforementioned default and credit impairment definitions apply to all financial assets held by the Bank and are consistent with the definitions used for the internal credit risk management purposes of the financial assets and are applied to the relevant impairment assessment model.

c. Measurement of expected credit loss

For the objective of assessing expected credit loss, credit assets are classified according to the credit risk characteristics (such as the purpose of the borrowing, the nature of the industry, the type of collateral and the state of the borrowing) into two categories: corporate finance and personal finance. Further to this, the credit risk characteristics are divided according to each category.

The 12-month expected credit loss amounts of the Bank's financial instruments whose credit risk has not significantly increased since initial recognition are used to measure the allowance for loss of the financial instruments; for financial instruments whose credit risk has increased significantly or which have had credit impairment since initial recognition, such financial instruments are measured at the amount of full lifetime expected credit losses.

The estimation method and significant assumptions used to assess expected credit losses have not changed significantly since December 31, 2021.

d. Forward-looking information considerations

When measuring the expected credit losses, the Bank uses forward-looking economic factors that affect credit risk and takes such forward-looking information regarding expected credit losses into consideration. Based on professional economic judgment, the Bank uses statistical analysis results of GDP growth rate to provide forecast information of economic factors on a quarterly basis and re-evaluates such data on each financial reporting date.

SCB (HK)

a. The credit risk has increased significantly since initial recognition

SCB assesses the change in the risk of default in the next 12 months of each type of credit asset on each reporting date in order to determine whether the credit risk has increased significantly since initial recognition. For this assessment, SCB considerations (including forward-looking information) show that the credit risk has increased significantly since initial recognition and can be corroborated. The main considerations include:

i. Changes in internal and external credit ratings and probability of default in the next 12 months.

ii. Information of overdue status (e.g. if the payment is overdue for more than 30 days).

iii. Unfavorable changes in current or projected operating, financial or economic conditions that are expected to result in significant changes in the ability of the debtor to perform its debt obligations.

iv. Significant changes in actual or expected results of the debtor's operations.

v. The credit risk of other financial instruments of the same debtor has increased significantly.

vi. There is doubt about the collateral rights under the debt, or the collateral price is affected by the surrounding economic environment, and the mortgage value will decline due to economic recession.

vii. There are unfavorable changes in the business of the debtor industry which are affected by the surrounding economy or policy.

viii. Key person in debt companies have financial difficulties, debt or dispute litigation, or serious illness or death, all of which have a negative impact on the ability of debt companies to meet their debt obligations.

b. The definition of default and credit impairment on financial assets

SCB's definition of default on financial assets is the same as the judgment of credit impairment on financial assets. If one or more of the following conditions are met, SCB determines that the financial assets have defaulted and have credit impairment:

i. Information of overdue status (e.g. if the payment is overdue for more than 90 days).

ii. The debtor has become bankrupt or may file for bankruptcy or financial restructuring.

iii. The debtor has died or been dissolved.

iv. Contracts of other debt instruments of the debtor have defaulted.

v. The active market of the financial assets disappeared due to financial difficulties.

vi. The debtor's creditor gives the borrower a concession that would not have been considered due to economic or contractual reasons related to the debtor's financial difficulties.

vii. The debtor's overall debt rises and is not proportional to its business growth.

viii. If the debtor invests in a project or delays the construction of a project, the cost exceeds the budget, and the creditor needs to arrange for debt restructuring.

ix. There is a purchase or initiation of financial assets at a significant discount reflecting that credit losses have occurred.

x. Estimated debt contract payments failed to be fully recovered.

The aforementioned default and credit impairment definitions apply to all financial assets held by SCB and are consistent with the definitions used for the internal credit risk management purposes of the financial assets and are applied to the relevant impairment assessment model.

If the financial assets no longer meet the definition of default and credit impairment for six consecutive months, their statuses are judged to have returned to performance level and are no longer regarded as financial assets that have defaulted and have been credited.

c. Measurement of expected credit loss

For the objective of assessing expected credit loss, credit assets are classified according to the credit risk characteristics (such as the purpose of the borrowing, the nature of the industry, the type of collateral and the state of the borrowing) into two categories:

Corporate finance and personal finance. Further to this, the credit risk characteristics are divided according to each category.

For financial instruments whose credit risk has not significantly increased since initial recognition, SCB measures the allowance for loss of the financial instruments based on the 12-month expected credit loss amounts; for financial instruments and operating lease receivables whose financial risk has significantly increased or which have had credit impairment since initial recognition, such instruments and operating lease receivables are measured at the amount of expected credit losses during the duration of the period.

The estimation method and significant assumptions used to assess expected credit losses have not changed significantly since December 31, 2021.

d. Forward-looking information considerations

When measuring the expected credit losses, SCB uses forward-looking economic factors that affect credit risk and takes such forward-looking information regarding expected credit losses into consideration. Based on professional economic judgment, SCB uses the statistical analysis results of GDP growth rate to provide forecast information of economic factors on a quarterly basis and re-evaluates such data on each financial reporting date.

B. Due from and call loans to bank

The Group assesses the credit position of counterparties and consults a credit rating agency for credit rating information and sets limits to the credit facilities.

C. Debt investments and derivative financial instruments

For the credit risk management of debt investments, the Group identifies credit risk by using information from external institutions about credit ratings, quality of debts, region, and the risk of counterparties.

Most of the Group's counterparties in derivative transactions are assessed at higher than investment grade, and the Group controls the investments according to counterparties' facilities (including call loans); counterparties that do not have credit ratings or are not assessed at investment grade are reviewed case by case. Counterparties which are non-financial or non-banking clients are assessed according to the general procedures for the approval of credit facilities and control of credit exposure situations of the counterparties.

(2) Policies of credit risk hedging or mitigation

A. Collateral

The Group applies series of policies to decrease credit risks in its lending business. Among those policies is to request collateral from creditors. To secure the creditor's rights, the Group has established procedures for pledges, valuations, management, and disposals of collateral. The contracts between the Group and the borrowers clearly state the protocols, including but not limited to the security of credit, procedures for collateral and for offsets. To further decrease credit risks, the contracts also proclaim that the Group may decrease the credit facilities at its discretion, accelerate the maturity of the borrowings, demand immediate payback, or offset borrowers' assets in the Group against the borrowings.

B. Credit risk limitation and credit concentration management

The credit policies of the Group regulate the credit limitations, as applied to a single counterparty or group, to avoid excessive credit concentration. The Group further implements concentration policies, which monitor and manage the credit limitation and concentration in one single counterparty, different enterprises, related parties, industries, and countries. The policies are based on individual criteria in different categories including but not limited to industries, enterprises, and share-pledge related loans.

C. Other mechanisms for credit risk management

The contracts between the Group and the borrowers clearly state the protocols, including but not limited to the security of the credit, procedures for collateral and set off. To further decrease credit risks, the contracts also proclaim that the Group may decrease the balances, shorten the maturity period, demand immediate payback, or use borrowers' assets in the Group to offset their liabilities.

In most circumstances, the Group applies gross settlement with counterparties. However, to further decrease credit risks, the Group applies net settlement or even terminates transactions with certain counterparties when default may occur.

The table below analyzes the collateral held as security and other credit enhancements, and their financial effects in respect of the financial assets recognized in the Group's consolidated balance sheets:

December 31, 2021

Financial instruments subject to IFRS 9 impairment requirements and credit impairment	Book Value	Maximum Exposure to Credit Risk Mitigated by Collateral	Master Netting Arrangement	Other Credit Enhancement	Total
Receivables	$ 75,748	$ 8,940	$ -	$ -	$ 8,940
Discounts and loans	3,014,931	2,438,429	-	245,455	2,683,884

December 31, 2020

Financial instruments subject to IFRS 9 impairment requirements and credit impairment	Book Value	Maximum Exposure to Credit Risk Mitigated by Collateral	Master Netting Arrangement	Other Credit Enhancement	Total
Receivables	$ 82,825	$ 9,007	$ -	$ -	$ 9,007
Discounts and loans	2,620,109	1,722,158	-	232,857	1,955,015

(3) Credit risk exposures

The maximum exposure of the Group's assets in the consolidated balance sheets is equivalent to the book value, while the pledged assets and other credit instruments are not considered. The off-balance sheet items related to the maximum credit exposure (without considering collateral or other credit enhancements and irrevocable maximum exposure) are as follows:

	December 31 2021	December 31 2020
Issued and non-cancelable loan commitments	$ 52,480,756	$ 56,881,727
Non-cancelable credit card commitments	576,919	651,646
Issued but unused letters of credit	32,142,233	32,719,060
Other guarantees	113,845,852	104,521,028

The Group assessed that it could continually control and minimize credit risk exposure of off-balance sheet items because it adopts stricter procedures and regularly audits credit accounts.

Total carrying amounts of the financial assets with the largest credit risk exposure in the Group are as follows:

	December 31, 2021			
	12-Month ECLs	Lifetime ECLs without impairment	Lifetime ECLs with impairment	Total
Discounts and loans				
Consumer banking				
-Mortgage	$ 274,750,979	$ 2,087,554	$ 496,621	$ 277,335,154
-Microcredit	17,233,134	423,747	157,303	17,814,184
-Others	50,131,068	181,585	36,133	50,348,786
Corporate banking				
-Secured	473,837,846	12,084,819	2,036,819	487,959,484
-Unsecured	243,475,192	24,435,473	244,596	268,155,261
Total	$ 1,076,867,874	$ 44,315,960	$ 3,014,931	$ 1,124,198,765
Accounts receivable (including non-performing credit card receivables)				
Credit cards	$ 3,229,190	$ 166,770	$ 64,794	$ 3,460,754
Others	11,758,420	300,217	10,954	12,069,591
Total	$ 14,987,610	$ 466,987	$ 75,748	$ 15,530,345
Debt instruments measured at FVTOCI	$ 494,308,800	$ 792,656	$ -	$ 495,101,456
Investments in debt instruments measured at amortized cost	$ 159,320,715	$ -	$ -	$ 159,320,715

	December 31, 2020			
	12-Month ECLs	Lifetime ECLs without impairment	Lifetime ECLs with impairment	Total
Discounts and loans				
Consumer banking				
-Mortgage	$ 276,042,517	$ 2,165,375	$ 562,131	$ 278,770,023
-Microcredit	14,132,617	151,629	161,580	14,445,826
-Others	51,660,037	202,005	49,312	51,911,354
Corporate banking				
-Secured	505,743,454	12,246,503	1,240,602	519,230,559
-Unsecured	253,980,660	28,980,835	606,484	283,567,979
Total	$ 1,101,559,285	$ 43,746,347	$ 2,620,109	$ 1,147,925,741
Accounts receivable (including non-performing credit card receivables)				
Credit cards	$ 2,923,203	$ 167,022	$ 70,947	$ 3,161,172
Others	15,486,132	147,888	11,878	15,645,898
Total	$ 18,409,335	$ 314,910	$ 82,825	$ 18,807,070
Debt instruments measured at FVTOCI	$ 481,973,422	$ 494,595	$ -	$ 482,468,017
Investments in debt instruments measured at amortized cost	$ 107,687,168	$ -	$ -	$ 107,687,168

(4) Information on concentration of credit risk

Concentration of credit risk exists if transaction counterparties are significantly concentrated on same individuals or groups engaged in activities with similar economic characteristics, which may lead their ability to fulfill contractual obligations being affected by similar changes in economic or other conditions.

Concentration of credit risk can be on assets, liabilities or off-balance sheet items and can arise in the course of the enforcement and implementation of transactions (regardless of products or service) or in the combination of exposures across categories, including credit, due from and call loans to banks, marketable securities, receivables and derivatives, etc. The Group maintains a diversified loan portfolio to mitigate the credit risk concentration to same customers; total discounts and loans transactions with same customers and non-performing loans are not material. The Group's most significant concentrations of credit risk of discounts and loans and non-performing loans by industry, region, and collateral were summarized as follows:

A. Industry

Sector	December 31					
	2021			2020		
		Amount	%		Amount	%
Private sector	$	710,332,622	63	$	727,245,269	63
Consumer		387,381,005	34		390,287,673	34
Financial institution		17,382,251	2		17,910,294	2
Others		9,102,887	1		12,482,505	1
	$	1,124,198,765	100	$	1,147,925,741	100

B. Region

Region	December 31					
	2021			2020		
		Amount	%		Amount	%
Taiwan	$	669,998,201	60	$	661,839,169	58
Asia Pacific except Taiwan		324,154,314	29		356,071,837	31
Others		130,046,250	11		130,014,735	11
	$	1,124,198,765	100	$	1,147,925,741	100

C. Collateral

Collaterals Assumed	December 31					
	2021			2020		
		Amount	%		Amount	%
Unsecured	$	287,613,071	26	$	280,626,148	24
Secured						
Properties		708,232,575	63		730,573,644	64
Guarantee		72,751,320	6		76,304,205	7
Financial collateral		35,356,195	3		38,160,939	3
Personal properties		2,924,020	1		3,684,467	1
Other collateral		17,321,584	1		18,576,338	1
	$	1,124,198,765	100	$	1,147,925,741	100

(5) Information on credit risk quality

Part of the financial assets held by the Group, cash and cash equivalents, financial assets at fair value through profit or loss, investments in bills and bonds with resale agreements, guarantee deposits paid, security businesses, clearing and settlement funds, etc. are assessed to have very low credit risk because the counterparties have good credit ratings.

40.3.3 Market risk

(1) The sources and definition of market risk

Market risk is the risk resulting from changes in fair value and future cash flows of on- and off-balance-sheet financial instruments caused by changes in market prices, interest rates, foreign exchange rate, including equity securities price and commodity price. Changes in above risk elements can cause risks to shift the net profit of the Group or its investment structures.

The Group's financial instruments are exposed to price, interest rate and foreign exchange rate risks. Major market price risk positions of equity securities include domestic listed shares and funds. Major interest risks include bonds and interest rate derivative instruments such as fixed and floating interest rate swap and bond options whereas the major foreign exchange risks include foreign currency positions held by the Group.

(2) Market risk management policies

The Group monitors its market risk and tolerable loss according to the risk management objectives and limits approved by the board of directors.

The Group also builds a market risk information system, which enables the Group to effectively monitor the management of the investment limits, assessment of gains and losses, and analysis of sensitivity factors. The results of the monitoring, assessment and analysis are reported to the board of directors in risk control meetings and serve as references for the decision making of the management.

The Group splits market risk exposures into trading and held-for-fixed-income portfolios which are controlled by both the Group's operation and risk management section. Routine control reports are reviewed by the board of directors and relevant committees.

(3) Market risk management process

A. Recognition and measurement

The Group's operation and risk management sections both identify market risk factors of exposure positions, which are used to measure market risks. Market risk factors include interest rates, foreign exchange rates and market price of equity securities, and exposures, gains and losses and sensitivity (PV01, Delta, Beta) etc. Measurement of investment portfolio is affected by interest rate risk, foreign exchange risk and price of equity securities.

B. Monitoring and reporting

The Group's risk management department regularly reviews market risk management objective, positions and control of gains and losses, sensitivity analysis and pressure test and reports to the board of directors. Therefore, the board of directors could well understand market risk control. The Group has established explicit notification process, the limit and stop-loss regulation for various transactions. Stop-loss order must be taken when the limit is reached, otherwise the trading department's reasons and plans must be approved by the management, and the department should report to relevant committee regularly.

(4) Interest rate risk management

A. Definition of interest rate risk

Interest rate risk represents risks of changes in fair value of investment portfolio and loss in earnings resulting from changes in interest rates. Major products include interest rate-related financial securities and derivative instruments.

B. Purpose of interest risk management

Interest rate risk management enhances the Group's ability to deal with a contingency, to measure, manage and avoid negative influence on earnings and economic values of balance sheet items affected by the changes in interest rates. In addition, it enhances the efficiency of capital and the business management.

C. Procedures of interest risk management

The Group carefully chooses investment target through conducting research about issuers' credit, financial status, country risks and interest rate trend. The Group also establishes trading amount limit and stop-loss limit including limit for trading department, trader and trading commodity, etc. which are approved by top management and the board of directors.

When the Group undertakes business activities related to interest rate commodities, it will identify interest rate reprising risks and yield curve risks, and measure the possible impact of interest rate changes on the Group's earnings and economic value. The Group reports the analysis and monitoring of limit on interest rate risk position and various interest rate management objectives to the strategy management committee and the board of directors on a monthly.

When risk management objective has exceeded its limit, it will be reported to the strategy management committee for resolution of response actions.

D. Measurement methods

The Group measures risks of price reset periods gap from difference in maturity date and price reset date of assets, liabilities, and off-balance sheet items. The Group also established interest rate sensitivity monitoring index for major periods in order to maintain long-term profitability and business growth. Such interest rate indexes and results of pressure test are reviewed by management personnel regularly. In addition, the Group regularly uses DV01 to measure portfolio affected by interest rate.

(5) Foreign exchange rate risk management

A. Definition of foreign exchange rate risk

Foreign exchange risk means losses resulting from currencies exchange at different times. The Group's foreign exchange rate risk results mainly from spot and forward foreign exchange. The Group's foreign exchange rate risk is relatively insignificant due to the fact that transactions are basically settled immediately on transaction date.

B. Policies, procedures and measurement method for foreign exchange rate risk management

In order to control foreign exchange rate risk within tolerable range, the Group has established trading limit, stop-loss limit and maximum loss for trading department and trader and the risk is controlled within the tolerable range.

The Group undertakes pressure test on a seasonal basis and uses 3% fluctuation in major foreign exchange rate (USD) as the sensitivity threshold and reports test results to the board of directors.

(6) Equity securities price risk management

A. Definition of equity securities price risk

The market risk of equity securities held by the Group includes individual and general risk from price fluctuations of both individual equity security and the entire equity security market.

B. Purpose of equity security price risk management

The main purpose of equity security price risk management is to prevent financial status from deteriorating and to avoid decrease in earnings due to violent fluctuation in equity security prices, and to enhance capital efficiency and strengthen operation.

C. Procedures of equity security price risk management

The Group regularly uses 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.

D. Measurement method

The Group's control of security price risk is based on risk values.

(7) Market valuation technique

The Group assesses its exposures to market risk and the anticipated loss under market pressures by using assumptions on changes in several market conditions. Limits of various financial instruments are set by the board of directors and monitored by its risk management department. The Group also establishes sensitivity analysis based on major risk factors of various financial products in order to monitor the changes in various market risk factors of financial products.

A. Sensitivity analysis

a. Interest rate risk

The Group has assessed the possible impact on income if global yield curve moves between -1 to +1 basis points simultaneously on December 31, 2021 and 2020 while other factors remain unchanged.

b. Foreign exchange rate risk

The Group assesses the possible impact on income when exchange rates of the NTD against various currencies fluctuate between -1% and +1% on December 31, 2021 and 2020 while other factors remain unchanged.

The functional currency of SCB (HK) is the HKD, and the major foreign currency is the USD; as the two currencies were under the Linked Exchange Rate System, there was insignificant foreign exchange rate risk.

c. Equity securities price risk

The Group has assessed the possible impact on income when equity security prices on December 31, 2021 and 2020 rise or fall by 1% while other factors remain unchanged.

The analysis assumed that the trends of equity instruments are consistent with historical data.

B. Sensitivity analysis is summarized as follows:

December 31, 2021			
Major Risk	Fluctuation Range	Amount	
		Equity	Profit or Loss
Foreign exchange risk	Foreign currency appreciated 1% against NTD	$ 706,960	$ 17,378
	Foreign currency depreciated 1% against NTD	(706,960)	(17,378)
Interest rate risk	Interest rate curve edged up 1bp	(85,373)	(762)
	Interest rate curve edged down 1bp	85,373	762
Equity price risk	Equity price increased 1%	191,250	24,093
	Equity price decreased 1%	(191,250)	(24,093)

December 31, 2020			
Major Risk	Fluctuation Range	Amount	
		Equity	Profit or Loss
Foreign exchange risk	Foreign currency appreciated 1% against NTD	$ 695,598	$ 26,503
	Foreign currency depreciated 1% against NTD	(695,598)	(26,503)
Interest rate risk	Interest rate curve edged up 1bp	(73,898)	(3,342)
	Interest rate curve edged down 1bp	73,898	3,342
Equity price risk	Equity price increased 1%	180,992	11,763
	Equity price decreased 1%	(180,992)	(11,763)

40.3.4 Liquidity risk

(1) The sources and definition of liquidity risk

Liquidity risk is the possibility that the Group is unable to liquidate assets or obtain financing to fulfill matured financial liabilities which may result in financial loss. Liquidity risk may be present when, for example, deposits are withdrawn in advance of the original date of settlement, the market becomes worse and borrowing from other banks becomes difficult, the clients' credit deteriorates leading to the occurrence of defaults, liquidation of financial instruments becomes difficult, early redemption of interest-sensitive instruments happens, etc. The aforementioned factors may reduce cash balance to be used in the areas of loans, trading, and investment. In some extreme circumstances, the lack of liquidity may lead to the decrease in the overall assets and liabilities, and the need to liquidate the Group's assets and the possibility of being unable to fulfill loan commitments. Liquidity risks include inherent risks that may be affected by some specific industry events or overall market condition. These events include but are not limited to credit, merger and acquisitions, systemic breakdown and natural disasters.

(2) The management policies are as follows:

The management procedures are monitored by the independent department of risk management; the procedures are as follows:

A. Regular financing and monitoring of cash flows to ensure the fulfillment of the requirements in the future.

B. Maintaining appropriate position of high liquidity assets which are easily realizable.

C. Monitoring of liquidity ratios of the balance sheet accounts according to the internal management purposes and external monitoring rules.

D. Managing the maturity date of debt instruments.

The procedures for monitoring and reporting liquidity risk are applied and measured based on the estimated cash flows (the time gap is based on how the Group manages the liquidity risk) of 1 day, 10 days, and 1 month. Estimates of future cash flows are based on the maturity analysis of financial assets and liabilities. The risk management department also monitors the use of loan commitment, discount facilities, guarantee letters, and other types of contingent liabilities, and furthermore reports the related information to the risk management committee and the board of directors regularly.

The Group holds certain position of highly liquid interest-bearing assets to fulfill its obligation and for future needs. To manage the liquidity risk, the Group holds the following assets: Cash and cash equivalents, due from the Central Bank and banks, and financial assets at fair value through profit or loss, etc.

(3) Maturity analysis

The Group analyzed cash outflows of non-derivative financial liabilities according to the remaining terms from date of the balance sheets to maturity date of the contract. The disclosure of cash outflows of non-derivative financial liabilities is based on the cash flows of contracts so that the items could not correspond with all items in the consolidated balance sheets.

December 31, 2021	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Deposits from the central bank and other banks	$ 26,041,035	$ 18,218,405	$ 3,109,936	$ 1,968,917	$ 3,317,596	$ 52,655,889
Due to the central bank and other banks	-	-	-	17,787,080	-	17,787,080
Financial liabilities measured at FVTPL	-	-	-	-	2,110,011	2,110,011
Securities sold under repurchase agreements	13,699,906	625,552	169,347	10,219	-	14,505,024
Payables	28,108,948	450,172	256,174	271,289	342,372	29,428,955
Deposits and remittances	1,076,075,464	295,952,045	142,149,806	180,896,875	12,528,332	1,707,602,522
Bank debentures	207,412		2,279,634	13,137,046	66,467,420	82,091,512
Other financial liabilities	3,450,655	32,600	157,360	155,032	988,359	4,784,006
Lease liabilities	35,161	60,936	103,471	174,593	1,494,768	1,868,929

December 31, 2020	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Deposits from the central bank and other banks	$ 27,036,180	$ 12,196,668	$ 3,265,218	$ 1,399,007	$ 2,920,588	$ 46,817,661
Due to the central bank and other banks	-	-	2,522,250	3,529,760	-	6,052,010
Financial liabilities measured at FVTPL	-	-	-	-	2,364,343	2,364,343
Securities sold under repurchase agreements	21,081,371	4,139,127	526,931	33,982	-	25,781,411
Payables	30,480,415	625,081	264,585	284,596	254,105	31,908,782
Deposits and remittances	1,005,052,057	313,807,777	170,852,338	184,964,952	11,219,690	1,685,896,814
Bank debentures	210,744	1,600,000	131,712	3,642,457	76,638,961	82,223,874
Other financial liabilities	2,790,654	30,999	97,769	257,198	1,304,325	4,480,945
Lease liabilities	37,704	104,011	111,203	289,837	1,744,426	2,287,181

The Group evaluated the contractual maturity date to comprehend all derivative financial instruments on the consolidated balance sheets. Because the maturity analysis of derivative financial liabilities is based on the contractual cash flows, the amounts would not correspond with related items on the consolidated balance sheets. Maturity analysis of derivative financial liabilities is as follows:

A. Derivative financial liabilities in net settlement

December 31, 2021	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial liabilities measured at FVTPL						
Foreign exchange derivatives	$ 18,406	$ 21,684	$ 10,331	$ 20,941	$ 383	$ 71,745
Interest rate derivatives	-	-	-	354	11,386	11,740
Equity securities derivatives	172	-	-	-	-	172

December 31, 2020	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial liabilities measured at FVTPL						
Foreign exchange derivatives	$ 22,568	$ 40,706	$ 25,262	$ 22,436	$ -	$ 110,972
Interest rate derivatives	-	-	-	40,283	26,786	67,069
Equity securities derivatives	578	-	-	-	-	578

B. Derivative financial liabilities in total settlement

December 31, 2021	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial liabilities measured at FVTPL						
Foreign exchange derivatives						
Cash inflow	$ 169,388,812	$ 57,397,514	$ 42,764,988	$ 51,157,774	$ 82,446	$ 320,791,534
Cash outflow	170,330,204	57,640,994	42,855,741	51,334,826	82,421	322,244,186
Interest rate derivatives						
Cash inflow	-	2,472	-	5,309	-	7,781
Cash outflow	-	2,472	-	5,309	-	7,781

December 31, 2020	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial liabilities measured at FVTPL						
Foreign exchange derivatives						
Cash inflow	$ 122,239,801	$ 54,962,642	$ 94,258,175	$ 32,844,775	$ 426,975	$ 304,732,368
Cash outflow	122,890,662	55,343,874	94,444,452	33,028,403	426,972	306,134,363
Interest rate derivatives						
Cash inflow	-	4,331	4,687	7,249	7,829	24,096
Cash outflow	-	4,331	4,687	7,249	7,829	24,096

The analysis of cash outflows of in-balance-sheet items is illustrated according to the remaining days from the balance sheet date to maturity date of the contract. For financial guarantee contracts, the largest amount is categorized under the earliest possible date to take responsibility. The disclosure of cash outflows of off-balance sheet items is based on the cash flows of contracts so that part items could not correspond with all items in the balance sheet.

December 31, 2021	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Non-cancelable loan commitments	$ 6,803,687	$ 1,445,480	$ 1,860,146	$ 6,235,606	$ 36,135,837	$ 52,480,756
Non-cancelable credit card commitments	86,481	172,960	259,440	58,038	-	576,919
Issued but unused letters of credit	26,221,032	4,914,364	796,631	125,927	84,279	32,142,233
Other guarantees	31,644,411	36,114,248	9,525,589	18,454,608	18,106,996	113,845,852

December 31, 2020	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Non-cancelable loan commitments	$ 7,017,758	$ 2,229,107	$ 3,274,688	$ 10,125,895	$ 34,234,279	$ 56,881,727
Non-cancelable credit card commitments	66,012	132,089	198,100	255,445	-	651,646
Issued but unused letters of credit	27,112,987	4,108,707	1,296,551	200,815	-	32,719,060
Other guarantees	40,491,873	23,032,143	8,204,885	18,595,591	14,196,536	104,521,028

40.3.5 Interest rate benchmarks

The financial instruments of the Group affected by the interest rate benchmarks include loans and discounts, financial assets and liabilities measured at FVTPL, financial assets measured at FVTOCI and financial assets measured at amortized cost. The linked indicator interest rate types are USD LIBOR. The Secured Overnight Financing Rate (SOFR) is expected to replace USD LIBOR, although the two are fundamentally different. LIBOR is a forward-looking interest rate indicator that implies market expectations for future interest rate trends, and includes interbank credit discounts. SOFR is a retrospective interest rate index calculated with reference to actual transaction data, and does not include credit discounts. Therefore, when an existing contract linked USD LIBOR transferred to linked SOFR, additional adjustments shall be made to the aforementioned differences to ensure that the interest rate basis before and after the modification is economically equivalent.

In response to the reform, the Group prepared interest rate benchmark transition plan which comprises the following work streams: risk management, contract management, product management, taxation and accounting, and customer communication. The plan is under the governance of the general manager of the bank.

If the Group fails to complete the contract modification negotiation with the counterparty of the financial instrument before the exit of the current interest rate benchmark, there will be significant uncertainty about the interest rate base applicable to the financial instrument in the future. This situation will result in interest rate risk that was not anticipated when the Group originally signed the contract. Changes in interest rate benchmark reform may also affect the existing financial instrument evaluation mechanism of the Group, and it may even be necessary to establish a new evaluation model for certain financial instruments. In addition, if the amendments caused by changes in interest rate benchmark reform fail to meet the applicable conditions of IFRS 9 practical expedients, it may result in the recognition of financial assets or financial liabilities amendment gains and losses, which will increase the volatility of profit and loss. The Group is working to complete the revision of financial instruments in a manner that complies with IFRS 9 practical expedients.

On December 31, 2021, the non-derivative financial instruments held by the Group that have been affected by the interest rate benchmark reform and have not yet converted to alternative interest rate indicators are summarized as follows:

Financial assets	Book value
Discount and loans, net	
USD LIBOR	$ 166,741,391
GBP LIBOR	63,762
JPY LIBOR	473,170
EUR LIBOR	7,119,167
CHF LIBOR	92,629
AUD LIBOR	100,485
SGD SOR	749,968
Total	175,340,572
Financial assets measured at FVOCI	
USD LIBOR	24,143,247
Total	$ 199,483,819

Financial liabilities	Book value
Due to the central bank and other banks	
USD LIBOR	$ 1,521

On December 31, 2021, the non-derivative financial instruments held by the Group that have been affected by the interest rate benchmark reform are summarized as follows:

		Book value
	Nominal in currency	Financial assets
Derivatives linked to USD LIBOR		
Interest rate swap	$ 2,232,990	$ 174,161

40.4 Transfer of financial assets

In the daily transactions of the Group, most of the transferred financial assets not eligible for full derecognition are repurchase notes and bonds. The cash flows of the transactions have been transferred to outsiders and the liabilities for repurchasing the transferred financial assets in a fixed amount have been recognized; the Group may repurchase the transferred financial assets in the future. The Group is not eligible to conduct, sell, or pledge the transferred financial assets during the effective period prior to derecognition. However, the Group is still exposed to the interest risks and credit risks. As a result, the transferred financial assets are not derecognized. The following tables show the transferred financial assets that do not qualified for derecognition and related financial liabilities.

December 31, 2021

Type of Financial Assets	The Book Value of Financial Assets Transferred	The Book Value of Related Financial Liabilities	The Fair Value of Financial Assets Transferred	The Fair Value of Related Financial Liabilities	Net Amount
Financial assets measured at FVTOCI					
Securities sold under repurchase agreements	$ 14,495,369	$ 14,505,024	$ 14,495,369	$ 14,505,024	$ (9,655)

December 31, 2020

Type of Financial Assets	The Book Value of Financial Assets Transferred	The Book Value of Related Financial Liabilities	The Fair Value of Financial Assets Transferred	The Fair Value of Related Financial Liabilities	Net Amount
Financial assets measured at FVTOCI					
Securities sold under repurchase agreements	$ 25,014,292	$ 25,781,411	$ 25,014,292	$ 25,781,411	$ (767,119)

41. AVERAGE AMOUNT AND AVERAGE INTEREST RATE OF INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES

Average amount and average interest rate of interest-earning assets and interest-bearing liabilities that were affected by interest rate fluctuations are as follows:

Average balances were calculated by the daily average balances of interest-earning assets and interest-bearing liabilities.

41.1 The Bank

	For the Year Ended December 31, 2021	
	Average Balance	Average Rate (%)
Interest-bearing assets		
Cash and cash equivalents - due from other banks	$ 35,846,262	0.13
Due from the Central Bank and call loans to banks	88,418,432	0.33
Financial assets measured at FVTPL	74,234	0.39
Securities purchased under resell agreements	226,777	0.44
Revolving credit card balances	581,817	12.76
Discounts and loans (excluding non-performing loans)	750,285,481	1.69
Financial assets measured at FVTOCI - investments in debt instruments	221,078,414	1.04
Financial assets measured at amortized cost	137,887,108	0.29
Interest-bearing liabilities		
Due to the Central Bank and other banks	19,025,112	0.25
Financial liabilities measured at FVTPL	1,952,383	5.42
Securities sold under repurchase agreements	28,793,111	0.20
Negotiable certificates of deposit	13,440,286	0.29
Demand deposits	328,518,862	0.05
Savings deposits	191,813,250	0.25
Time deposits	341,271,648	0.47
Time savings	145,822,564	0.79
Bank debentures	66,217,312	1.39
Other financial liabilities	1,234,755	0.42
Lease liabilities	784,667	1.28

	For the Year Ended December 31, 2020	
	Average Balance	Average Rate (%)
Interest-bearing assets		
Cash and cash equivalents - due from other banks	$ 28,065,495	0.25
Due from the Central Bank and call loans to banks	117,222,435	0.76
Financial assets measured at FVTPL	68,048	0.41
Securities purchased under resell agreements	960,421	1.42
Revolving credit card balances	640,968	12.64
Discounts and loans (excluding non-performing loans)	751,627,155	1.87
Financial assets measured at FVTOCI - investments in debt instruments	218,690,571	1.25
Financial assets measured at amortized cost	102,392,452	0.46
Other financial assets due from other banks (time deposits of more than three months)	1,297,620	1.35
Interest-bearing liabilities		
Due to the Central Bank and other banks	27,459,499	0.91
Financial liabilities measured at FVTPL	2,058,496	5.16
Securities sold under repurchase agreements	25,811,028	0.30
Negotiable certificates of deposit	16,923,252	0.49
Demand deposits	263,752,854	0.10
Savings deposits	161,992,877	0.27
Time deposits	416,452,837	0.85
Time savings	149,083,941	0.92
Bank debentures	64,484,409	1.44
Other financial liabilities	1,971,795	2.06
Lease liabilities	874,812	1.25

41.2 SCB (HK)

	For the Year Ended December 31, 2021	
	Average Balance	Average Rate (%)
Interest-bearing assets		
Due from other banks	$ 157,246,529	0.32
Discounts and loans (excluding non-performing loans)	352,452,249	3.40
Revolving credit card balances	101,346	29.41
Debt instruments (including financial assets measured at FVTOCI and at amortized cost)	267,063,774	1.61
Interest-bearing liabilities		
Due to other banks	32,376,308	0.74
Demand deposits	266,974,433	0.02
Time deposits	384,189,790	0.75
Bank debentures	15,089,032	4.53

	For the Year Ended December 31, 2020	
	Average Balance	Average Rate (%)
Interest-bearing assets		
Due from other banks	$ 155,693,089	0.95
Discounts and loans (excluding non-performing loans)	366,212,184	3.70
Revolving credit card balances	124,246	30.84
Debt instruments (including financial assets measured at FVTOCI and at amortized cost)	246,252,530	2.23
Interest-bearing liabilities		
Due to other banks	41,103,673	1.31
Demand deposits	229,663,488	0.02
Time deposits	408,955,638	1.56
Bank debentures	15,377,428	4.49

42. CAPITAL MANAGEMENT

All the Group's risks were included in the scope of assessment of capital adequacy according to "Regulations Governing the Capital Adequacy". The business objectives and project budget are approved by the board of directors, and furthermore the Bank considered the development strategy, capital adequacy, debt ratio, and dividend policy in its assessments. The contents are included in stress test, estimate of capital adequacy ratio to ensure achieving the objective of capital adequacy and strengthening of the capital structure.

The Banking Act and related measures stipulate that in order to improve the financial foundation of a bank, the ratio of the Group's own capital to the risky assets shall not be less than 10.50%, where the actual ratio is lower than the prescribed standard, the authorities may impose limit on its capital surplus distribution.

The Group conformed to the regulation on capital management as of December 31, 2021 and 2020.

The following table lists the equity capital, risk-weighted assets, and risk exposure:

	December 31	
	2021	2020
Analysis items		
Eligible capital		
Common equity	$ 170,375,493	$ 165,191,816
Other Tier I capital	6,470,659	6,104,095
Tier II capital	51,378,379	50,765,432
Eligible capital	$ 228,224,531	$ 222,061,343
Risk-weighted assets		
Credit risk		
Standardized approach	$ 1,325,138,207	$ 1,429,205,765
Credit valuation adjustment (CVA)	751,052	1,327,408
Internal rating based approach	N/A	N/A
Synthetic securitization	1,072,451	1,204,050
Operational risk		
Basic indicator approach	68,453,256	68,763,627
Standardized approach/ alternative standardized approach	N/A	N/A
Advanced measurement approach	N/A	N/A
Market risk		
Standardized approach	90,991,498	80,030,662
Internal models approach	N/A	N/A
Total risk-weighted assets	$ 1,486,406,464	$ 1,580,531,512
Capital adequacy ratio	15.35%	14.05%
Ratio of common equity to risk-weighted assets	11.46%	10.45%
Ratio of Tier I capital to risk-weighted assets	11.90%	10.84%
Leverage ratio	7.72%	7.57%

Note 1: Eligible capital and risk-weighted assets are calculated under the "Regulations Governing the Capital Adequacy Ratio of Banks" and "Explanation of Methods for Calculating the Eligible Capital and Risk-weighted Assets of Banks".

Note 2: Formulas used were as follows:

(1) Eligible capital = Ordinary equity + Other Tier I capital + Tier II capital.

(2) Total risk-weighted assets = Risk-weighted assets for credit risk + Capital requirements for operational risk and market risk × 12.5.

(3) Capital adequacy ratio = Eligible capital ÷ Total risk-weighted assets.

(4) Ratio of ordinary equity to risk-weighted assets = Ordinary equity ÷ Total risk-weighted assets.

(5) Ratio of Tier I capital to risk-weighted assets = (Ordinary equity + Other Tier I capital) ÷ Total risk-weighted assets.

(6) Leverage ratio = Net value of tier I capital ÷ Net value of exposure measurement

43. ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND MATURITY ANALYSIS OF ASSETS AND LIABILITIES

43.1 Assets quality: As stated in Table 1

43.2 Concentration of credit extensions

Top 10 credit extensions information of the Bank and SCB(HK) were as below:

Ranking (Note 1)	December 31, 2021					
	The Bank			SCB (HK)		
	Group Name (Note 2)	Credit Extension Balance (Note 3)	% of Net Asset Value	Group Name (Note 2)	Credit Extension Balance (Note 3)	% of Net Asset Value
1	A Group (general management agency)	7,048,914	4.47%	C Group (other holding companies)	17,939,234	14.78%
2	B Group (computer manufacturing)	5,542,432	3.52%	O Group (property investment and development)	10,851,531	8.94%
3	C Group (other holding companies)	5,341,380	3.39%	P Group (hotel property development)	10,502,737	8.65%
4	D Group (general management agency)	5,225,283	3.31%	Q Group (hotel property development)	7,317,087	6.03%
5	E Group (television program design and broadcasting)	4,923,767	3.12%	R Group (hotel property development)	7,141,344	5.88%
6	F Group (real estate selling and leasing)	4,865,089	3.09%	S Group (broadcasting and entertainment industry)	6,996,414	5.77%
7	G Group (real estate development)	4,754,700	3.02%	T Group (property investment)	5,695,838	4.69%
8	H Group (computer manufacturing)	4,379,965	2.78%	U Group (investment holding and steel sales)	5,407,724	4.46%
9	I Group (apparel manufacturing)	4,376,397	2.78%	V Group (import and export of garments and accessories)	5,316,198	4.38%
10	J Group (chemical materials manufacturing)	4,169,693	2.64%	W Group (property investment and development)	4,366,722	3.60%

Ranking (Note 1)	December 31, 2020					
	The Bank			SCB (HK)		
	Group Name (Note 2)	Credit Extension Balance (Note 3)	% of Net Asset Value	Group Name (Note 2)	Credit Extension Balance (Note 3)	% of Net Asset Value
1	A Group (general management agency)	6,365,394	4.10%	C Group (other holding companies)	18,245,451	15.19%
2	D Group (general management agency)	5,697,983	3.67%	X Group (automobile retail)	9,565,969	7.96%
3	H Group (computer manufacturing)	5,493,784	3.54%	P Group (hotel property development)	9,429,226	7.85%
4	C Group (other holding companies)	5,473,133	3.53%	O Group (property investment and development)	9,187,186	7.65%
5	F Group (real estate selling and leasing)	5,234,067	3.37%	R Group (hotel property development)	8,014,091	6.67%
6	K Group (metallic furniture manufacturing)	5,099,207	3.29%	Q Group (hotel property development)	7,259,917	6.04%
7	L Group (wiring and cable system manufacturing)	4,394,663	2.83%	S Group (broadcasting and entertainment industry)	7,107,874	5.92%
8	M Group (general management agency)	4,280,262	2.76%	T Group (property investment)	5,867,824	4.88%
9	N Group (general management agency)	4,214,850	2.72%	V Group (import and export of garments and accessories)	5,160,321	4.29%
10	I Group (apparel manufacturing)	4,022,186	2.59%	Y Group (hotel property development)	5,011,580	4.17%

Note 1: The top 10 credit extensions ranking is made by total credit balance, which excluded government-owned or state-run enterprises. If the borrower is an affiliate of the Group enterprise, the credit balance of the borrower is then aggregated to the Group enterprise's credit balance. The borrower is marked by specific codes as well as its major industry. The major industry of a borrower is determined by its maximum exposures by industries. The classification of industry should be in line with the Standard Industrial Classification System of the Republic of China published by the Directorate General of Budget, Accounting and Statistics under the Executive Yuan.

Note 2: "Group Enterprise" conforms to the definition of Article 6 in "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings."

Note 3: Credit balance includes each item of loan (including import bill negotiated, export bill negotiated, discounts, overdrafts, short-term loans, short-term secured loans, marginal receivables, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans and non-performing loans), exchange bills negotiated, accounts receivable - without recourse factoring, acceptances receivable and guarantees issued.

Note 4: It is net equity of SCB (HK).

43.3 Interest rate sensitivity information

43.3.1 The Bank

Interest Rate Sensitivity (NTD)

December 31, 2021					
Items	**1 to 90 Days**	**91 to 180 Days**	**181 Days to 1 Year**	**Over 1 Year**	**Total**
Interest rate sensitive assets	$ 818,439,615	$ 24,251,062	$ 6,847,424	$ 73,859,608	$ 923,397,709
Interest rate sensitive liabilities	255,753,646	401,021,104	91,728,331	57,669,835	806,172,916
Interest rate sensitivity gap	562,685,969	(376,770,042)	(84,880,907)	16,189,773	117,224,793
Net equity					157,801,816
Ratio of interest rate sensitive assets to liabilities					114.54%
Ratio of interest rate sensitivity gap to net equity					74.29%

December 31, 2020					
Items	**1 to 90 Days**	**91 to 180 Days**	**181 Days to 1 Year**	**Over 1 Year**	**Total**
Interest rate sensitive assets	$ 762,861,814	$ 31,686,878	$ 11,715,579	$ 68,693,820	$ 874,958,091
Interest rate sensitive liabilities	275,225,198	368,663,054	89,503,236	68,471,532	801,863,020
Interest rate sensitivity gap	487,636,616	(336,976,176)	(77,787,657)	222,288	73,095,071
Net equity					155,103,256
Ratio of interest rate sensitive assets to liabilities					109.12%
Ratio of interest rate sensitivity gap to net equity					47.13%

Note 1: The tables above refer only to the financial assets/liabilities denominated in NT dollars held by the whole bank, excluded contingent assets and liabilities.

Note 2: Interest rate-sensitive assets/liabilities refer to financial assets/liabilities which returns are driven by interest rate fluctuations.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities. (The interest rate-sensitive assets and liabilities are denominated in NT dollars).

Interest Rate Sensitivity (USD)

December 31, 2021					
Items	**1 to 90 Days**	**91 to 180 Days**	**181 Days to 1 Year**	**Over 1 Year**	**Total**
Interest rate sensitive assets	$ 6,193,692	$ 126,770	$ 210,422	$ 1,791,696	$ 8,322,580
Interest rate sensitive liabilities	2,456,287	6,761,257	837,875	70,145	10,125,564
Interest rate sensitivity gap	3,737,405	(6,634,487)	(627,453)	1,721,551	(1,802,984)
Net equity					5,706,086
Ratio of Interest rate sensitive assets to liabilities					82.19%
Ratio of interest rate sensitivity gap to net equity					(31.60%)

December 31, 2020					
Items	**1 to 90 Days**	**91 to 180 Days**	**181 Days to 1 Year**	**Over 1 Year**	**Total**
Interest rate sensitive assets	$ 6,678,300	$ 367,516	$ 252,925	$ 1,849,737	$ 9,148,478
Interest rate sensitive liabilities	2,538,240	6,230,177	817,905	70,034	9,656,356
Interest rate sensitivity gap	4,140,060	(5,862,661)	(564,980)	1,779,703	(507,878)
Net equity					5,519,885
Ratio of Interest rate sensitive assets to liabilities					94.74%
Ratio of interest rate sensitivity gap to net equity					(9.20%)

Note 1: The tables above refer only to the financial assets/liabilities denominated in US dollars held by the whole bank, contingent assets and liabilities excluded.

Note 2: Interest rate-sensitive assets/liabilities refer to financial assets/liabilities which returns are driven by interest rate fluctuations.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities. (The interest rate-sensitive assets and liabilities are denominated in US dollars).

43.3.2 SCB (HK)

Interest Rate Sensitivity (USD)

December 31, 2021					
Items	**1 to 90 Days**	**91 to 180 Days**	**181 Days to 1 Year**	**Over 1 Year**	**Total**
Interest rate sensitive assets	$ 6,369,856	$ 893,914	$ 664,635	$ 2,911,276	$ 10,839,681
Interest rate sensitive liabilities	6,605,646	1,156,657	882,240	506,801	9,151,344
Interest rate sensitivity gap	(235,790)	(262,743)	(217,605)	2,404,475	1,688,337
Net equity					4,423,704
Ratio of interest rate sensitive assets to liabilities					118.45%
Ratio of interest rate sensitivity gap to net equity					38.17%

December 31, 2020					
Items	**1 to 90 Days**	**91 to 180 Days**	**181 Days to 1 Year**	**Over 1 Year**	**Total**
Interest rate sensitive assets	$ 7,549,663	$ 348,739	$ 1,056,552	$ 2,706,604	$ 11,661,558
Interest rate sensitive liabilities	6,374,657	1,114,910	871,945	772,134	9,133,646
Interest rate sensitivity gap	1,175,006	(766,171)	184,607	1,934,470	2,527,912
Net equity					4,227,784
Ratio of interest rate sensitive assets to liabilities					127.68%
Ratio of interest rate sensitivity gap to net equity					59.79%

Note 1: The tables above refer only to the financial assets/liabilities denominated in US dollars held by SCB (HK), contingent assets and liabilities excluded.

Note 2: Interest rate-sensitive assets/liabilities refer to financial assets/liabilities which returns are driven by interest rate fluctuations.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities. (The interest rate-sensitive assets and liabilities are denominated in US dollars).

43.4 Profitability

The Group

Unit: %

Items		**December 31, 2021**	**December 31, 2020**
Return on total assets	Before income tax	1.04	1.03
	After income tax	0.88	0.85
Return on equity	Before income tax	10.69	10.53
	After income tax	9.01	8.70
Profit margin		48.91	47.09

Note 1: Return on total assets = Income before (after) income tax ÷ Average total assets.

Note 2: Return on equity = Income before (after) income tax ÷ Average equity.

Note 3: Profit margin = Income after income tax ÷ Total net revenue.

Note 4: Income before (after) income tax represents income YTD.

43.5 Maturity analysis of assets and liabilities

43.5.1 The Bank

(1) In Thousands of New Taiwan Dollars

	Total	December 31, 2021 For remaining period to maturity date					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow on maturity	$ 984,229,637	$ 111,024,017	$ 98,976,458	$ 73,825,440	$ 80,550,735	$ 106,648,647	$ 513,204,340
Major cash outflow on maturity	1,212,894,739	46,548,364	88,428,107	166,195,370	194,629,115	240,913,382	476,180,401
Gap	(228,665,102)	64,475,653	10,548,351	(92,369,930)	(114,078,380)	(134,264,735)	37,023,939

	Total	December 31, 2020 For remaining period to maturity date					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow on maturity	$ 935,678,121	$ 94,550,579	$ 86,404,851	$ 69,883,647	$ 95,556,519	$ 121,737,422	$ 467,545,103
Major cash outflow on maturity	1,217,470,374	71,336,979	92,156,790	157,880,743	167,909,621	252,688,539	475,497,702
Gap	(281,792,253)	23,213,600	(5,751,939)	(87,997,096)	(72,353,102)	(130,951,117)	(7,952,599)

Note: This table includes only financial assets/liabilities denominated in the NTD dollars held by the head office and domestic branches.

(2) In Thousands of US dollars

	Total	December 31, 2021 For remaining period to maturity date				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow on maturity	$ 14,359,196	$ 5,046,690	$ 1,680,396	$ 698,018	$ 1,016,554	$ 5,917,538
Major cash outflow on maturity	15,656,617	2,237,988	2,254,601	1,908,869	2,986,539	6,268,620
Gap	(1,297,421)	2,808,702	(574,205)	(1,210,851)	(1,969,985)	(351,082)

	Total	December 31, 2020 For remaining period to maturity date				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow on maturity	$ 13,329,661	$ 4,023,059	$ 913,061	$ 1,110,672	$ 1,088,577	$ 6,194,292
Major cash outflow on maturity	15,456,793	2,428,962	1,998,277	1,884,755	2,861,930	6,282,869
Gap	(2,127,132)	1,594,097	(1,085,216)	(774,083)	(1,773,353)	(88,577)

Note: This table includes only financial assets/liabilities denominated in the US dollars held by the head office, branches and OBU.

43.5.2 SCB (HK)

In Thousands of US dollars

	Total	December 31, 2021 For remaining period to maturity date				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow on maturity	$ 11,251,276	$ 2,030,424	$ 1,082,054	$ 1,326,440	$ 1,042,141	$ 5,770,217
Major cash outflow on maturity	9,174,182	5,048,281	412,323	840,980	324,836	547,762
Gap	2,077,094	(3,017,857)	(1,330,269)	485,460	717,305	5,222,455

	Total	December 31, 2020 For remaining period to maturity date				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow on maturity	$ 12,930,661	$ 3,418,276	$ 1,036,717	$ 985,904	$ 1,620,638	$ 5,869,126
Major cash outflow on maturity	9,217,346	4,710,162	2,290,065	825,221	593,698	798,200
Gap	3,713,315	(1,291,886)	(1,253,348)	160,683	1,026,940	5,070,926

Note: This table includes only financial assets/liabilities held by SCB.

44. THE CONTENTS AND AMOUNTS OF TRUST ACTIVITIES BY PROCESSING TRUST ENTERPRISE ACT

The trust account balance sheets, income statements and the details of trust assets are as follows:

Balance Sheet of Trust Account

Trust Assets	December 31, 2021	December 31, 2020	Trust Liabilities	December 31, 2021	December 31, 2020
Bank deposit	$ 7,375,059	$ 7,491,220	Accounts payable	$ 161	$ 474
Short-term investments	90,663,600	83,471,837	Depository of security payable	73,234,289	74,965,228
Net asset value of collective investment trust fund	7,960,305	5,773,176	Trust capital	138,760,691	124,472,786
Accounts receivable	9,518	26,088	Accumulated (loss) gain and equity	206,815	187,974
Land	27,760,022	24,675,486			
Buildings and improvement, net	92,954	176,641			
Construction in progress	5,049,288	2,991,661			
Securities in custody	73,234,289	74,965,228			
Other assets	56,921	55,125			
Total trust assets	$ 212,201,956	$ 199,626,462	Total trust liabilities	$ 212,201,956	$ 199,626,462

Trust Asset Lists

Item	December 31, 2021	December 31, 2020
Cash in banks	$ 7,375,059	$ 7,491,220
Short-term investment		
Funds	67,990,417	62,304,964
Bonds	15,997,545	17,760,377
Common stock	3,469,653	2,746,266
Preferred stock	3,087,465	572,208
Structured instruments	118,520	88,022
Net asset value of collective trust accounts	7,960,305	5,773,176
Receivables	9,518	26,088
Land	27,760,022	24,675,486
Buildings and improvement, net	92,954	176,641
Construction in progress	5,049,288	2,991,661
Depository of securities	73,234,289	74,965,228
Other assets - principal deferred expense	56,921	55,125
Total	$ 212,201,956	$ 199,626,462

Income Statements of Trust Account

	For the Year Ended December 31	
	2021	2020
Trust income		
Cash dividends on common stock	$ 73,892	$ 100,438
Interest income	14,959	15,320
Donation income	631	1,357
Realized investment gains	18,385	18,541
Unrealized investment gains	227,319	338,333
Other revenue	59,401	54,892
	394,587	528,881
Trust expenses		
Tax expenditures	36,632	61,882
Management expenses	7,151	5,440
Service expenses	9,437	5,646
Realized investment losses	3	49
Unrealized investment losses	163,950	197,839
Donation expenses	2,679	2,335
Other expenses	-	22
	219,852	273,213
Income before income tax	174,735	255,668
Income tax expense	-	-
Net income	$ 174,735	$ 255,668

45. EXCHANGE RATE INFORMATION OF FOREIGN FINANCIAL ASSETS AND LIABILITIES

The information regarding significant financial assets/liabilities denominated in foreign currencies held by the Group was as follows:

45.1 The Bank

	December 31					
	2021			2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets						
Monetary items						
Cash and cash equivalents						
USD	$ 445,460	27.6550	$ 12,319,196	$ 610,234	28.0990	$ 17,146,965
JPY	34,668,959	0.2404	8,334,418	18,800,695	0.2725	5,123,189
CNY	215,743	4.3421	936,778	827,545	4.3254	3,579,463
Due from the Central Bank and call loans to banks						
USD	1,825,454	27.6550	50,482,930	2,305,174	28.0990	64,773,084
VND	640,000,000	0.0012	768,000	520,000,000	0.0012	624,000
CNY	122,800	4.3421	533,210	553,300	4.3254	2,393,244
Receivables						
USD	84,389	27.6550	2,333,778	-	28.0990	-
JPY	1,660,240	0.2404	399,122	2,390,667	0.2725	651,457
HKD	28,799	3.5465	102,136	11,642	3.6247	42,199
Discounts and loans						
USD	4,145,859	27.6550	114,653,731	4,408,807	28.0990	123,883,068
EUR	464,115	31.3774	14,562,722	503,399	34.5814	17,408,242
HKD	3,920,675	3.5465	13,904,674	4,033,377	3.6247	14,619,782
Financial assets at FVTOCI						
USD	2,101,469	27.6550	58,116,125	2,132,552	28.0990	59,922,579
CNY	2,428,982	4.3421	10,546,883	1,646,956	4.3254	7,123,743
AUD	224,379	20.0969	4,509,322	92,031	21.6531	1,992,756
Financial assets measured at amortized cost						
SGD	71,265	20.4723	1,458,958	60,628	21.2613	1,289,030
USD	17,974	27.6550	497,071	107,324	28.0990	3,015,697
Financial assets at FVTPL						
USD	23,585	27.6550	652,243	34,070	28.0990	957,333
AUD	88	20.0969	1,769	9	21.6531	195
EUR	42	31.3774	1,318	57	34.5814	1,971
Other financial assets						
CNY	-	-	-	300,000	4.3254	1,297,620
Non-monetary items						
Equity investments under the equity method						
USD	2,660,471	27.6550	73,575,326	2,610,607	28.0990	73,355,441
HKD	90,388	3.5465	320,385	85,310	3.6247	309,224
Financial liabilities						
Monetary items						
Payables						
USD	89,044	27.6550	2,462,512	180,448	28.0990	5,070,408
JPY	1,693,730	0.2404	407,173	1,285,370	0.2725	350,263
EUR	2,576	31.3774	80,828	4,142	34.5814	143,236
Deposits from the central bank and other banks						
HKD	1,939,000	3.5465	6,876,664	1,932,000	3.6247	7,002,920
USD	92,641	27.6550	2,561,987	157,241	28.0990	4,418,315
VND	1,457,000,000	0.0012	1,748,400	1,070,000,000	0.0012	1,284,000
Deposits and remittances						
USD	10,022,437	27.6550	277,170,495	9,488,737	28.0990	266,624,021
CNY	4,132,735	4.3421	17,944,749	5,142,221	4.3254	22,242,163
EUR	564,545	31.3774	17,713,954	433,662	34.5814	14,996,639
Financial liabilities at FVTPL						
USD	88,223	27.6550	2,439,804	92,085	28.0990	2,587,496
AUD	88	20.0969	1,769	9	21.6531	195
EUR	29	31.3774	910	44	34.5814	1,522

45.2 SCB (HK)

	December 31					
	2021			2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets						
Monetary items						
Cash and cash equivalents						
USD	$ 182,804	27.6550	$ 5,055,445	$ 98,931	28.0990	$ 2,779,862
EUR	155,899	31.3774	4,891,705	114,040	34.5814	3,943,663
JPY	19,334,657	0.2404	4,648,052	7,992,744	0.2725	2,178,023
Due from the Central Bank and call loans to banks						
USD	1,903,114	27.6550	52,630,618	2,499,454	28.0990	70,232,158
CNY	2,263,641	4.3421	9,828,956	1,989,966	4.3254	8,607,399
Receivables						
USD	47,682	27.6550	1,318,646	58,257	28.0990	1,636,963
CNY	42,236	4.3421	183,393	6,270	4.3254	27,120
Discounts and loans						
USD	4,775,423	27.6550	132,064,323	4,691,083	28.0990	131,814,741
CNY	5,418,566	4.3421	23,527,955	5,598,884	4.3254	24,217,413
GBP	496,453	37.3467	18,540,881	498,340	38.3383	19,105,508
Financial liabilities						
Monetary items						
Payables						
USD	25,560	27.6550	706,862	26,582	28.0990	746,928
CNY	40,825	4.3421	177,266	589,303	4.3254	2,548,971
Deposits from the central bank and other banks						
USD	579,281	27.6550	16,020,016	345,747	28.0990	9,715,145
CNY	1,480,145	4.3421	6,426,938	1,705,144	4.3254	7,375,430
GBP	154,590	37.3467	5,773,426	162,209	38.3383	6,218,817
Deposits and remittances						
USD	8,005,923	27.6550	221,403,801	8,216,863	28.0990	230,885,633
CNY	15,498,812	4.3421	67,297,392	13,087,454	4.3254	56,608,474

46. OTHERS

Owing to the global outbreak of corona virus pandemic, most countries eased monetary policy sharply to cushion themselves from economic recession. The impacts on the banking industry include reduction of interest rates, increase in credit risk and high volatility of market value. The Bank's business strategies always follow the stable and practical core values. Despite facing the global economic turmoil, the Bank still maintained a steady growth of capital. The annual consolidated financial statements included relevant material information.

47. ADDITIONAL DISCLOSURES

47.1 Information of significant transaction items and 47.2 Other business investment is as follows:

47.1.1 Financing provided: The Bank - not applicable; investees - Table 2.

47.1.2 Endorsement/guarantee provided: The Bank - not applicable; investees - not applicable or none.

47.1.3 Marketable securities held: The Bank - not applicable; investees - Table 3.

47.1.4 Marketable securities (for investees) or investee investment (for the Bank) acquired and disposed of, at costs or prices of at least NT$300 million or 10% of the issued capital- Table 4.

47.1.5 Acquisition of individual real estate at costs of at least $300 million or 10% of the issued capital: None.

47.1.6 Disposal of individual real estate at prices of at least $300 million or 10% of the issued capital: None.

47.1.7 Allowance for service fees to related-parties amounting to more than $5 million: None.

47.1.8 Receivables from related parties amounting to at least $300 million or 10% of the issued capital: None.

47.1.9 Sale of non-performing loans: None.

47.1.10 Application for approval of securitization product types and information according to Financial Asset Securitization Clause of the Real State Securitization Act: None.

47.1.11 Other significant transactions which may have effects on decision making of financial statement users: None.

47.1.12 Names, locations, and other information of investees on which the Bank exercises significant influence: Table 5.

47.1.13 Derivative financial transactions: Note 8 on which the Bank exercises significant influence has no such transactions.

47.3 Investments in Mainland China:

47.3.1 Name of the investees in Mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in Mainland China: Table 6.

47.3.2 Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss: Not applicable.

47.4 Significant transactions and the amount among the parent and its subsidiaries: Table 7.

47.5 Information of major shareholders:

list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: Not applicable.

48. SEGMENT INFORMATION

Information reported to the chief operating decision maker focuses on the major geographical areas and profit or loss of the segments. The Group's segments mainly operate in Taiwan and Hong Kong.

The Group provides income before tax of each operating segment to the chief operating decision maker as the basis of resource allocation and assessment of segment performance.

The significant accounting policies of each operating segment are in line with the Group's significant accounting policies stated in Note 4.

The operating segments information is as follows:

	For the Year Ended December 31, 2021				
	Taiwan	Hong Kong	Others	Other Adjustments	Total
Net interest	$ 11,640,622	$ 13,114,166	$ 1,715,500	$ 7	$ 26,470,295
Net revenue other than from interest	5,548,567	5,770,164	280,814	102,662	11,702,207
Net revenue	17,189,189	18,884,330	1,996,314	102,669	38,172,502
Provisions for bad-debt expense, commitment and guarantee liability	(900,164)	(80,450)	(261,143)	-	(1,241,757)
Operating expenses	(7,344,213)	(6,088,138)	(1,328,868)	(30,177)	(14,791,396)
Profit before income tax	$ 8,944,812	$ 12,715,742	$ 406,303	$ 72,492	$ 22,139,349

	For the Year Ended December 31, 2020				
	Taiwan	Hong Kong	Others	Other Adjustments	Total
Net interest	$ 11,621,930	$ 13,483,127	$ 1,283,547	$ 6	$ 26,388,610
Net revenue other than from interest	4,932,720	5,902,914	496,653	110,880	11,443,167
Net revenue	16,554,650	19,386,041	1,780,200	110,886	37,831,777
Provisions for bad-debt expense, commitment and guarantee liability	(900,000)	(458,174)	(313,742)	-	(1,671,916)
Operating expenses	(7,138,359)	(6,147,450)	(1,287,333)	(32,951)	(14,606,093)
Profit before income tax	$ 8,516,291	$ 12,780,417	$ 179,125	$ 77,935	$ 21,553,768

The Group did not periodically provide information on all assets of each operating segment to the chief operating decision maker, thus the amount of assets was zero.

Main operating clients

The Group's revenue from any single external client did not exceed 10% of the total revenue, thus main operating clients were not disclosed.

TABLE 1

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

OVERDUE LOANS AND RECEIVABLES
DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars, %)

Date			December 31, 2021					December 31, 2020				
Business			Overdue Loans (Note 1)	Loans	NPL Ratio (%) (Note 2)	Loan Loss Reserve(LLR)	Coverage Ratio (Note 3)	Overdue Loans (Note 1)	Loans	NPL Ratio (%) (Note 2)	Loan Loss Reserve(LLR)	Coverage Ratio (Note 3)
Corporate banking	Secured		386,910	285,324,670	0.14	3,296,432	851.99	794,595	302,634,799	0.26	3,426,243	431.19
	Unsecured		153,242	198,650,305	0.08	2,105,034	1,373.67	314,647	185,808,307	0.17	2,016,435	640.86
Consumer banking	Mortgage (Note 4)		398,236	249,357,470	0.16	4,194,529	1,053.28	496,246	247,234,190	0.20	3,955,777	797.14
	Cash cards		-	-	-	-	-	-	-	-	-	-
	Microcredit (Note 5)		3,271	3,211,021	0.10	35,857	1,096.21	3,817	2,623,542	0.15	28,156	737.65
	Others (Note 6)	Secured	22,978	32,826,363	0.07	354,584	1,543.15	43,054	30,897,837	0.14	330,647	767.98
		Unsecured	-	-	-	-	-	-	-	-	-	-
Total			964,637	769,369,829	0.13	9,986,436	1,035.25	1,652,359	769,198,675	0.21	9,757,258	590.50
			Overdue Loans (Note 1)	Accounts Receivable	Delinquency Ratio (%) (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Overdue Loans (Note 1)	Accounts Receivable	Delinquency Ratio (%) (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)
Credit cards			5,064	2,797,758	0.18	89,820	1,773.70	6,100	2,510,175	0.24	88,570	1,451.97
Accounts receivable factored without recourse (Note 7)			-	567,807	-	5,678	-	-	479,948	-	4,799	-

Note 1: Overdue loans represent the amounts of overdue loans reported to the authorities and disclosed to the public, as required by the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrued Loans."
Overdue credit card receivables represent the amounts of overdue receivables reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of NPL: Non-performing loans ÷ Outstanding loan balance.
Ratio of delinquency: Non-performing receivables ÷ Outstanding receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses on loans ÷ Non-performing loans.
Coverage ratio of receivables: Allowance for possible losses on receivables ÷ Non-performing receivables.

Note 4: Mortgage is fully secured by property, which is purchased (owned) by the borrower, the spouse or the minor children of the borrower and the rights on mortgage are pledged to the financial institution, for the purpose of purchasing or decorating property.

Note 5: Microcredit, as categorized in accordance with the Banking Bureau's letter dated December 19, 2005 (Ref. No. 09440010950), are unsecured loans with small amounts exclusive of credit cards and cash cards.

Note 6: Other loans of consumer banking refer to secured or unsecured loans exclusive of mortgage, cash card, microcredit and credit card.

Note 7: As required by the Banking Bureau's letter dated July 19, 2005 (Ref. No. 0945000494), factoring without recourse is disclosed as non-performing receivables in three months after the factors or insurance companies reject indemnification.

Note 8: At the end of February 2022, because the outstanding principal or interest of a specific group exceeded the repayment period of more than three months, it was classified as overdue loans in accordance with the "Assessment Loss Provision of Banks and the Handling of Bad Debt Receipts for Overdue Loans". As a result, the overpayment ratio rose to 0.78% and the allowance for doubtful debt coverage ratio fell to 168.10%.

TABLE 1-1

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

OVERDUE LOANS AND RECEIVABLES
DECEMBER 31, 2021 AND 2020
(In Thousands of New Taiwan Dollars)

	December 31, 2021		December 31, 2020	
	Excluded NPL	Excluded Overdue Receivables	Excluded NPL	Excluded Overdue Receivables
As a result of debt consultation and loan agreements (Note 1)	-	-	-	-
As a result of consumer debt clearance (Note 2)	-	34,215	-	34,574

Note 1: The disclosure of excluded NPLs and excluded overdue receivables resulting from debt consultation and loan agreements is based on the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

Note 2: The disclosure of excluded NPLs and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau's letter dated September 15, 2008 (Ref. No. 09700318940) and September 20, 2016 (Ref. No. 10500134790).

TABLE 2

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

LOANS AND OTHER INFORMATION
DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

Information of Lenders, Borrowers and Others

No (Note 1)	Lender	Borrower	Corresponding Account	Related Parties	The Highest Period Balance	Ending Balance	Actual Amount	Interest Rate Range	Capital Loan (Note 2)	Business Dealing Amount	Reasons of Short-term Financing	Allowance	Collateral		Individual Fund Loan and Limit (Note 3)	Total Loan Limit (Note 3)
													Name	Value		
1	SCSB Leasing (China) Co., Ltd.	A Co., Ltd.	Entrusted loan receivables	N/A	$ 86,842	$ 78,158	$ 78,158	6%~11%	1	$ 78,158	-	$ 1,563	Real estate	$ 261,829	$ 383,035	$ 957,589
1	SCSB Leasing (China) Co., Ltd.	B Co., Ltd.	Entrusted loan receivables	N/A	56,447	56,447	56,447	6%~11%	1	56,447	-	1,129	Real estate	186,450	383,035	957,589
1	SCSB Leasing (China) Co., Ltd.	C Co., Ltd.	Entrusted loan receivables	N/A	147,631	-	-	6%~11%	2	-	Operation turnovers	-	Real estate	-	191,518	383,035

Note 1: The numbers refer to the following:
(1) Issuer is 0.
(2) Investees are numbered sequentially starting from 1.

Note 2: The nature of capital loans corresponds to the following values:
(1) 1 for business dealing.
(2) 2 for reasons of short-term financing facility.

Note 3: The amounts and calculation of the loan limit are as follows:

1. Individual fund loans and limits

(1) For an enterprise or organization that has no business relationship with the lender but has short-term financing facility, the loan amount to the single enterprise or organization shall not exceed 40% of the net value as presented in the latest financial statements of the lender as audited by the accountant.

(2) For an enterprise or organization that has no business dealings with the lender but has short-term financing facility, the loan amount to the single enterprise or organization shall not exceed 20% of the net value as presented in the latest financial statements of the lender as audited by the accountant.

2. Capital loans and total loan limits

(1) For an enterprise or organization that has no business dealings with the lender but has short-term financing facility, the total accumulated loan balance of the single enterprise or organization shall not exceed twice the net value as presented in the latest financial statements of the lender as audited by the accountant.

(2) For an enterprise or organization that has no business dealings with the lender but has short-term financing facility, the total accumulated loan balance of the single enterprise or organization shall not exceed 40% of the net value as presented in the latest financial statements of the lender as audited by the accountant.

The total accumulated loan balance of the above two parties shall not exceed twice the net value as presented in the latest financial statements of the lender as audited by the accountant.

TABLE 3

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2021
(Amounts in Thousands of New Taiwan Dollars)

Holding Company Name	Name	Security Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2020				Note
				Shares (In Thousands)	Carrying Amount (Note 1)	Percentage of Ownership (%)	Market Value or Net Asset Value	
Shancom Reconstruction Inc.	Empresa Inversiones Generales, S.A.	Indirect subsidiary	Investments in subsidiaries	1	$ 19,865	100.00	$ 19,865	Note1
	Krinein Company	Indirect subsidiary	Investments in subsidiaries	2	26,144	100.00	26,144	Note1
	Safehaven Investment Corporation	Indirect subsidiary	Investments in subsidiaries	1	45,230	100.00	45,230	Note1
Wresqueue Limitada	Prosperity Realty Inc.	Indirect subsidiary	Investments in subsidiaries	4	25,993	100.00	25,993	Note1
China Travel Service (Taiwan)	Silks Place Taroko	-	Equity investments under the equity method	20,372	266,850	45.00	266,850	
	CTS Travel International Ltd.	Indirect subsidiary	Investments in subsidiaries	600	7,015	100.00	7,015	Note1
	Joy Tour Service Co., Ltd.	-	Financial assets measured at FVTOCI	100	1,000	10.00	1,000	
	Shanghai Commercial & Savings Bank, Ltd.	The Bank	Financial assets measured at FVTOCI	27	1,314	-	1,314	
SCSB Asset Management Ltd.	SCSB Leasing (China) Co., Ltd.	Indirect subsidiary	Investments in subsidiaries	N/A	973,396	100.00	973,396	Note1
Krinein Company	Shanghai Commercial Bank (HK)	Indirect subsidiary	Investments in subsidiaries	1,920	11,617,544	9.60	11,617,544	Note1
Empresa Inversiones Generales, S.A.	Shanghai Commercial Bank (HK)	Indirect subsidiary	Investments in subsidiaries	9,600	58,087,718	48.00	58,087,718	Note1

Note1: A consolidated entity; the related intercompany transaction was eliminated in the consolidated financial statements.

TABLE 4

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

RELATED INFORMATION OF INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars) (Share in Thousands)

Investee Company	Location	Main Businesses and Products	Percentage of Ownership (%)	Carrying Amount	Investment Income (Loss) Recognized	Consolidated Investment (Note 2)				Note
						Shares (In Thousands)	Shares (Pro forma)	Total Shares (In Thousands)	Percentage of Ownership (%)	
Equity investments under the equity method										
Financial business										
SCSB Asset Management Ltd.	Taiwan	Purchase and management of creditor's rights of financial institutions	100.00	$ 1,669,904	$ $128,132	160,000	-	160,000	100.00	
SCSB Marketing Ltd.	Taiwan	Marketing	100.00	8,589	1,930	500	-	500	100.00	
Paofoong Insurance Company Ltd.	Hong Kong	Insurance	40.00	320,385	17,967	500	-	500	100.00	
Shanghai Commercial Bank (HK)	Hong Kong	Banking and financial	57.60	69,705,262	5,994,491	11,520	-	11,520	57.60	
SCSB Leasing (China) Co., Ltd.	China	Leasing operation	100.00	973,396	15,680	N/A	-	N/A	100.00	
AMK Microfinance Institution Plc.	Cambodia	Microfinance institution	99.99	3,981,362	236,206	7,279	-	7,279	99.99	
Non-financial business										
China Travel Service (Taiwan)	Taiwan	Travel services	99.99	422,875	31,100	38,943	-	38,943	99.99	
Kuo Hai Real Estate Management	Taiwan	Building material distribution	34.69	-	-	3,000	-	3,000	34.69	
Shancom Reconstruction Inc.	Liberia	Securities investment	100.00	69,271,540	5,985,532	5	-	5	100.00	
Wresqueue Limitada	Liberia	Securities investment	100.00	322,436	3,716	176	-	176	100.00	
Empresa Inversiones Generales, S.A.	Panama	Securities investment	100.00	19,865	544,054	1	-	1	100.00	
Krinein Company	Cayman Islands	Securities investment	100.00	26,144	108,850	2	-	2	100.00	
Safehaven Investment Corporation	Liberia	Securities investment	100.00	45,230	270	1	-	1	100.00	
Prosperity Realty Inc.	US	Real estate services	100.00	25,993	2,594	4	-	4	100.00	
Silks Place Taroko	Taiwan	Travel services	45.00	266,850	52,201	20,372	-	20,372	45.00	
CTS Travel International Ltd.	Taiwan	Travel services	100.00	7,015	3	600	-	600	100.00	

Note 1: Investees are categorized into financial business and non-financial business.

Note 2: The Bank, board chairman, supervisors, managing directors, and the shares of investee companies invested in by related parties which comply with corporation law are considered.

TABLE 5

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
DECEMBER 31, 2021
(Amounts in Thousands of New Taiwan Dollars and US Dollars)

1. Investee company name, main business and products, total amount of paid-in capital, investment type, investment outflows and inflows, % ownership, investment gain (loss), carrying amount as of December 31, 2021 and inward remittance of earnings:

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment as of December 31, 2020	Investment Flows		Accumulated Outflow of Investment as of December 31, 2021	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2021 (Note 3)	Accumulated Inward Remittance of Earnings as of December 31, 2021
					Outflow	Inflow					
SCSB Leasing (China) Co., Ltd.	Leasing operation	NT$ 829,650 US$ 30,000	Note1(3)	NT$ 829,650 US$ 30,000	- -	- -	NT$ 829,650 US$ 30,000	100%	NT$ 15,680 US$ 562	NT$ 973,396 US$ 35,198	$ -
Bank of Shanghai	Banking business approved by local government	NT$ 61,686,552 US$ 2,230,575	Note 4	NT$ 3,117,908 US$ 112,743	- -	- -	NT$ 3,117,908 US$ 112,743	3%	- -	NT$ 13,184,037 US$ 476,732	-
Shanghai Commercial Bank Ltd. - Shenzhen Branch	Banking business approved by local government	NT$ 3,040,433 US$ 109,942	Note 4	NT$ 1,766,961 US$ 63,893	- -	- -	NT$ 1,766,961 US$ 63,893	100%	NT$ 242,152 US$ 8,682	NT$ 2,736,598 US$ 98,955	-
Shanghai Commercial Bank Ltd. - Shanghai Branch	Banking business approved by local government	NT$ 3,080,836 US$ 111,402	Note 4	NT$ 1,789,749 US$ 64,717	- -	- -	NT$ 1,789,749 US$ 64,717	100%	NT$ 75,560 US$ 2,709	NT$ 3,094,063 US$ 111,881	-
The Shanghai Commercial & Savings Bank, Ltd. - Wuxi Branch	Banking business approved by local government	NT$ 2,338,202 US$ 84,549	Note1(1)	NT$ 2,338,202 US$ 84,549	- -	- -	NT$ 2,338,202 US$ 84,549	100%	NT$ (27,466) US$ (985)	NT$ 2,479,190 US$ 89,647	-

2. Upper limit on investments in mainland China:

Accumulated Investment in Mainland China as of December 31, 2021 (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA (Note 3)	Upper Limit on Investment Authorized by Investment Commission MOEA
$ 9,842,470 (US$ 355,902)	$ 10,092,056 (US$364,927)	$ 125,542,920

Note 1: Methods of investment in mainland China are listed below:

(a) Directly invest.
(b) Invest indirectly via a third company.
(c) Others.

Note 2: Financial report audited by the accounting firm associated with the parent company in Taiwan.

Note 3: Calculated using the exchange rate on December 31, 2021.

Note 4: To invest via sub-subsidiary of the Bank, Shanghai Commercial Bank (HK).

TABLE 6

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2021
(In Thousands of New Taiwan Dollars)

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transaction			
				Financial Statement Item	Amount	Term	Percentage of Consolidated Total Gross Sales or Total Assets (Note 3)
0	The Shanghai Commercial & Savings Bank, Ltd.	SCSB Asset Management Ltd.	From parent company to subsidiary	Accounts payable	$ 123	Note 4	-
		SCSB Asset Management Ltd.	From parent company to subsidiary	Deposits and remittances	318,305	Note 4	-
		SCSB Asset Management Ltd.	From parent company to subsidiary	Other liabilities	61	Note 4	-
		SCSB Asset Management Ltd.	From parent company to subsidiary	Interest expenses	2,839	Note 4	-
		SCSB Asset Management Ltd.	From parent company to subsidiary	Net revenue other than from interest	170	Note 4	-
		SCSB Marketing	From parent company to subsidiary	Other liabilities	20	Note 4	-
		SCSB Marketing	From parent company to subsidiary	Accounts payable	7,779	Note 4	-
		SCSB Marketing	From parent company to subsidiary	Deposits and remittances	12,921	Note 4	-
		SCSB Marketing	From parent company to subsidiary	Interest expenses	56	Note 4	-
		SCSB Marketing	From parent company to subsidiary	Other general and administrative expenses	95,569	Note 4	-
		SCSB Marketing	From parent company to subsidiary	Net revenue other than from interest	85	Note 4	-
		China Travel Service (Taiwan)	From parent company to subsidiary	Accounts payable	75	Note 4	-
		China Travel Service (Taiwan)	From parent company to subsidiary	Deposits and remittances	129,279	Note 4	-
		China Travel Service (Taiwan)	From parent company to subsidiary	Other liabilities	180	Note 4	-
		China Travel Service (Taiwan)	From parent company to subsidiary	Interest expenses	369	Note 4	-
		China Travel Service (Taiwan)	From parent company to subsidiary	Net revenue other than from interest	703	Note 4	-
		China Travel Service (Taiwan)	From parent company to subsidiary	Other general and administrative expenses	1,953	Note 4	-
		CTS Travel International Ltd.	From parent company to subsidiary	Deposits and remittances	5,193	Note 4	-
		CTS Travel International Ltd.	From parent company to subsidiary	Interest expenses	45	Note 4	-
		CTS Travel International Ltd.	From parent company to subsidiary	Accounts payable	16	Note 4	-
		Shancom Reconstruction Inc.	From parent company to subsidiary	Cash and cash equivalents	230,954	Note 4	-
		Shancom Reconstruction Inc.	From parent company to subsidiary	Due from the Central Bank and call loans to banks	50,634	Note 4	-
		Shancom Reconstruction Inc.	From parent company to subsidiary	Accounts payable	1,058	Note 4	-
		Shancom Reconstruction Inc.	From parent company to subsidiary	Deposits and remittances	82,520	Note 4	-
		Shancom Reconstruction Inc.	From parent company to subsidiary	Interest revenue	2	Note 4	-

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transaction			
				Financial Statement Item	Amount	Term	Percentage of Consolidated Total Gross Sales or Total Assets (Note 3)
1	SCSB Asset Management Ltd.	The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Cash and cash equivalents	$ 318,305	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Accounts receivable	123	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Other assets	61	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Interest revenue	2,839	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Other general and administrative expenses	159	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Right-of-use assets	172	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Lease liabilities	175	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Interest expenses	13	Note 4	-
		Shancom Reconstruction Inc.	From subsidiary to subsidiary	Cash and cash equivalents	275,338	Note 4	-
		Shancom Reconstruction Inc.	From subsidiary to subsidiary	Interest revenue	6,434	Note 4	-
		Shancom Reconstruction Inc.	From subsidiary to subsidiary	Accounts receivable	1,050	Note 4	-
2	SCSB Marketing	The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Cash and cash equivalents	12,921	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Accounts receivable	7,779	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Other assets	20	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Interest revenue	56	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Other general and administrative expenses	80	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Right-of-use assets	287	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Lease liabilities	290	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Interest expenses	7	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Net revenue other than from interest	95,569	Note 4	-
3	China Travel Service (Taiwan)	The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Accounts receivable	75	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Cash and cash equivalents	129,279	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Other assets	180	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Interest revenue	369	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Other general and administrative expenses	703	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Net revenue other than from interest	1,953	Note 4	-
		Shancom Reconstruction Inc.	From subsidiary to subsidiary	Cash and cash equivalents	166	Note 4	-
		CTS Travel International Ltd.	From subsidiary to subsidiary	Net revenue other than from interest	114	Note 4	-
		CTS Travel International Ltd.	From subsidiary to subsidiary	Other general and administrative expenses	826	Note 4	-
4	CTS Travel International Ltd.	The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Cash and cash equivalents	5,193	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Interest revenue	45	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Accounts receivable	16	Note 4	-
		China Travel Service (Taiwan)	From subsidiary to subsidiary	Service fee income	826	Note 4	-
		China Travel Service (Taiwan)	From subsidiary to subsidiary	Other general and administrative expenses	114	Note 4	-

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transaction			
				Financial Statement Item	Amount	Term	Percentage of Consolidated Total Gross Sales or Total Assets (Note 3)
5	Shancom Reconstruction Inc.	The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Cash and cash equivalents	$ 50,634	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Accounts receivable	1,058	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Due from the Central Bank and call loans to banks	230,954	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Cash and cash equivalents	82,520	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Interest expenses	2	Note 4	-
		China Travel Service (Taiwan)	From subsidiary to subsidiary	Deposits and remittances	166	Note 4	-
		SCSB Asset Management Ltd.	From subsidiary to subsidiary	Deposits and remittances	275,338	Note 4	-
		SCSB Asset Management Ltd.	From subsidiary to subsidiary	Accounts payable	1,050	Note 4	-
		SCSB Asset Management Ltd.	From subsidiary to subsidiary	Interest expenses	6,434	Note 4	-

Note 1: The parent company and subsidiaries are indicated by the following numbers:

(1) Parent company: 0.
(2) Subsidiaries: 1 onward.

Note 2: The directional flow of the various transactions are indicated according to the following types:

(1) Transactions from parent company to subsidiary.
(2) Transactions from subsidiary to parent company.
(3) Transactions from subsidiary to subsidiary.
(4) Transactions from parent company to indirect subsidiary.
(5) Transactions from indirect subsidiary to parent company.

Note 3: The percentages are recalculated by the consolidated total assets or the consolidated net sales. If the account belongs to the balance sheets, it will be based on the percentage of its final amount divided by the consolidated total assets. Otherwise, if the account belongs to the income statements, it will be based on the percentage of its average amount divided by the consolidated net revenue.

Note 4: All transactions with related parties were carried out at arm's length.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
The Shanghai Commercial & Savings Bank, Ltd.
Taipei, Taiwan

Opinion

We have audited the accompanying financial statements of The Shanghai Commercial & Savings Bank, Ltd. (the "Bank"), which comprise the balance sheets as of December 31, 2021 and 2020, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, its financial performance and its cash flows for the years ended December 31, 2021 and 2020 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.

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, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Bank's financial statements as of and for the year ended December 31, 2021 are described as follows:

Allowance for Impairment Losses on Discounts and Loans

The Bank primarily engages in the loan business. As of December 31, 2021, the loan business is significant to the accompanying financial statements. The Bank assessed its discounts and loans for impairment in accordance with IFRS 9 and recognized the allowance for bad debts according to authorities' regulations. The Bank's management applied the expected credit loss model in the impairment assessment of discounts and loans. The Bank assessed whether the credit risk had increased significantly since initial recognition by taking into consideration factors like the amount of impairment loss based on past experience, current market situation and perceptiveness. In addition, credit-impaired loans were also evaluated for the prospect of future recovery. Refer to Notes 4, 5, 14 and 38 to the financial statements for disclosures related to the impairment of loan portfolios. As the cash flow forecasts involved management's critical judgments in accounting estimates and assumptions, we determined the impairment assessment of loan portfolios as a key audit matter.

In response to the abovementioned key audit matter, our key audit procedures performed included the following:

1. We understood and tested the Bank's internal control on loans and discounts and performed relevant substantive procedures in assessing loan impairment.

2. We tested the accuracy of the method and important parameters adopted in the expected credit loss model in accordance with the actual situations and also calculated the amount of impairment losses.

3. We tested the classification of credit assets to assess that the allowance for impairment met the requirements of competent authorities' regulations.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms for such internal control, as management determines is necessary to ensure the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in Taiwan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in Taiwan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the Bank audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2021 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Chun-Hung Chen, and Tzu-Jung Kuo.

Deloitte & Touche
Taipei, Taiwan

March 11, 2022

Notice to Readers

The accompanying 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, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

Codes	ASSETS	December 31, 2021 Amount	%	December 31, 2020 Amount	%
11000	Cash and cash equivalents	$ 35,872,472	3	$ 37,427,286	3
11500	Due from the Central Bank and call loans to banks	79,087,362	6	107,088,363	8
12000	Financial assets measured at fair value through profit or loss	2,011,522	-	2,635,633	-
12100	Financial assets measured at fair value through other comprehensive income	230,166,946	17	234,358,461	17
12200	Investments in debt instruments measured at amortized cost	153,739,028	11	106,436,440	8
12500	Securities purchased under resell agreements	278,486	-	146,817	-
13000	Receivables, net	7,601,615	-	7,933,610	1
13200	Current income tax assets	1,024	-	71,571	-
13500	Discounts and loans, net	759,956,478	56	760,036,481	56
15000	Investments under the equity method, net	75,997,090	6	75,632,138	6
15500	Other financial assets, net	4,817	-	1,298,179	-
18500	Properties, net	12,356,199	1	12,086,661	1
18600	Right-of-use assets, net	712,482	-	833,353	-
19000	Intangible assets, net	170,199	-	108,574	-
19300	Deferred income tax assets	604,581	-	666,257	-
19500	Other assets, net	7,211,749	-	3,756,750	-
10000	Total assets	$ 1,365,772,050	100	$ 1,350,516,574	100
Codes	**LIABILITIES AND EQUITY**				
21000	Deposits from the central bank and other banks	$ 16,104,744	1	$ 15,947,884	1
21500	Due to the central bank and other banks	17,787,080	1	6,052,010	1
22000	Financial liabilities measured at fair value through profit or loss	2,780,535	-	2,782,900	-
22500	Securities sold under repurchase agreements	14,505,024	1	25,781,411	2
23000	Payables	23,863,369	2	23,618,520	2
23200	Current income tax liabilities	606,423	-	744,511	-
23500	Deposits and remittances	1,050,439,562	77	1,038,553,856	77
24000	Bank debentures	66,950,000	5	66,850,000	5
25500	Other financial liabilities	2,823,239	-	2,163,455	-
25600	Provisions	1,811,506	-	1,763,688	-
26000	Lease liabilities	722,147	-	844,497	-
29300	Deferred income tax liabilities	8,408,491	1	9,164,381	1
29500	Other liabilities	1,168,114	-	1,146,205	-
20000	Total liabilities	1,207,970,234	88	1,195,413,318	89
	Equity				
31101	Ordinary shares	44,816,031	4	44,816,031	3
31500	Capital surplus	16,666,144	1	16,550,661	1
	Retained earnings				
32001	Legal reserve	60,224,639	4	56,344,918	4
32003	Special reserve	7,669,374	1	7,669,374	1
32005	Unappropriated earnings	27,585,920	2	24,913,053	2
32000	Total retained earnings	95,479,933	7	88,927,345	7
32500	Other equity	922,852	-	4,892,363	-
32600	Treasury shares	(83,144)	-	(83,144)	-
30000	Total equity	157,801,816	12	155,103,256	11
	Total liabilities and equity	$ 1,365,772,050	100	$ 1,350,516,574	100

The accompanying notes are an integral part of the financial statements.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.
Statements of Comprehensive Income
For the Years Ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars, except Earnings Per Share)

Codes		For the Year Ended December 31 2021 Amount	2021 %	2020 Amount	2020 %	Change %
41000	Interest income	$ 16,021,891	68	$ 18,514,299	81	(13)
51000	Interest expenses	4,381,269	19	6,892,369	30	(36)
49010	Net interest income	11,640,622	49	11,621,930	51	-
	Non-interest income					
49100	Service fee income, net	3,420,118	14	3,078,928	14	11
49200	Gain(loss) on financial assets and liabilities measured at fair value through profit or loss	(116,342)	-	963,407	4	(112)
49310	Realized gain on financial assets measured at fair value through other comprehensive income	1,095,311	5	1,025,744	5	7
49450	Gain on Investment in debt instruments measured at amortized cost	5,420	-	1,526	-	255
49600	Foreign exchange gain(loss), net	1,101,814	5	(177,779)	(1)	720
49700	Impairment loss on assets	(4,172)	-	(21,445)	-	(81)
49750	Proportionate share of profit of associates under the equity method	6,404,583	27	6,256,337	27	2
49800	Other non-interest income, net	46,418	-	62,339	-	(26)
49020	Total non-interest income	11,953,150	51	11,189,057	49	7
4xxxx	Net revenue	23,593,772	100	22,810,987	100	3
58200	Provisions for bad-debt expense, commitment and guarantee liability	900,164	4	900,000	4	-
	Operating expenses					
58500	Employee benefits	4,564,595	19	4,384,983	19	4
59000	Depreciation and amortization	631,324	3	615,362	3	3
59500	Other general and administrative	2,148,294	9	2,138,014	9	-
58400	Total operating expenses	7,344,213	31	7,138,359	31	3
61001	Profit before income tax	15,349,395	65	14,772,628	65	4
61003	Income tax expense	(1,093,814)	(5)	(1,309,683)	(6)	(16)
64000	Net income	14,255,581	60	13,462,945	59	6
	Items that will not be reclassified subsequently to profit or loss:					
65201	Remeasurement of defined benefit plans	(132,455)	(1)	(134,006)	-	(1)
65204	Gain on investments in equity instruments measured at fair value through other comprehensive income	962,319	4	201,221	1	378
65205	Financial liabilities designated at FVTPL which the amount of change derived from credit risk	17,650	-	51,831	-	(66)
65207	Proportionate share of other comprehensive income of associates under the equity method	(551,964)	(2)	(1,082,469)	(5)	(49)
65220	Income tax relating to items that will not be reclassified subsequently to profit or loss	25,740	-	26,394	-	(2)
65200	Subtotal of items that will not be reclassified subsequently to profit or loss	321,290	1	(937,029)	(4)	134
	Items that may be reclassified subsequently to profit or loss:					
65301	Exchange differences on translating foreign operations	(1,289,632)	(5)	(5,095,716)	(23)	(75)
65307	Share of the other comprehensive income of associates accounted for using the equity method	(1,643,022)	(7)	1,539,302	7	(207)
65309	Gain on debt instruments measured at fair value through other comprehensive income	(1,968,286)	(8)	1,095,732	5	(280)
65310	Loss allowance for debt instruments measured at fair value through other comprehensive income	5,081	-	21,392	-	(76)
65320	Income tax relating to items that may be reclassified subsequently to profit or loss	520,790	2	718,232	3	(27)
65300	Subtotal of items that may be reclassified subsequently to profit or loss	(4,375,069)	(18)	(1,721,058)	(8)	154
65000	Other comprehensive income for the period, net of income tax	(4,053,779)	(17)	(2,658,087)	(12)	53
66000	Total comprehensive income for the period	$ 10,201,802	43	$ 10,804,858	47	(6)
	Earnings per share					
67500	Basic	$ 3.19		$ 3.01		
67700	Diluted	$ 3.19		$ 3.01		

The accompanying notes are an integral part of the financial statements

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.
Statements of Changes in Equity
For the Years Ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

Codes		Share Capital		Retained Earnings			Other Equity				
		Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Change in Financial Assets at FVTOCI	Change in Credit Risk From Financial Liabilities Designated at FVTPL	Treasury Shares	Total Equity Attributable to Owners of the Bank
A1	Balance at January 1, 2020	$ 44,816,031	$ 16,432,561	$ 51,946,585	$ 7,669,374	$ 25,566,273	$ (1,905,481)	$ 9,170,839	$ (45,419)	$ (83,144)	$ 153,567,619
	Appropriation of 2019 earnings										
B1	Legal reserve	-	-	4,398,333	-	(4,398,333)	-	-	-	-	-
B9	Cash dividends	-	-	-	-	(9,187,286)	-	-	-	-	(9,187,286)
C7	Changes in capital surplus from subsidiaries accounted for using the equity method	-	10,798	-	-	-	-	-	-	-	10,798
C17	Unclaimed dividends	-	107,302	-	-	-	-	-	-	-	107,302
M5	Changes in equity of subsidiaries	-	-	-	-	(200,035)	-	-	-	-	(200,035)
D1	Net profit for the year ended December 31, 2020	-	-	-	-	13,462,945	-	-	-	-	13,462,945
D3	Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(105,249)	(3,737,681)	1,133,012	51,831	-	(2,658,087)
D5	Total comprehensive income (loss) for the year ended December 31, 2020	-	-	-	-	13,357,696	(3,737,681)	1,133,012	51,831	-	10,804,858
Q1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	(225,262)	-	225,262	-	-	-
Z1	Balance at December 31, 2020	44,816,031	16,550,661	56,344,918	7,669,374	24,913,053	(5,643,162)	10,529,113	6,412	(83,144)	155,103,256
	Appropriation of 2020 earnings										
B1	Legal reserve	-	-	3,879,721	-	(3,879,721)	-	-	-	-	-
B9	Cash dividends	-	-	-	-	(7,618,725)	-	-	-	-	(7,618,725)
C7	Changes in capital surplus from subsidiaries accounted for using the equity method	-	8,954	-	-	-	-	-	-	-	8,954
C17	Unclaimed dividends	-	106,529	-	-	-	-	-	-	-	106,529
D1	Net profit for the year ended December 31, 2021	-	-	-	-	14,255,581	-	-	-	-	14,255,581
D3	Other comprehensive income (loss) for the year ended December 31, 2021, net of income tax	-	-	-	-	(110,225)	(1,220,626)	(2,740,578)	17,650	-	(4,053,779)
D5	Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	-	14,145,356	(1,220,626)	(2,740,578)	17,650	-	10,201,802
Q1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	25,957	-	(25,957)	-	-	-
Z1	Balance at December 31, 2021	$ 44,816,031	$ 16,666,144	$ 60,224,639	$ 7,669,374	$ 27,585,920	$ (6,863,788)	$ 7,762,578	$ 24,062	$ (83,144)	$ 157,801,816

The accompanying notes are an integral part of the financial statements.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

Codes		For the Year Ended December 31 2021	2020
	Cash flows from operating activities		
A00010	Net profit before income tax	$ 15,349,395	$ 14,772,628
A20010	Adjustments to reconcile net profit to net cash provided by operating activities		
A20100	Depreciation expenses	473,952	464,600
A20200	Amortization expenses	157,372	150,762
A20300	Provisions for bad debt expense, commitment and guarantee liability	900,164	900,000
A20400	Loss (gain) on financial assets and liabilities at fair value through profit or loss	459,411	(274,016)
A20900	Interest expenses	4,381,269	6,892,369
A21200	Interest income	(16,021,891)	(18,514,299)
A21300	Dividend income	(513,944)	(399,738)
A22400	Proportionate share of profit of associates	(6,404,583)	(6,256,337)
A22500	(Gain) loss on disposal of properties and equipment, net	(906)	5,512
A23500	Loss on expected credit loss	4,630	21,418
A23700	Loss on non-financial asset impairment	-	27
A23800	(Reversal) loss on non-financial asset impairment	(458)	-
A29900	Other adjustments	(416,532)	589,197
A40000	Changes in operating assets and liabilities		
A41110	Due from the central bank and call loans to banks	12,728,949	8,620,257
A41120	Financial assets measured at fair value through profit or loss	483,154	1,049,941
A41123	Financial assets measured at fair value through other comprehensive income	3,246,718	(25,592,887)
A41125	Investments in debt instruments measured at amortized cost	(47,308,683)	(6,693,412)
A41150	Receivables	83,703	(664,025)
A41160	Discounts and loans	(684,841)	(38,051,244)
A41190	Other financial assets	1,293,148	3,986,054
A42110	Deposits from the central bank and other banks	156,860	(9,795,883)
A42120	Financial liabilities at fair value through profit or loss	(303,169)	(116,076)
A42140	Securities sold under repurchase agreements	(11,276,387)	14,720,790
A42150	Payables	539,711	4,124,366
A42160	Deposits and remittances	11,885,706	50,274,797
A42170	Other financial liabilities	659,784	(1,428,419)
A42180	Employee benefit provisions	(164,168)	(122,476)
A42990	Other liabilities	109,382	12,975
A33000	Cash flows used in operations	(30,182,254)	(1,323,119)
A33100	Interest received	16,303,014	19,574,649
A33200	Dividends received	3,310,243	2,525,887
A33300	Interest paid	(4,559,608)	(7,292,471)
A33500	Income tax paid	(952,343)	(1,210,200)
AAAA	Net cash flows (used in) from operating activities	(16,080,948)	12,274,746

(Continued)

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020
(Expressed in Thousands of New Taiwan Dollars)

Codes		For the Year Ended December 31 2021	2020
	Cash flows from investing activities		
B02700	Acquisition of properties	$ (448,376)	$ (292,637)
B02800	Proceeds from disposal of properties	5,168	1,671
B03700	Increase(decrease) in refundable deposits	137,970	(187,112)
B04500	Acquisition of intangible assets	(141,520)	(70,991)
B06800	Increase in other assets	(3,670,152)	(841,669)
BBBB	Net cash flows used in investing activities	(4,116,910)	(1,390,738)
	Cash flows from financing activities		
C00300	Increase in funds borrowed from central bank and Banks	11,735,070	6,052,010
C01400	Proceeds from issuance of financial bonds	5,000,000	10,000,000
C01500	Payments for financial bonds	(4,900,000)	-
C03100	Decrease in guarantee deposits received	(87,515)	(110,513)
C04020	Payments for principal portion of lease liabilities	(306,182)	(300,945)
C04500	Payment of cash dividend	(7,618,725)	(9,187,286)
C05400	Acquisition of subsidiaries	(158,688)	(766,492)
CCCC	Net cash flows from financing activities	3,663,960	5,686,774
DDDD	Effects of exchange rate changes on the balance of cash held in foreign currencies	(161,299)	(300,302)
EEEE	Net (decrease) increase in cash and cash equivalents	(16,695,197)	16,270,480
E00100	Cash and cash equivalents at the beginning of the period	88,509,671	72,239,191
E00200	Cash and cash equivalents at the end of the period	$ 71,814,474	$ 88,509,671

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, 2021 and 2020:

Codes		December 31, 2021	December 31, 2020
E00210	Cash and cash equivalents in balance sheets	$ 35,872,472	$ 37,427,286
E00220	Due from the Central Bank and call loans to banks which fall within the definition of cash and cash equivalents under IAS 7	35,663,516	50,935,568
E00230	Securities purchased under resell agreements which fall within the definition of cash and cash equivalents under IAS 7	278,486	146,817
E00200	Cash and cash equivalents in statements of cash flows	$ 71,814,474	$ 88,509,671

The accompanying notes are an integral part of the financial statements.

(Concluded)

Deloitte.

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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 June 30, 2022, December 31, 2021 and June 30, 2021, and the consolidated statements of comprehensive income for the three months ended June 30, 2022 and 2021 and for the six months ended June 30, 2022 and 2021, as well as the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2022 and 2021, 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 June 30, 2022, December 31, 2021 and June 30, 2021, its consolidated financial performance for the six months ended June 30, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the six months ended June 30, 2022 and 2021, in accordance with the Taiwan's Regulations Governing the Preparation of Financial Reports by Public Banks and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of Taiwan.

Basis for Opinion

We conducted our audits in accordance with the Taiwan's 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 six months ended June 30, 2022. 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 identified in the Group's consolidated financial statements as of and for the six months ended June 30, 2022 is described as follows:

Estimated Impairment Losses on Discounts and Loans

The Group primarily engages in the loan business. As of June 30, 2022, the loan business is significant to the accompanying consolidated financial statements. The Bank conducted its impairment assessment of discounts and loans and recognized allowance for bad debts according to the requirements of IFRS 9 and the authorities' regulations. The Bank's management assessed the impairment of discounts and loans by using the expected credit loss model. The Group assesses whether the credit risk has increased significantly since initial recognition by taking into consideration factors like the amount of loss on impairment, past experience, current market situation and prospective information, etc. In addition, credit-impaired loans are also evaluated for possible future recovery. Refer to Notes 4, 5, 14 and 39 to the consolidated financial statements for disclosures related to impairment of loan portfolios. As the calculation of expected credit losses 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 tested whether the method and important parameters adopted in the expected credit loss model had properly reflected actual situations and calculated the amount of impairment loss.

3. We tested the classification of credit assets and assessed that the allowance for loss met the requirements of the competent authorities' regulations.

Other Matter

We have also audited the standalone financial statements for the six months ended June 30, 2022 and 2021 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 the Taiwan's Regulations Governing the Preparation of Financial Reports by Public Banks, and International Accounting Standards 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission (FSC) of Taiwan, and for such internal control as management determines is necessary to enable 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 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 six months ended June 30, 2022 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Chun-Hung Chen and Shih-Tsung Wu.

Deloitte & Touche
Taipei, Taiwan

August 13, 2022

<u>*Notice to Readers*</u>

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 such consolidated financial statements are those generally applied in Taiwan.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in Taiwan. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES
Consolidated Balance Sheets
June 30, 2022, December 31, 2021 and June 30, 2021
(Expressed in Thousands of New Taiwan Dollars)

Codes	ASSETS	June 30, 2022 Amount	%	December 31, 2021 Amount	%	June 30, 2021 Amount	%
11000	Cash and cash equivalents (Note 6)	$ 66,197,504	3	$ 70,381,813	3	$ 76,777,023	4
11500	Due from the Central Bank and call loans to banks (Note 7)	307,007,458	14	211,566,159	10	176,436,191	8
12000	Financial assets measured at fair value through profit or loss (Note 8)	8,364,718	-	10,598,012	1	11,993,284	1
12100	Financial assets measured at fair value through other comprehensive income (Notes 9 and 11)	470,252,036	21	518,556,855	24	497,642,595	23
12200	Investments in debt instruments measured at amortized cost (Notes 10 and 11)	118,898,569	6	159,319,588	8	183,607,759	9
12500	Securities purchased under resell agreements (Note 12)	376,912	-	278,486	-	280,873	-
13000	Receivables, net (Notes 13)	19,246,712	1	15,216,288	1	15,964,273	1
13200	Current income tax assets (Note 34)	146,830	-	62,485	-	131,350	-
13500	Discounts and loans, net (Notes 14)	1,172,080,930	53	1,112,234,779	52	1,114,555,961	53
15000	Investments under the equity method, net (Note 16)	2,006,061	-	1,922,359	-	2,082,232	-
15500	Other financial assets, net (Note 17)	-	-	4,817	-	876,926	-
18500	Properties, net (Note 18)	21,254,766	1	20,596,416	1	20,542,834	1
18600	Right-of-use assets, net (Note 19)	1,870,002	-	1,809,919	-	1,929,985	-
18700	Investment properties, net (Note 20)	6,418,902	-	5,981,151	-	5,981,512	-
19000	Intangible assets, net (Note 21)	1,772,129	-	1,665,724	-	1,662,737	-
19300	Deferred income tax assets (Note 34)	3,052,662	-	1,236,260	-	832,174	-
19500	Other assets, net (Note 22)	9,909,063	1	8,201,600	-	9,192,777	-
10000	Total assets	$ 2,208,855,254	100	$ 2,139,632,711	100	$ 2,120,490,486	100
Codes	**LIABILITIES AND EQUITY**						
21000	Deposits from the central bank and other banks (Note 23)	$ 48,898,752	2	$ 52,655,889	3	$ 56,556,101	3
21500	Due to the central bank and other banks	-	-	17,787,080	1	9,830,040	1
22000	Financial liabilities measured at fair value through profit or loss (Note 8)	5,674,697	-	3,670,954	-	3,409,569	-
22500	Securities sold under repurchase agreements (Note 24)	2,168,166	-	14,505,024	1	28,560,269	1
23000	Payables (Notes 25)	35,668,245	2	29,428,955	1	31,339,595	2
23200	Current income tax liabilities (Note 34)	1,781,598	-	1,184,757	-	1,033,930	-
23500	Deposits and remittances (Notes 26)	1,809,450,605	82	1,707,602,522	80	1,674,066,295	79
24000	Bank debentures (Note 27)	81,086,006	4	82,091,512	4	80,515,912	4
25500	Other financial liabilities (Note 28)	4,270,316	-	4,784,006	-	4,439,015	-
25600	Provisions (Note 29)	2,945,590	-	2,932,800	-	2,841,592	-
26000	Lease liabilities (Note 19)	1,922,050	-	1,868,929	-	1,999,473	-
29300	Deferred income tax liabilities (Note 34)	9,529,350	1	8,691,595	-	9,005,250	-
29500	Other liabilities (Notes 30)	3,544,527	-	3,190,488	-	3,566,618	-
20000	Total liabilities	2,006,939,902	91	1,930,394,511	90	1,907,163,659	90
	Equity (Note 32)						
	Equity attributable to owners of the Bank						
	Share capital						
31101	Ordinary shares	44,816,031	2	44,816,031	2	44,816,031	2
31500	Capital surplus	16,666,144	1	16,666,144	1	16,550,661	1
	Retained earnings						
32001	Legal reserve	64,476,033	3	60,224,639	3	56,344,918	3
32003	Special reserve	7,669,374	-	7,669,374	-	7,669,374	-
32005	Unappropriated earnings	21,731,089	1	27,585,920	1	32,257,231	2
32000	Total retained earnings	93,876,496	4	95,479,933	4	96,271,523	5
32500	Other equity	(6,270,672)	-	922,852	-	4,419,691	-
32600	Treasury shares	(83,144)	-	(83,144)	-	(83,144)	-
31000	Total equity attributable to owners of the Bank	149,004,855	7	157,801,816	7	161,974,762	8
38000	Non-controlling interests	52,910,497	2	51,436,384	3	51,352,065	2
30000	Total equity	201,915,352	9	209,238,200	10	213,326,827	10
	Total liabilities and equity	$ 2,208,855,254	100	$ 2,139,632,711	100	$ 2,120,490,486	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 Three Months Ended June 30, 2022 and 2021, and Six Months Ended June 30, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars, except Earnings Per Share)

Codes		For the Three Months Ended June 30				For the Six Months Ended June 30			
		2022		2021		2022		2021	
		Amount	%	Amount	%	Amount	%	Amount	%
41000	Interest income	$ 10,644,848	104	$ 8,953,839	97	$ 19,677,191	97	$ 17,958,049	93
51000	Interest expenses	2,855,637	28	2,208,979	24	5,138,003	25	4,591,542	24
49010	Net interest income (Note 33)	7,789,211	76	6,744,860	73	14,539,188	72	13,366,507	69
	Non-interest income								
49100	Service fee income, net (Note 33)	1,466,417	14	1,463,429	16	3,202,137	16	3,364,118	17
49200	Gain (loss) on financial assets and liabilities measured at fair value through profit or loss (Note 33)	(1,238,287)	(12)	446,573	5	(1,914,795)	(10)	205,478	1
49310	Realized gain on financial assets measured at fair value through other comprehensive income (Note 33)	205,607	2	368,731	4	560,315	2	759,440	4
49450	Gain (loss) on financial assets measured at amortized cost	-	-	(119)	-	-	-	5,420	-
49600	Foreign exchange gain (loss), net	1,804,005	17	(35,246)	(1)	3,223,678	16	975,219	5
49700	Impairment gain (loss) on assets	11,958	-	5,681	-	(34,399)	-	(23,118)	-
49750	Proportionate share of profit of associates under the equity method (Note 16)	83,992	1	65,218	1	175,178	1	218,422	1
49800	Other non-interest income, net	167,403	2	173,178	2	567,501	3	503,373	3
49020	Total non-interest income	2,501,095	24	2,487,445	27	5,779,615	28	6,008,352	31
4xxxx	Consolidated net revenue	10,290,306	100	9,232,305	100	20,318,803	100	19,374,859	100
58200	Provisions for bad-debt expense, commitment and guarantee liability (Note 14)	350,664	3	353,359	4	790,996	4	685,030	3
	Operating expenses								
58500	Employee benefits (Notes 31 and 33)	2,512,869	25	2,454,443	27	4,957,373	24	4,808,724	25
59000	Depreciation and amortization (Note 33)	437,862	4	409,173	4	849,043	4	818,498	4
59500	Other general and administrative	1,128,254	11	899,201	10	2,205,535	11	1,894,384	10
58400	Total operating expenses	4,078,985	40	3,762,817	41	8,011,951	39	7,521,606	39
61001	Profit before income tax	5,860,657	57	5,116,129	55	11,515,856	57	11,168,223	58
61003	Income tax expense (Note 34)	(1,231,916)	(12)	(509,357)	(5)	(2,317,426)	(12)	(1,656,006)	(9)
64000	Consolidated net income	4,628,741	45	4,606,772	50	9,198,430	45	9,512,217	49
	Other comprehensive income (loss)								
	Items that will not be reclassified subsequently to profit or loss:								
65204	Gain on investments in equity instruments measured at fair value through other comprehensive income	(3,035,279)	(30)	(553,270)	(6)	(3,536,623)	(17)	1,594,298	8
65205	Financial liabilities designated at FVTPL which the amount of change derived from credit risk (Note 8)	(35,941)	-	21,659	-	(24,830)	-	37,866	-
65207	Proportionate share of other comprehensive income of associates under the equity method	1,161	-	(511)	-	1,099	-	578	-
65220	Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 34)	(921)	-	(7,061)	-	(2,124)	-	(8,839)	-
65200	Subtotal of items that will not be reclassified subsequently to profit or loss	(3,070,980)	(30)	(539,183)	(6)	(3,562,478)	(17)	1,623,903	8
	Items that may be reclassified subsequently to profit or loss:								
65301	Exchange differences on translating foreign operations	5,628,941	55	(2,454,160)	(27)	9,480,253	47	(1,003,276)	(5)
65307	Share of the other comprehensive income of associates accounted for using the equity method	(111,951)	(1)	15,030	-	(194,412)	(1)	13,600	-
65309	Gain on debt instruments measured at fair value through other comprehensive income	(5,577,412)	(54)	239,016	3	(14,108,611)	(70)	(1,729,629)	(9)
65310	Loss allowance (reversal) for debt instruments measured at fair value through other comprehensive income	(9,726)	-	(6,842)	-	37,707	-	23,232	-
65320	Income tax relating to items that may be reclassified subsequently to profit or loss (Note 34)	(377,261)	(4)	213,058	2	396,432	2	263,616	2
65300	Subtotal of items that may be reclassified subsequently to profit or loss	(447,409)	(4)	(1,993,898)	(22)	(4,388,631)	(22)	(2,432,457)	(12)
65000	Other comprehensive income for the period, net of income tax	(3,518,389)	(34)	(2,533,081)	(28)	(7,951,109)	(39)	(808,554)	(4)
66000	Total comprehensive income for the period	$ 1,110,352	11	$ 2,073,691	22	$ 1,247,321	6	$ 8,703,663	45
	Net profit attributable to:								
67101	Owners of the Bank	$ 3,615,773	35	$ 3,582,287	39	$ 7,256,573	36	$ 7,304,152	38
67111	Non-controlling interests	1,012,968	10	1,024,485	11	1,941,857	9	2,208,065	11
67100		$ 4,628,741	45	$ 4,606,772	50	$ 9,198,430	45	$ 9,512,217	49
	Total comprehensive income attributable to:								
67301	Owners of the Bank	$ (612,834)	(6)	$ 2,366,407	25	$ (730,075)	(4)	$ 6,871,506	36
67311	Non-controlling interests	1,723,186	17	(292,716)	(3)	1,977,396	10	1,832,157	9
67300		$ 1,110,352	11	$ 2,073,691	22	$ 1,247,321	6	$ 8,703,663	45
	Earnings per share (Note 35)								
67500	Basic	$ 0.81		$ 0.80		$ 1.62		$ 1.63	
67700	Diluted	$ 0.81		$ 0.80		$ 1.62		$ 1.63	

The accompanying notes are an integral part of the consolidated financial statements.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the Six Months Ended June 30, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

		Equity Attributable to Owners of the Bank (Note 32)											
		Share Capital		Retained Earnings			Other Equity						
Codes		Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Change in Financial Assets at FVTOCI	Change in Credit Risk From Financial Liabilities Designated at FVTPL	Treasury Shares	Total Equity Attributable to Owners of the Bank	Non-controlling Interests (Note 32)	Total Equity
A1	Balance on January 1, 2021	$ 44,816,031	$ 16,550,661	$ 56,344,918	$ 7,669,374	$ 24,913,053	$ (5,643,162)	$ 10,529,113	$ 6,412	$ (83,144)	$ 155,103,256	$ 49,995,956	$ 205,099,212
D1	Net profit for the six months ended June 30, 2021	-	-	-	-	7,304,152	-	-	-	-	7,304,152	2,208,065	9,512,217
D3	Other comprehensive income (loss) for the six months ended June 30, 2021, net of income tax	-	-	-	-	-	(562,734)	92,222	37,866	-	(432,646)	(375,908)	(808,554)
D5	Total comprehensive income (loss) for the six months ended June 30, 2021	-	-	-	-	7,304,152	(562,734)	92,222	37,866	-	6,871,506	1,832,157	8,703,663
Q1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	40,026	-	(40,026)	-	-	-	-	-
O1	Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(476,048)	(476,048)
Z1	Balance on June 30, 2021	$ 44,816,031	$ 16,550,661	$ 56,344,918	$ 7,669,374	$ 32,257,231	$ (6,205,896)	$ 10,581,309	$ 44,278	$ (83,144)	$ 161,974,762	$ 51,352,065	$ 213,326,827
A1	Balance on January 1, 2022	$ 44,816,031	$ 16,666,144	$ 60,224,639	$ 7,669,374	$ 27,585,920	$ (6,863,788)	$ 7,762,578	$ 24,062	$ (83,144)	$ 157,801,816	$ 51,436,384	$ 209,238,200
	Appropriation of 2021 earnings												
B1	Legal reserve	-	-	4,251,394	-	(4,251,394)	-	-	-	-	-	-	-
B5	Cash dividends	-	-	-	-	(8,066,886)	-	-	-	-	(8,066,886)	-	(8,066,886)
D1	Net profit for the six months ended June 30, 2022	-	-	-	-	7,256,573	-	-	-	-	7,256,573	1,941,857	9,198,430
D3	Other comprehensive income (loss) for the six months ended June 30, 2022, net of income tax	-	-	-	-	-	4,281,712	(12,243,530)	(24,830)	-	(7,986,648)	35,539	(7,951,109)
D5	Total comprehensive income (loss) for the six months ended June 30, 2022	-	-	-	-	7,256,573	4,281,712	(12,243,530)	(24,830)	-	(730,075)	1,977,396	1,247,321
Q1	Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	(793,124)	-	793,124	-	-	-	-	-
O1	Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(503,283)	(503,283)
Z1	Balance on June 30, 2022	$ 44,816,031	$ 16,666,144	$ 64,476,033	$ 7,669,374	$ 21,731,089	$ (2,582,076)	$ (3,687,828)	$ (768)	$ (83,144)	$ 149,004,855	$ 52,910,497	$ 201,915,352

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 Six Months Ended June 30, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

Codes		For the Six Months Ended June 30 2022	2021
	Cash flows from operating activities		
A00010	Consolidated net profit before income tax	$ 11,515,856	$ 11,168,223
A20010	Adjustments to reconcile net profit to net cash provided by operating activities		
A20100	Depreciation expenses	737,950	713,732
A20200	Amortization expenses	111,093	104,766
A20300	Provisions for bad debt expense, commitment and guarantee liability	790,996	685,030
A20400	Gain on financial assets and liabilities at fair value through profit or loss	981,450	284,937
A20900	Interest expenses	5,138,003	4,591,542
A21200	Interest revenue	(19,677,191)	(17,958,049)
A21300	Dividend income	(95,178)	(46,395)
A22400	Proportionate share of profit of associates	(175,178)	(218,422)
A22500	(Gain) loss on disposal of properties and equipment, net	(207,248)	1,831
A23500	Expected credit loss	34,574	23,290
A23800	Reversal of impairment on non-financial assets	(175)	(172)
A29900	Others	(918,344)	(348,136)
A40000	Changes in operating assets and liabilities		
A41110	Due from the central bank and call loans to banks	(40,829,751)	31,338,350
A41120	Financial assets measured at fair value through profit or loss	2,668,842	1,569,575
A41123	Financial assets measured at fair value through other comprehensive income	50,068,032	8,155,008
A41125	Investment in debt instruments measured at amortized cost	40,841,710	(75,955,850)
A41150	Receivables	(3,082,544)	1,446,295
A41160	Discounts and loans	(39,534,824)	17,961,307
A41190	Other financial assets	4,978	421,001
A42110	Deposits from the central bank and other banks	(5,111,270)	9,647,204
A42120	Financial liabilities at fair value through profit or loss	939,938	(2,949,370)
A42140	Securities sold under repurchase agreements	(12,336,858)	2,778,858
A42150	Payables	(2,842,836)	209,380
A42160	Deposits and remittances	60,474,765	(10,012,590)
A42170	Other financial liabilities	(521,874)	360,059
A42180	Employee benefit provisions	(44,263)	(2,359)
A42990	Other liabilities	22,821	(6,721)
A33000	Cash from (used in) operations	48,953,474	(16,037,676)
A33100	Interest received	19,634,593	18,682,026
A33200	Dividends received	95,178	46,395
A33300	Interest paid	(4,639,689)	(4,903,454)
A33500	Income tax paid	(1,638,778)	(1,767,752)
AAAA	Net cash from (used in) operating activities	62,404,778	(3,980,461)

(Continued)

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

Codes		For the Six Months Ended June 30 2022	2021
	Cash flows from investing activities		
B02700	Acquisition of properties	$ (555,459)	$ (339,861)
B02800	Proceeds from disposal of properties	317,206	4,924
B02600	Proceeds from assets for sale	-	261,345
B03700	Increase in refundable deposits	(300,702)	(4,005)
B03800	Decrease in refundable deposits	156	280,634
B04500	Acquisition of intangible assets	(69,810)	(81,852)
B05400	Acquisition of investment properties	(43,953)	(244,032)
B06800	Increase in other assets	(1,368,415)	(4,783,523)
BBBB	Net cash from (used in) investing activities	(2,020,977)	(4,906,370)
	Cash flows from financing activities		
C00400	Increase (decrease) in funds borrowed from central bank and Banks	(17,787,080)	3,778,030
C01500	Payments for bank debentures	(2,150,000)	(1,600,000)
C03000	Increase in securities guarantee received	231,220	411,361
C03100	Decrease in securities guarantee received	(137,526)	(159,820)
C04020	Payments for principal portion of lease liabilities	(398,348)	(466,229)
C05800	Changes in non-controlling interests	(503,283)	(476,048)
CCCC	Net cash from (used in) financing activities	(20,745,017)	1,487,294
DDDD	Effects of exchange rate changes on the balance of cash held in foreign currencies	6,425,777	(2,211,036)
EEEE	Net increase (decrease) in cash and cash equivalents	46,064,561	(9,610,573)
E00100	Cash and cash equivalents at the beginning of the period	182,050,068	195,843,112
E00200	Cash and cash equivalents at the end of the period	$ 228,114,629	$ 186,232,539

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of June 30, 2022 and 2021:

Codes		June 30, 2022	June 30, 2021
E00210	Cash and cash equivalents in consolidated balance sheets	$ 66,197,504	$ 76,777,023
E00220	Due from the Central Bank and call loans to banks which fall within the definition of cash and cash equivalents under IAS 7	161,540,213	109,174,643
E00230	Securities purchased under resale agreements which fall within the definition of cash and cash equivalents under IAS 7	376,912	280,873
E00200	Cash and cash equivalents in consolidated statements of cash flows	$ 228,114,629	$ 186,232,539

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Stated)

1. ORGANIZATION AND OPERATIONS

The Shanghai Commercial & Savings Bank(the "Bank") is incorporated in Taiwan and engages in the commercial banking businesses under related laws and regulations. The shares of the Bank have been listed and traded on the Taiwan Stock Exchange since October 19, 2018.

The Bank has its head office in Taipei and 76 branches, including 4 foreign branches separately located in Wuxi China, Vietnam Dong Nai, Hong Kong and Singapore.

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 on August 13, 2022.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

3.1 Initial application of International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC).

The Group assesses the initial applicable amendments to the IFRSs approved and issued by the FSC will not result in significant changes to the Bank's accounting policies.

3.2 New IFRSs endorsed by the FSC to be applied in 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 "Disclosure of Accounting Policies"	January 1, 2023 (Note1)
Amendments to IAS 8 "Definition of Accounting Estimates"	January 1, 2023 (Note 2)
Amendments to IAS 12 "Deferred tax related to Assets and Liabilities arising from a Single Transaction"	January 1, 2023 (Note 3)

Note 1: This amendment will be applied to annual reporting periods beginning on or after January 1, 2023.

Note 2: This amendment will be applied to changes in accounting estimates and accounting policies on or after the annual reporting period beginning on January 1, 2023.

Note 3: Except that deferred taxes are recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments will be applied prospectively to transactions that occur on or after January 1, 2022.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

3.2 New IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023

Note : Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Statement of Compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Under IFRSs, disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

4.2 Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

4.2.1 Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

4.2.2 Level 2 inputs are observable parameters other than quoted prices included within Level 1, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

4.2.3 Level 3 inputs are unobservable inputs for an asset or liability.

4.3 Basis of Consolidation

The consolidated financial statements contain the financial statements of the Bank and the subsidiaries controlled by the Bank. The consolidated statements of comprehensive income have included the operating gains and losses of acquired or divested companies in the current period from the date of acquisition or to the date of disposal. The financial statements of subsidiaries have been adjusted to align their accounting policies with the Bank’s accounting policies. In the preparation of the consolidated financial statements, all intra-company transactions, account balances, income and losses have been eliminated. The comprehensive income of the subsidiaries is attributed to the owner of the Bank and non-controlling interests, even if the non-controlling interests have negative balance.

For details on subsidiaries, shareholding ratios and business items, refer to Note 15 and Table 6.

4.4 Other Significant Accounting Policies

Except for the following instructions, refer to the summary of major accounting policies in the 2021 annual consolidated financial statements.

4.4.1 Retirement benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined annual pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

4.4.2 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

4.4.3 Modification of financial instruments

When a financial instrument is modified, the Group assesses whether to derecognise financial assets or financial liabilities. If it causes derecognition, it will be treated as derecognition of financial assets or financial liabilities. If it does not result in derecognition, the Group recalculates the total book value of financial assets or the amortized cost of financial liabilities based on the present value of the modified contractual cash flow discounted at the original effective interest rate, and recognizes the modified benefit or loss in profit or loss. The costs or charges incurred are used as adjustments to the book value of the financial assets or financial liabilities after the modification, and amortized in the remaining period after the modification.

Interest rate benchmark reform determines changes in the basis of contractual cash flow of financial assets or financial liabilities. If it is necessary for the direct result of the change in interest rate benchmark reform, and the new basis is economically equivalent to the basis before the change, the Group adopts practical expedient practices, which are regarded as changes in the effective interest rate when determining changes in the basis. In addition to changes in the basis for determining contractual cash flows required by changes in interest rate benchmark reform, if additional changes are made to financial assets or financial liabilities, the Group shall first apply practical expedients to the changes required by the changes in interest rate benchmark reform, and then apply the financial instrument amendments to any additional changes that do not apply the practical expedients.

5. CRITICAL ACCOUNTING JUDGMENTS AND MAIN SOURCES OF UNCERTAINTY IN ESTIMATES AND ASSUMPTIONS

In the application of the Group's accounting policies, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The Group takes the economic impact of COVID-19 into consideration in major accounting estimates, and the management will continue to review the estimates and underlying assumptions. Revisions to accounting estimate are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimates and assumptions of main sources of uncertainty

Estimated impairment of financial assets

Estimates of impairment on loans and receivables, investments in debt instrument and financial guarantee contracts are based on the Group's assumptions about default rates and expected loss rates. The Group considers historical experience, current market conditions and forward-looking information to make assumptions and select input values for impairment assessments. For the important assumptions and input values used, refer to Note 39. If the actual cash flows in the future are less than expected, significant impairment losses may occur.

6. CASH AND CASH EQUIVALENTS

	June 30, 2022	December 31, 2021	June 30, 2021
Cash in hand and working fund	$ 10,748,143	$ 13,307,764	$ 10,506,315
Checks for clearing	903,075	2,973,308	572,246
Due from other banks	54,546,286	54,100,741	65,698,462
	$ 66,197,504	$ 70,381,813	$ 76,777,023

The reconciliation of the amounts of cash and cash equivalents reported in the consolidated statements of cash flows and consolidated balance sheets as of December 31, 2021 is shown below. For the reconciliation of the period ended June 30, 2022 and 2021, refer to the consolidated statements of cash flows.

	December 31, 2021
Cash and cash equivalents in the consolidated balance sheets	$ 70,381,813
Due from the Central Bank and call loans to banks which are categorized as cash and cash equivalents under IAS 7	111,389,769
Securities purchased under resale agreements which are categorized as cash and cash equivalents under IAS 7	278,486
Cash and cash equivalents	$ 182,050,068

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 June 30, 2022, December 31, 2021 and June 30, 2021, cash and cash equivalents recognized as allowances were in the amounts of $5,862 thousand, $1,802 thousand and $3,727 thousand, respectively.

7. DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS, NET

	June 30, 2022	December 31, 2021	June 30, 2021
Call loans to banks	$ 271,968,222	$ 180,488,033	$ 144,458,756
Deposit reserves - I	6,400,530	3,692,689	5,679,389
Deposit reserves - II	24,267,321	23,341,841	22,437,923
Deposit reserves - foreign currency	217,693	209,619	205,923
Due from foreign central banks	4,153,692	3,833,977	3,654,200
	$ 307,007,458	$ 211,566,159	$ 176,436,191

Deposit reserves are statutory reserves and determined monthly at prescribed rates based on average balances of customers' deposits. The entire balance of deposit reserves - II is subject to withdrawal restrictions while no restrictions are placed on other deposit reserves.

The Group assesses the loss allowance for due from the Central Bank and call loans to banks based on the expected credit loss model. Due to the low credit risk of dues from the Central Bank and call loans to banks, the loss allowance is recognized based on 12-month expected credit losses. On June 30, 2022, December 31, 2021 and June 30, 2021, the allowances recognized for the dues from the Central Bank and call loans to banks were in the amounts of $9,851 thousand, $8,561 thousand and $6,261 thousand, respectively.

8. FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	June 30, 2022	December 31, 2021	June 30, 2021
Financial assets at fair value through profit or loss			
Financial assets mandatorily classified as at FVTPL			
Forward contracts	$ 3,146,058	$ 1,379,882	$ 1,190,968
Government bonds	1,899,949	49,286	49,978
Shares	1,885,829	2,174,721	1,687,980
Currency swap contracts	541,111	32,739	498,349
Option contracts	478,690	44,646	308,517
Beneficiary certificates	264,932	535,265	589,742
Interest rate swap contracts	53,362	174,788	295,085
Bank debentures	11,897	11,075	66,710
Corporate bonds	3,838	6,039,499	7,256,668
Others	79,052	156,111	49,287
	$ 8,364,718	$ 10,598,012	$ 11,993,284
Financial liabilities at fair value through profit or loss			
Held-for-trading financial liabilities			
Forward contracts	$ 3,079,814	$ 1,159,346	$ 878,272
Option contracts	490,305	150,266	304,711
Currency swap contracts	39,600	292,368	92,609
Others	3,118	850	2,109
	3,612,837	1,602,830	1,277,701
Financial liabilities designated at FVTPL			
Bank debentures	2,061,860	2,068,124	2,131,868
	$ 5,674,697	$ 3,670,954	$ 3,409,569

The Group engaged in derivative transactions mainly to accommodate customers' needs and manage its exposure positions.

The financial assets and liabilities at FVTPL contract (nominal) amounts of derivative transactions were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Forward contracts	$ 441,906,339	$ 226,300,397	$ 275,467,076
Option contracts	347,833,790	143,179,103	349,304,206
Currency swap contracts	53,748,601	80,094,212	90,441,333
Interest rate swap contracts	3,004,054	2,886,697	3,020,345
Future contracts	126,371	158,533	-

Information for financial liabilities designated by the Group at FVTPL is as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
The difference between the fair value and the maturity value			
—Fair value	$ 2,061,860	$ 2,068,124	$ 2,131,868
—Maturity value	2,134,136	2,110,011	2,340,649
	$ (72,276)	$ (41,887)	$ (208,781)

	Effects of changes in credit risk
Current amount of change	
From April 1, 2022 to June 30, 2022	$ (35,941)
From April 1, 2021 to June 30, 2021	$ 21,659
From January1, 2022 to June 30, 2022	$ (24,830)
From January1, 2021 to June 30, 2021	$ 37,866

	Effects of changes in credit risk
Cumulative amount of change	
Up to June 30, 2022	$ (768)
Up to December 31, 2021	$ 24,062
Up to June 30, 2021	$ 44,278

The financial liabilities designated by the Group at FVTPL were the second issuance of unsecured debentures amounting to US$70,000 thousand with a 30-year maturity and fixed interest rate of 0% on October 29, 2018. On the expiration of 5 years and every subsequent year, the Group may exercise the option at the agreed redemption price. If the option is not exercised during the period, the payment will be made on the expiration date.

The Group entered an interest rate swap contract to reduce the interest rate risk of the aforementioned financial bonds. The interest rate swap contract was measured at fair value and the fair value changes were included in profit or loss. The Group designated the aforementioned financial bonds as financial liabilities measured at FVTPL for consistency.

The amount of change in the fair value of financial bonds attributable to the changes in the fair value of credit risk was calculated as the difference between the changes in the fair value of market risk factor. The amount of change in fair value attributable to the market risk factor was calculated using the benchmark yield curve at the balance sheet date. Fair value of financial bonds was based on the benchmark yield curve on the balance sheet date and the estimated credit risk spread by the creditor’s interest rate quote on the similar maturity date of the combined company, such that the estimated future cash flow is discounted.

9. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2022	December 31, 2021	June 30, 2021
Investments in equity instruments measured at FVTOCI			
Shares	$ 26,647,455	$ 23,077,179	$ 23,176,067
Investments in debt instruments measured at FVTOCI			
Corporate bonds	180,403,435	212,429,395	193,957,093
Bank debentures	144,706,305	158,984,827	171,815,781
Government bonds	61,163,457	52,308,637	43,542,529
Commercial papers	51,589,626	65,589,207	63,257,322
Treasury bonds	3,983,054	3,486,483	-
Asset-backed securities	1,758,704	2,681,127	1,893,803
	443,604,581	495,479,676	474,466,528
	$ 470,252,036	$ 518,556,855	$ 497,642,595

The Group invests in ordinary shares for medium- and long-term strategic purposes and expects to make a profit through long-term investments. The management of the Group considers that if the short-term fair value fluctuations of these investments are included in profit or loss, they are inconsistent with the aforementioned long-term investment plans. Therefore, the designated investments are selected to be measured at FVTOCI.

For the information on credit risk management and impairment assessment of investments in debt instruments at FVTOCI, refer to Note 11.

Parts of the aforementioned financial assets at FVTOCI were sold under repurchase agreements as of June 30, 2022, December 31, 2021 and June 30, 2021. The par values of bonds and commercial papers sold under repurchase agreements were $2,155,968 thousand, $14,466,728 thousand and $28,301,046 thousand, respectively.

For the information on financial assets pledged at FVTOCI, refer to Note 37.

10. INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTIZED COST

	June 30, 2022	December 31, 2021	June 30, 2021
Negotiable certificates of deposit	$ 98,900,000	$ 132,400,000	$ 167,665,000
Government bonds	9,327,358	7,591,898	7,427,441
Treasury bonds	3,496,248	11,987,492	1,499,507
Corporate bonds	2,797,959	2,646,795	2,065,402
Bank debentures	648,619	859,025	861,234
Restricted due from banks	3,729,338	3,835,505	4,090,180
	118,899,522	159,320,715	183,608,764
Less: Loss allowance	(953)	(1,127)	(1,005)
	$ 118,898,569	$ 159,319,588	$ 183,607,759

Restricted due from banks are the funds deposited into specific bank accounts by the Group in compliance with Act of The Management, Utilization, and Taxation of Repatriated Offshore Funds.

For information on the credit risk management and impairment of financial assets measured at amortized cost, refer to Note 11.

For the information on related financial assets at amortized cost pledged as collateral, refer to Note 37

11. CREDIT RISK MANAGEMENT OF INVESTMENTS IN DEBT INSTRUMENTS

The investments in debt instruments were classified as financial assets measured at FVTOCI and financial assets at amortized cost.

June 30, 2022	At FVTOCI	At Amortized Cost	Total
Total carrying amount	$ 457,349,054	$ 118,899,522	$ 576,248,576
Loss allowance	(194,081)	(953)	(195,034)
Amortized cost	457,154,973	$ 118,898,569	576,053,542
Fair value adjustment	(13,550,392)		(13,550,392)
	$ 443,604,581		$ 562,503,150

December 31, 2021	At FVTOCI	At Amortized Cost	Total
Total carrying amount	$ 495,101,456	$ 159,320,715	$ 654,422,171
Loss allowance	(156,374)	(1,127)	(157,501)
Amortized cost	494,945,082	$ 159,319,588	654,264,670
Fair value adjustment	534,594		534,594
	$ 495,479,676		$ 654,799,264

June 30, 2021	At FVTOCI	At Amortized Cost	Total
Total carrying amount	$ 470,860,155	$ 183,608,764	$ 654,468,919
Loss allowance	(150,880)	(1,005)	(151,885)
Amortized cost	470,709,275	$ 183,607,759	654,317,034
Fair value adjustment	3,757,253		3,757,253
	$ 474,466,528		$ 658,074,287

The Group implements a policy of investing in debt instruments with investment grade and have low credit risk, For the purpose of impairment assessment, the Group continues to track external rating information and monitors changes in credit risk of the investments of debt instruments and reviews other information such as the bond yield curve and the debtor's material information to assess whether the credit risk of the debt instrument investments has increased significantly since the initial recognition.

The Group consideredthe historical default loss rate provided by the independent rating agencies, the debtor's current financial status and the industry's forward-looking forecast to measure the 12-month expected credit loss or full lifetime expected credit loss of the investments in debt instruments. The Group's current credit risk rating mechanism and the total carrying amount of each credit rating investment in debt instruments were as follows:

June 30, 2022

Credit Rating	Definitions	Expected Credit Loss Recognition Base	Expected Credit Loss Rate	June 30, 2022 Total Carrying Amount
Stage 1	The debtor has a low credit risk and is fully capable of paying off contractual cash flows	12-month expected credit loss	0.000%~ 0.816%	$ 575,124,639
Stage 2	Credit risk has increased significantly since the initial recognition	Expected credit loss during the period of existence (no credit impairment)	0.308%~ 4.512%	989,931
Stage 3	Evidence of credit impairment	Expected credit loss during the period of existence (credit impairment)	40.974%	134,006

December 31, 2021

Credit Rating	Definitions	Expected Credit Loss Recognition Base	Expected Credit Loss Rate	December 31, 2021 Total Carrying Amount
Stage 1	The debtor has a low credit risk and is fully capable of paying off contractual cash flows	12-month expected credit loss	0.000%~ 0.896%	$ 653,629,515
Stage 2	Credit risk has increased significantly since the initial recognition	Expected credit loss during the period of existence (no credit impairment)	0.340%~ 7.017%	792,656

June 30, 2021

Credit Rating	Definitions	Expected Credit Loss Recognition Base	Expected Credit Loss Rate	June 30, 2021 Total Carrying Amount
Stage 1	The debtor has a low credit risk and is fully capable of paying off contractual cash flows	12-month expected credit loss	0.000%~ 0.896%	$ 653,968,854
Stage 2	Credit risk has increased significantly since the initial recognition	Expected credit loss during the period of existence (no credit impairment)	0.340%~ 7.018%	500,065

Information on changes in allowance for impairment loss under the credit risk rating assessment of investments in debt instruments at FVTOCI and at amortized cost is summarized as follows:

Investments in debt instruments at FVTOCI

	Credit Risk Rating			
	Stage 1 (12-Month ECLs)	Stage 2 (Lifetime ECLs without impairment)	Stage 3 (Lifetime ECLs with impairment)	Total
Balance at January 1, 2022	$ 141,387	$ 14,987	$ -	$ 156,374
Credit rating change-normal to default	(201)	-	55,842	55,641
Purchase of new debt instruments	18,145	10,050	-	28,195
Derecognition	(20,875)	(11,556)	-	(32,431)
Model/risk parameter changes	(17,314)	683	-	(16,631)
Exchange rate and other changes	217	3,651	(935)	2,933
Balance at June 30, 2022	$ 121,359	$ 17,815	$ 54,907	$ 194,081
Balance at January 1, 2021	$ 112,993	$ 14,655	$ -	$ 127,648
Purchase of new debt instruments	42,345	522	-	42,867
Derecognition	(19,021)	(2,586)	-	(21,607)
Model/risk parameter changes	2,178	17	-	2,195
Exchange rate and other changes	(316)	93	-	(223)
Balance at June 30, 2021	$ 138,179	$ 12,701	$ -	$ 150,880

Investments in debt instruments at amortized cost

	Credit Risk Rating		
	Stage 1 (12-Month ECLs)	Stage 2 (Lifetime ECLs without impairment)	Total
Balance at January 1, 2022	$ 1,127	$ -	$ 1,127
Purchase of new debt instruments	52	-	52
Derecognition	(143)	-	(143)
Model/risk parameter changes	(110)	-	(110)
Exchange rate and other changes	27	-	27
Balance at June 30, 2022	$ 953	$ -	$ 953
Balance at January 1, 2021	$ 1,420	$ -	$ 1,420
Purchase of new debt instruments	18	-	18
Derecognition	(146)	-	(146)
Model/risk parameter changes	(37)	-	(37)
Exchange rate and other changes	(250)	-	(250)
Balance at June 30, 2021	$ 1,005	$ -	$ 1,005

12. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

Securities purchased under resell agreements as of June 30, 2022, December 31, 2021 and June 30, 2021 were $376,912 thousand, $278,486 thousand and $280,873 thousand, respectively. The aforementioned securities will be bought back one after another before July 21, 2022, February 22, 2022 and November 19, 2021 at $377,482 thousand, $278,770 thousand and $281,323 thousand, respectively.

13. RECEIVABLES, NET

	June 30, 2022	December 31, 2021	June 30, 2021
Accrued interest	$ 4,598,807	$ 4,177,202	$ 3,800,427
Credit card receivables	3,613,842	3,531,776	3,044,693
Accounts receivable due from sales of securities	3,351,211	1,134,651	2,368,671
Acceptances	2,625,180	2,884,310	3,508,541
Finance lease receivable	976,082	1,022,282	1,066,990
Accounts receivable - factoring	469,892	567,807	423,041
Others	3,938,831	2,205,351	2,066,722
	19,573,845	15,523,379	16,279,085
Less: Allowance for credit losses	(327,133)	(307,091)	(314,812)
	$ 19,246,712	$ 15,216,288	$ 15,964,273

The changes in total carrying amount and the allowance of receivables and other financial assets for the six months ended June 30, 2022 and 2021 (including non-accrual loans and bills of exchange, refer to Note 17) are as follows:

For the Six Months Ended June 30, 2022

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Total
Receivables and other financial assets					
Beginning on January 1, 2022	$ 14,987,610	$ 211,438	$ 255,549	$ 75,748	$ 15,530,345
Changes due to financial assets recognized at the beginning of the period:					
Transfer to lifetime ECLs	(63,344)	31,845	16,819	(318)	(14,998)
Transfer to ECLs on financial assets	(8,857)	(8,019)	(1,683)	28,954	10,395
Transfer to 12-month ECLs	62,941	(29,979)	(36,479)	(991)	(4,508)
Financial assets derecognized in the current period	(3,018,253)	(135,166)	(112,562)	(14,322)	(3,280,303)
Purchased or originated financial assets	5,799,330	45,002	53,642	16,337	5,914,311
Write-offs	-	-	-	(16,558)	(16,558)
Exchange rate and other changes	1,423,340	-	14,765	1,063	1,439,168
Balance on June 30, 2022	$ 19,182,767	$ 115,121	$ 190,051	$ 89,913	$ 19,577,852

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulatory Decree	Total
Allowance							
Beginning on January 1, 2022	$ 201,171	$ 49,299	$ 7,773	$ 32,288	$ 290,531	$ 18,709	$ 309,240
Changes due to financial assets recognized at the beginning of the period:							
Transfer to lifetime ECLs	(698)	22,373	1,785	(136)	23,324	-	23,324
Transfer to ECLs on financial assets	(112)	(2,275)	(477)	8,082	5,218	-	5,218
Transfer to 12-month ECLs	4,897	(23,356)	(2,650)	(456)	(21,565)	-	(21,565)
Financial assets derecognized in the current period	(9,642)	(15,077)	(224)	(5,529)	(30,472)	-	(30,472)
Purchased or originated financial assets	20,898	16,158	136	1,535	38,727	-	38,727
The difference of impairment under the regulation or decree	-	-	-	-	-	362	362
Changes in model/risk parameters	7,262	-	1,037	(1,686)	6,613	-	6,613
Write-offs	-	-	-	(16,558)	(16,558)	-	(16,558)
Recoveries after write-off	27,834	-	-	15,714	43,548	-	43,548
Exchange rate and other changes	(27,972)	-	520	155	(27,297)	-	(27,297)
Balance on June 30, 2022	$ 223,638	$ 47,122	$ 7,900	$ 33,409	$ 312,069	$ 19,071	$ 331,140

For the Six Months Ended June 30, 2021

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Total
Receivables and other financial assets					
Beginning on January 1, 2021	$ 18,413,266	$ 87,536	$ 226,341	$ 82,825	$ 18,809,968
Changes due to financial assets recognized at the beginning of the period:					
Transfer to lifetime ECLs	(64,662)	60,202	17,546	(80)	13,006
Transfer to ECLs on financial assets	(11,308)	(18,116)	(4,050)	33,315	(159)
Transfer to 12-month ECLs	65,191	(29,536)	(41,342)	(1,728)	(7,415)
Financial assets derecognized in the current period	(4,697,809)	(3,719)	(82,324)	(15,908)	(4,799,760)
Purchased or originated financial assets	2,542,130	20,133	82,284	1,902	2,646,449
Write-offs	-	-	-	(17,951)	(17,951)
Exchange rate and other changes	(344,611)	-	(2,169)	(907)	(347,687)
Balance on June 30, 2021	$ 15,902,197	$ 116,500	$ 196,286	$ 81,468	$ 16,296,451

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulatory Decree	Total
Allowance							
Beginning on January 1, 2021	$ 184,848	$ 34,652	$ 4,893	$ 29,349	$ 253,742	$ 13,043	$ 266,785
Changes due to financial assets recognized at the beginning of the period:							
Transfer to lifetime ECLs	(983)	19,909	689	(34)	19,581	-	19,581
Transfer to ECLs on financial assets	(192)	(13,149)	(422)	4,244	(9,519)	-	(9,519)
Transfer to 12-month ECLs	20,982	(18,415)	(1,933)	(717)	(83)	-	(83)
Financial assets derecognized in the current period	(18,625)	(5,771)	(173)	3,043	(21,526)	-	(21,526)
Purchased or originated financial assets	35,093	21,081	512	1,641	58,327	-	58,327
The difference of impairment under the regulation or decree	-	-	-	-	-	9,218	9,218
Write-offs	-	-	-	(17,951)	(17,951)	-	(17,951)
Recoveries after write-off	-	-	-	13,879	13,879	-	13,879
Exchange rate and other changes	(373)	-	(39)	(27)	(439)	-	(439)
Balance on June 30, 2021	$ 220,750	$ 38,307	$ 3,527	$ 33,427	$ 296,011	$ 22,261	$ 318,272

14. DISCOUNTS AND LOANS, NET

	June 30, 2022	December 31, 2021	June 30, 2021
Loans	$ 1,164,804,401	$ 1,105,944,691	$ 1,104,765,227
Inward/outward documentary bills	17,060,659	16,970,829	20,250,138
Non-performing loans	3,108,834	1,283,245	1,466,452
	1,184,973,894	1,124,198,765	1,126,481,817
Discount and premium adjustments	142,148	237,257	269,836
Provisions for loans and discounts	(13,035,112)	(12,201,243)	(12,195,692)
	$ 1,172,080,930	$ 1,112,234,779	$ 1,114,555,961

The Group discontinues accruing interest when loans are deemed non-performing. For the six months ended June 30, 2022 and 2021, the unrecognized interest revenue on the non-performing loans amounted to $24,083 thousand and $13,042 thousand, respectively.

For the six months ended June 30, 2022 and 2021, the Group only had written off certain credits after completing the required legal procedures.

The changes in carrying amount and allowance for discounts and loans for the six months ended June 30, 2022 and 2021 are as follows:

For the Six Months Ended June 30, 2022

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Lifetime ECLs (Purchased or Originated Credit Impairment on Financial Assets)	Total
Discounts and loans						
Beginning on January 1, 2022	$ 1,076,867,874	$ 11,341,039	$ 32,974,921	$ 2,889,244	$ 125,687	$ 1,124,198,765
Changes due to financial assets recognized at the beginning of the period:						
Transfer to lifetime ECLs	(6,312,177)	1,770,419	4,634,652	(347)	-	92,547
Transfer to ECLs on financial assets	(1,236,749)	(1,131,225)	(1,072,808)	3,125,308	-	(315,474)
Transfer to 12-month ECLs	3,840,339	(212,131)	(3,622,806)	(3,355)	-	2,047
Financial assets derecognized in the current period	(269,898,882)	(1,975,489)	(12,850,873)	(540,580)	(7,035)	(285,272,859)
Purchased or originated financial assets	308,867,218	1,441,187	8,914,672	232,666	-	319,455,743
Write-offs	-	-	-	(250,454)	-	(250,454)
Exchange rate and other changes	24,787,476	102,355	2,068,520	96,839	8,389	27,063,579
Balance on June 30, 2022	$ 1,136,915,099	$ 11,336,155	$ 31,046,278	$ 5,549,321	$ 127,041	$ 1,184,973,894

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Lifetime ECLs (Purchased or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulatory Decree	Total
Allowance								
Beginning on January 1, 2022	$ 1,941,240	$ 1,730,047	$ 609,415	$ 504,492	$ 47,057	$ 4,832,251	$ 7,368,992	$ 12,201,243
Changes due to financial assets recognized at the beginning of the period:								
Transfer to lifetime ECLs	(12,888)	480,844	64,313	(36)	-	532,233	-	532,233
Transfer to ECLs on financial assets	(2,658)	(140,116)	(36,255)	810,103	-	631,074	-	631,074
Transfer to 12-month ECLs	72,783	(33,415)	(78,020)	(169)	-	(38,821)	-	(38,821)
Financial assets derecognized in the current period	(442,733)	(341,913)	(120,107)	(172,765)	-	(1,077,518)	-	(1,077,518)
Purchased or originated financial assets	675,563	161,366	114,608	27,423	-	978,960	-	978,960
The difference of impairment under the regulation or decree	-	-	-	-	-	-	(372,665)	(372,665)
Changes in model/risk parameters	(411,607)	83,588	183,942	158,365	253	14,541	-	14,541
Write-offs	-	-	-	(250,454)	-	(250,454)	-	(250,454)
Recoveries of write-offs	-	-	-	51,731	-	51,731	-	51,731
Exchange rate and other changes	131,010	151,317	46,006	33,229	3,226	364,788	-	364,788
Balance on June 30, 2022	$ 1,950,710	$ 2,091,718	$ 783,902	$ 1,161,919	$ 50,536	$ 6,038,785	$ 6,996,327	$ 13,035,112

For the Six Months Ended June 30, 2021

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Lifetime ECLs (Purchased or Originated Credit Impairment on Financial Assets)	Total
Discounts and loans						
Beginning on January 1, 2021	$ 1,101,559,285	$ 10,238,670	$ 33,507,677	$ 2,480,912	$ 139,197	$ 1,147,925,741
Changes due to financial assets recognized at the beginning of the period:						
Transfer to lifetime ECLs	(2,863,475)	1,739,855	455,643	(190)	-	(668,167)
Transfer to ECLs on financial assets	(545,090)	(265,918)	(40,563)	759,523	-	(92,048)
Transfer to 12-month ECLs	4,071,789	(216,339)	(3,852,075)	(4,246)	-	(871)
Financial assets derecognized in the current period	(157,749,328)	(416,133)	(2,834,331)	(617,184)	(530)	(161,617,506)
Purchased or originated financial assets	143,202,355	561,233	1,912,968	(4,438)	7,011	145,679,129
Write-offs	-	-	-	(236,652)	-	(236,652)
Exchange rate and other changes	(4,041,908)	(184,810)	(265,417)	(9,670)	(6,004)	(4,507,809)
Balance on June 30, 2021	$ 1,083,633,628	$ 11,456,558	$ 28,883,902	$ 2,368,055	$ 139,674	$ 1,126,481,817

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Lifetime ECLs (Purchased or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulatory Decree	Total
Allowance								
Beginning on January 1, 2021	$ 3,084,995	$ 1,468,387	$ 425,972	$ 729,263	$ 48,338	$ 5,756,955	$ 6,028,429	$ 11,785,384
Changes due to financial assets recognized at the beginning of the period:								
Transfer to lifetime ECLs	223,134	125,391	10,362	(156)	-	358,731	-	358,731
Transfer to ECLs on financial assets	(2,515)	(43,303)	(2,478)	239,646	-	191,350	-	191,350
Transfer to 12-month ECLs	67,516	(40,079)	(104,482)	(3,673)	-	(80,718)	-	(80,718)
Financial assets derecognized in the current period	(1,043,191)	(46,097)	(22,607)	(86,482)	-	(1,198,377)	-	(1,198,377)
Purchased or originated financial assets	264,312	61,824	4,858	100,286	-	431,280	-	431,280
The difference of impairment under the regulation or decree	-	-	-	-	-	-	898,224	898,224
Write-offs	-	-	-	(236,652)	-	(236,652)	-	(236,652)
Recoveries of write-offs	-	-	-	137,727	-	137,727	-	137,727
Exchange rate and other changes	(195,004)	(7,654)	97,561	14,596	(756)	(91,257)	-	(91,257)
Balance on June 30, 2021	$ 2,399,247	$ 1,518,469	$ 409,186	$ 894,555	$ 47,582	$ 5,269,039	$ 6,926,653	$ 12,195,692

The details of bad debt expense, commitment and guarantee liability provisions for the six months ended June 30, 2022 and 2021 are listed as below:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Provisions for loans and discounts	$ 413,851	$ 357,961	$ 667,804	$ 600,490
Provisions (reversal) for reserve of possible losses on guarantees	(77,902)	14,315	99,936	25,576
Provisions (reversal) for receivables and other financial assets	15,102	(15,796)	22,207	55,998
Other (reversal) provisions	(387)	(3,121)	1,049	2,966
	$ 350,664	$ 353,359	$ 790,996	$ 685,030

15. SUBSIDIARIES

15.1 Subsidiaries included in the consolidated financial statements

The consolidated financial statements include the Bank and entities controlled by the Bank.

Investor	Investee	Nature of Activities	Proportion of Ownership (%) June 30, 2022	December 31, 2021	June 30, 2021	Note
Domestic subsidiaries						
The Bank	China Travel Service (Taiwan)	Traveling	99.99	99.99	99.99	1.
The Bank	SCSB Marketing Ltd.	Human resource services	100.00	100.00	100.00	1.
The Bank	SCSB Asset Management Ltd.	Purchase, evaluation, auction and management of creditor's right of financial institutions	100.00	100.00	100.00	1.
China Travel Service (Taiwan)	CTS Travel International Ltd.	Traveling	100.00	100.00	100.00	1.
Foreign subsidiaries						
The Bank	Shancom Reconstruction Inc.	Investment holding	100.00	100.00	100.00	
The Bank	Wresqueue Limitada	Investment holding	100.00	100.00	100.00	1.
The Bank	Paofoong Insurance Company Ltd.	Insurance	40.00	40.00	40.00	1.
The Bank	AMK Microfinance Institution Plc.	Microfinance	99.99	99.99	99.99	1.
SCSB Asset Management Ltd.	SCSB Leasing (China) Co., Ltd.	Leasing operation	100.00	100.00	100.00	1.
Wresqueue Limitada	Prosperity Realty Inc.	Real estate service	100.00	100.00	100.00	
Shancom Reconstruction Inc.	Empresa Inversiones Generales, S.A.	Investment holding	100.00	100.00	100.00	
Shancom Reconstruction Inc.	Krinein Company	Investment holding	100.00	100.00	100.00	
Shancom Reconstruction Inc.	Safehaven Investment Corporation	Investment holding	100.00	100.00	100.00	
Empresa Inversiones Generales, S.A.	Shanghai Commercial Bank (HK)	Banking	48.00	48.00	48.00	2.
Krinein Company	Shanghai Commercial Bank (HK)	Banking	9.60	9.60	9.60	2.
Shanghai Commercial Bank (HK)	Shanghai Commercial Bank (Nominees) Ltd.	Nominee services	100.00	100.00	100.00	1.
Shanghai Commercial Bank (HK)	Shanghai Commercial Bank Trustee Ltd.	Trustee services	60.00	60.00	60.00	1.
Shanghai Commercial Bank (HK)	Shacom Futures Ltd.	Commodities trading	100.00	100.00	100.00	1.
Shanghai Commercial Bank (HK)	Shacom Investment Ltd.	Investment in exchange fund bills and notes	100.00	100.00	100.00	1.
Shanghai Commercial Bank (HK)	Shacom Property Holdings (BVI) Limited	Property holding	100.00	100.00	100.00	1.
Shanghai Commercial Bank (HK)	Shacom Property (NY) Inc.	Property holding	100.00	100.00	100.00	1.
Shanghai Commercial Bank (HK)	Shacom Property (CA) Inc.	Property holding	100.00	100.00	100.00	1.
Shanghai Commercial Bank (HK)	Shacom Assets Investment Ltd.	Investment in bonds	100.00	100.00	100.00	1.
Shanghai Commercial Bank (HK)	Infinite Financial Solutions Limited	I.T. application services provider	100.00	100.00	100.00	1.
Shanghai Commercial Bank (HK)	Shacom Insurance Brokers Ltd.	Insurance broker	100.00	100.00	100.00	1.
Shanghai Commercial Bank (HK)	Shacom Securities Ltd.	Securities brokerage services	100.00	100.00	100.00	1.
Shanghai Commercial Bank (HK)	Hai Kwang Property Management Co., Ltd.	Property management	100.00	100.00	100.00	1.
Shanghai Commercial Bank (HK)	Paofoong Insurance Company Ltd.	Insurance	60.00	60.00	60.00	1.
Shanghai Commercial Bank (HK)	Right Honour Investments Limited	Property holding	100.00	100.00	100.00	1.
Shanghai Commercial Bank (HK)	KCC 23F Limited	Property holding	100.00	100.00	100.00	1.
Shanghai Commercial Bank (HK)	KCC 25F Limited	Property holding	100.00	100.00	100.00	1.
Shanghai Commercial Bank (HK)	KCC 26F Limited	Property holding	100.00	100.00	100.00	1.
Right Honour Investments Limited	Glory Step Westpoint Investment Limited	Property holding	100.00	100.00	100.00	1.
Right Honour Investments Limited	Silver Wisdom Westpoint Investment Limited	Property holding	100.00	100.00	100.00	1.

Note 1: The entity is an immaterial subsidiary; its financial statements have not been audited.

Note 2: The entity is a subsidiary with material non-controlling interests.

The Bank's board of directors approved the investment in 912 thousand shares for US$5,700 thousand capital increase on March 21, 2020, and this increase was funded by the Bank. The capital increase was approved by the FSC of Taiwan, National Bank of Cambodia, and Cambodia Ministry of Commerce on May 27, 2020, May 7, 2021 and May 13, 2021, respectively. The Bank's shareholding ratio was maintained at 99.99%.

In addition, the Bank's board of directors approved the investment in 3,668 thousand shares for US$22,500 thousand capital increase on November 13, 2021, and this increase was funded by the Bank. The capital increase was approved by the FSC of Taiwan, National Bank of Cambodia, and Cambodia Ministry of Commerce on December 29, 2021, April 20, 2022 and May 10, 2022, respectively. The Bank's shareholding ratio was maintained at 99.99%.

15.2 Details of subsidiaries that have material non-controlling interests ("NCI")

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests		
		June 30, 2022	December 31, 2021	June 30, 2021
Shanghai Commercial Bank (H.K.)	Hong Kong	42.4%	42.4%	42.4%

Name of Subsidiary	Profit Allocated to Non-controlling Interests				Accumulated Non-controlling		
	For the Three Months Ended June 30		For the Six Months Ended June 30				
	2022	2021	2022	2021	June 30, 2022	December 31, 2021	June 30, 2021
Shanghai Commercial Bank (H.K.) (excluding NCI in its subsidiaries)	$ 1,012,967	$ 1,024,486	$ 1,941,852	$ 2,208,062	$ 52,910,393	$ 51,436,280	$ 51,351,963

The summarized financial information of the following subsidiaries is compiled based on the amounts before the eliminations of inter-company transactions:

Shanghai Commercial Bank (SCB) (H.K.) and its subsidiaries

	June 30, 2022	December 31, 2021	June 30, 2021
Assets	$ 882,542,567	$ 830,423,785	$ 832,731,370
Liabilities	(757,616,254)	(709,065,040)	(711,732,331)
NCI of SCB's subsidiaries	(374,335)	(342,667)	(339,089)
Equity	$ 124,551,978	$ 121,016,078	$ 120,659,950
Equity attributable to:			
Owners of SCSB	$ 71,741,940	$ 69,705,262	$ 69,500,131
NCI of SCSB	52,810,038	51,310,816	51,159,819
	$ 124,551,978	$ 121,016,078	$ 120,659,950

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Revenue	$ 4,705,092	$ 4,581,726	$ 9,194,199	$ 9,654,220
Net profit for the period	$ 2,391,929	$ 2,419,742	$ 4,585,902	$ 5,216,839
Other comprehensive income for the period	(2,964,743)	(587,755)	(8,016,485)	202,751
Total comprehensive income for the period	$ (572,814)	$ 1,831,987	$ (3,430,583)	$ 5,419,590
Profit attributable to:				
Owners of SCSB	$ 1,374,979	$ 1,390,607	$ 2,636,665	$ 2,998,020
NCI of SCSB	1,012,137	1,023,642	1,940,878	2,206,876
NCI of SCB's subsidiaries	4,813	5,493	8,359	11,943
	$ 2,391,929	$ 2,419,742	$ 4,585,902	$ 5,216,839
Total comprehensive income attributable to:				
Owners of SCSB	$ (333,495)	$ 1,052,061	$ (1,981,612)	$ 3,114,805
NCI of SCSB	(245,488)	774,433	(1,458,686)	2,292,842
NCI of SCB's subsidiaries	6,169	5,493	9,715	11,943
	$ (572,814)	$ 1,831,987	$ (3,430,583)	$ 5,419,590

	For the Six Months Ended June 30	
	2022	2021
Net cash inflow (outflow) from:		
Operating activities	$ 21,458,409	$ 26,845,045
Investing activities	254,439	(13,526)
Financing activities	(1,480,039)	(1,452,541)
Net cash inflow	$ 20,232,809	$ 25,378,978

16. INVESTMENTS UNDER THE EQUITY METHOD

	June 30, 2022	December 31, 2021	June 30, 2021
Investments in associates	$ 2,006,061	$ 1,922,359	$ 2,082,232

The Group decreased the carrying value of Kuo Hai to zero and recognized losses on this investment because of the investee's continuous operating losses over the years.

Information on comprehensive income of immaterial associates was summarized as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Profit from continuing operations	$ 83,992	$ 65,218	$ 175,178	$ 218,422
Other comprehensive income for the period	(110,790)	14,519	(193,313)	14,178
Total comprehensive income for the period	$ (26,798)	$ 79,737	$ (18,135)	$ 232,600

17. OTHER FINANCIAL ASSETS, NET

	June 30, 2022	December 31, 2021	June 30, 2021
Non-performing receivables	$ 4,007	$ 1,929	$ 3,315
Time deposit with original maturity of more than three months	-	-	863,020
Bills of exchange	-	5,037	14,051
	4,007	6,966	880,386
Allowance for non-performing credit card receivables	(4,007)	(2,149)	(3,460)
	$ -	$ 4,817	$ 876,926

The amount of non-performing receivables is made up of unsettled transactional for credit card receivables.

The balances of credit card receivables which were reported as non-performing amounted to $3,946 thousand, $1,928 thousand and $3,315 thousand as of June 30, 2022, December 31, 2021 and June 30, 2021, respectively. The unrecognized interest revenue on the receivables amounted to $180 thousand and $145 thousand for the six months ended June 30, 2022 and 2021, respectively.

18. PROPERTIES, NET

	June 30, 2022	December 31, 2021	June 30, 2021
Land	$ 14,118,842	$ 13,923,139	$ 14,011,063
Buildings and improvements	4,217,116	4,178,069	4,291,037
Mechanical equipment	636,129	640,268	624,482
Miscellaneous equipment	606,986	630,676	643,909
Transportation equipment	58,652	61,640	65,327
Construction in progress and prepayments	1,617,041	1,162,624	907,016
	$ 21,254,766	$ 20,596,416	$ 20,542,834

	For the Six Months Ended June 30, 2022					
	Balance at January 1, 2022	Additions	Disposals	Internal Transfers	Effects of Exchange Rate Changes, Net	Balance at June 30, 2022
Cost						
Land	$ 14,684,562	$ -	$ (61,175)	$ -	$ 341,590	$ 14,964,977
Buildings and improvements	8,014,287	357	(58,360)	-	253,873	8,210,157
Mechanical equipment	2,698,674	105,709	(37,652)	-	117,594	2,884,325
Miscellaneous equipment	2,690,488	30,219	(3,160)	6,345	133,156	2,857,048
Transportation equipment	152,109	631	(1,213)	-	8,069	159,596
Construction in progress and prepayments	1,166,451	418,543	-	(6,345)	42,692	1,621,341
	29,406,571	$ 555,459	$ (161,560)	$ -	$ 896,974	30,697,444
Accumulated depreciation						
Land	761,423	$ 31,951	$ -	$ -	$ 52,761	846,135
Buildings and improvements	3,836,218	82,556	(13,938)	-	88,205	3,993,041
Mechanical equipment	2,058,406	131,988	(34,160)	-	91,962	2,248,196
Miscellaneous equipment	2,059,812	87,110	(2,650)	-	105,790	2,250,062
Transportation equipment	90,469	7,110	(854)	-	4,219	100,944
Construction in progress and prepayments	3,827	205	-	-	268	4,300
	8,810,155	$ 340,920	$ (51,602)	$ -	$ 343,205	9,442,678
Net amount	$ 20,596,416					$ 21,254,766

	For the Six Months Ended June 30, 2021					
	Balance at January 1, 2021	Additions	Disposals	Internal Transfers	Effects of Exchange Rate Changes, Net	Balance at June 30, 2021
Cost						
Land	$ 14,795,777	$ -	$ (154)	$ -	$ (44,674)	$ 14,750,949
Buildings and improvements	8,089,013	6,943	(459)	-	(33,259)	8,062,238
Mechanical equipment	2,507,360	128,721	(17,167)	4,574	(13,927)	2,609,561
Miscellaneous equipment	2,635,679	35,097	(4,927)	1,169	(17,218)	2,649,800
Transportation equipment	191,100	785	(21,006)	-	(1,435)	169,444
Construction in progress and prepayments	770,438	168,315	-	(5,743)	(22,319)	910,691
	28,989,367	$ 339,861	$ (43,713)	$ -	$ (132,832)	29,152,683
Accumulated depreciation						
Land	714,934	$ 31,435	$ -	$ -	$ (6,483)	739,886
Buildings and improvements	3,700,069	81,538	(96)	-	(10,310)	3,771,201
Mechanical equipment	1,894,029	117,941	(16,379)	-	(10,512)	1,985,079
Miscellaneous equipment	1,940,553	82,226	(4,530)	-	(12,358)	2,005,891
Transportation equipment	112,741	7,887	(15,953)	-	(558)	104,117
Construction in progress and prepayments	3,504	202	-	-	(31)	3,675
	8,365,830	$ 321,229	$ (36,958)	$ -	$ (40,252)	8,609,849
Net amount	$ 20,623,537					$ 20,542,834

The Group did not have any impairment losses on the properties for the six months ended June 30, 2022 and 2021.

The land which was owned by SCB (HK) disclosed above is a leasehold interest.

Depreciation expense of properties held by SCSB is computed using the straight-line method over the useful life as follows:

Buildings and improvements	
Branches offices	43-55 years
Air conditioning and machine rooms	9 years
Mechanical equipment	3-8 years
Transportation equipment	5-10 years
Miscellaneous equipment	5-20 years

Depreciation expense of the land held by SCB (HK) is computed using the straight-line method; depreciation expense of the buildings is computed over the lease term or the straight-line method of less than 40 durable years. Other equipment is computed using the straight-line method within the durability of 4 to 10 years.

The board of directors of the subsidiary SCSB Asset Management Ltd. approved the plan to dispose of land, buildings and improvements on December 16, 2020, and completed the signing and transfer procedures in January 2021, so the assets were reclassified as assets held for sale. Because the selling price exceeds the book value, no impairment loss was recognized. The composition of assets held for sale is as follows:

	December 31, 2020
Land	$ 54,859
Buildings and improvements	30,985
Assets held for sale－net	$ 85,844

19. LEASE ARRANGEMENTS

19.1 Right-of-use assets

	June 30, 2022	December 31, 2021	June 30, 2021
Carrying amount of right-of-use assets			
Buildings and improvements	$ 1,731,637	$ 1,657,419	$ 1,863,376
Office equipment	54,359	61,237	17,878
Mechanical equipment	50,622	56,968	11,910
Transportation equipment	27,064	32,213	34,124
Land	6,320	2,082	2,697
	$ 1,870,002	$ 1,809,919	$ 1,929,985

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Increase in right-of-use assets			$ 369,025	$ 234,282
Depreciation expenses of right-of-use assets				
Buildings and improvements	$ 184,390	$ 175,899	$ 351,223	$ 350,861
Office equipment	6,255	2,963	12,244	8,292
Mechanical equipment	5,018	4,683	9,872	9,788
Transportation equipment	3,073	3,489	6,596	6,866
Land	510	329	792	656
	$ 199,246	$ 187,363	$ 380,727	$ 376,463

19.2 Lease liabilities

	June 30, 2022	December 31, 2021	June 30, 2021
Carrying amount of lease liabilities	$ 1,922,050	$ 1,868,929	$ 1,999,473

The discount rate intervals for lease liabilities are as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Land	4.65%	6.19%	6.87%
Buildings and improvements	0.44%~4.65%	0.67%~6.19%	0.67%~6.87%
Office equipment	0.75%~3.00%	0.75%~3.00%	0.75%~3.00%
Mechanical equipment	1.25%~4.65%	1.25%~6.19%	1.25%~6.87%
Transportation equipment	1.25%~2.92%	1.25%~4.90%	1.25%~2.92%

19.3 Other lease information

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Short-term lease expenses	$ 4,592	$ 4,788	$ 11,017	$ 9,777
Leases of low value assets	$ 2,994	$ 3,111	$ 5,988	$ 6,361
Variable lease payments which are not included in lease liabilities measurements	$ 663	$ 775	$ 1,564	$ 1,632
Total cash outflow for leases			$ 416,917	$ 483,999

The Group chooses to apply recognition exemption to the rentals of buildings, office equipment, and transportation equipment that qualify as short-term lease and computer equipment which qualify as low value assets, and did not recognize related right-of-use assets and lease liabilities.

20. INVESTMENT PROPERTIES, NET

	June 30, 2022	December 31, 2021	June 30, 2021
Land	$ 5,337,216	$ 4,954,491	$ 4,927,153
Buildings and improvements	1,081,686	1,026,660	1,054,359
	$ 6,418,902	$ 5,981,151	$ 5,981,512

	For the Six Months Ended June 30, 2022			
	Balance at January 1, 2021	Additions	Effects of Exchange Rate Changes, Net	Balance at June 30, 2021
Cost				
Land	$ 4,997,529	$ 43,953	$ 343,357	$ 5,384,839
Buildings and improvements	1,190,367	-	81,434	1,271,801
	6,187,896	$ 43,953	$ 424,791	6,656,640
Accumulated depreciation				
Land	43,038	$ 1,587	$ 2,998	47,623
Buildings and improvements	163,707	14,716	11,692	190,115
	206,745	$ 16,303	$ 14,690	237,738
Net amount	$ 5,981,151			$ 6,418,902

	For the Six Months Ended June 30, 2021			
	Balance at January 1, 2021	Additions	Effects of Exchange Rate Changes, Net	Balance at June 30, 2021
Cost				
Land	$ 4,772,658	$ 240,280	$ (43,746)	$ 4,969,192
Buildings and improvements	1,212,902	3,752	(10,890)	1,205,764
	5,985,560	$ 244,032	$ (54,636)	6,174,956
Accumulated depreciation				
Land	40,850	$ 1,562	$ (373)	42,039
Buildings and improvements	138,226	14,478	(1,299)	151,405
	179,076	$ 16,040	$ (1,672)	193,444
Net amount	$ 5,806,484			$ 5,981,512

The land held by the subsidiary SCB (HK) is a leasehold interest.

Depreciation expense of investment properties is computed using the straight-line method over useful life as follows:

Land	Period of the lease term
Buildings and improvements	Period of the lease term or 40 years, whichever is shorter

The fair value of investment properties were measured mainly by Cushman & Wakefield, an independent appraiser, on the balance sheet date. The valuation applies popular Level 3 input valuation models such as the "direct comparison approach" and the "income capitalization approach". The applied unobservable inputs include sales proofs from market, potential market rentals, and related costs such as building costs, consulting costs, and financing costs. The fair value is stated below:

	June 30, 2022	December 31, 2021	June 30, 2021
Fair value	$ 9,642,340	$ 10,082,090	$ 9,151,013

The rental income from investment properties is stated below:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Rental income from investment properties	$ 51,968	$ 57,339	$ 96,777	$ 124,686

21. INTANGIBLE ASSETS, NET

	June 30, 2022	December 31, 2021	June 30, 2021
Bank license	$ 1,410,312	$ 1,319,857	$ 1,339,436
Computer software	272,181	262,501	239,221
Goodwill	89,636	83,366	84,080
	$ 1,772,129	$ 1,665,724	$ 1,662,737

For the Six Months Ended June 30, 2022

	Balance at January 1, 2022	Additions	Disposals	Effects of Exchange Rate Changes, Net	Balance at June 30, 2022
Cost					
Bank license	$ 1,374,509	$ -	$ -	$ 103,380	$ 1,477,889
Computer software	590,298	69,810	(77,780)	19,228	601,556
Goodwill	83,366	-	-	6,270	89,636
	2,048,173	$ 69,810	$ (77,780)	$ 128,878	2,169,081
Accumulated depreciation					
Bank license	54,652	$ 8,540	$ -	$ 4,385	67,577
Computer software	327,797	67,471	(77,780)	11,887	329,375
	382,449	$ 76,011	$ (77,780)	$ 16,272	396,952
Net amount	$ 1,665,724				$ 1,772,129

For the Six Months Ended June 30, 2021

	Balance at January 1, 2021	Additions	Disposals	Effects of Exchange Rate Changes, Net	Balance at June 30, 2021
Cost					
Bank license	$ 1,396,577	$ -	$ -	$ (10,289)	$ 1,386,288
Computer software	478,901	81,852	(57,353)	(1,729)	501,671
Goodwill	84,704	-	-	(624)	84,080
	1,960,182	$ 81,852	$ (57,353)	$ (12,642)	1,972,039
Accumulated depreciation					
Bank license	38,871	$ 8,296	$ -	$ (315)	46,852
Computer software	263,629	56,571	(56,923)	(827)	262,450
	302,500	$ 64,867	$ (56,923)	$ (1,142)	309,302
Net amount	$ 1,657,682				$ 1,662,737

Amortization expense is computed using the straight-line method over the useful lives as follows:

Bank license	84 years
Computer software	3-5 years

Goodwill was mainly from the control premium generated by the acquisition of Cambodian AMK on August 28, 2018. It also included the expected synergies, revenue growth, and future market development.

The Group underwent the impairment assessment of the recoverable amount of goodwill, and the calculation of the recoverable amount was based on the value in use. The calculation of the value in use was based on the cash flow of AMK's future financial projections and was calculated using the annual discount rate to reflect the specific risks of AMK. The assessment results showed no sign of impairment.The Group regularly assesses the impairment of goodwill at the end of each year. As there is no sign of impairment on June 30, 2022 and 2021, no impairment assessment was performed.

22. OTHER ASSETS, NET

	June 30, 2022	December 31, 2021	June 30, 2021
Prepaid expenses	$ 7,588,622	$ 6,285,682	$ 7,357,794
Refundable deposits	1,323,183	992,321	884,353
Temporary payments and suspension	323,251	316,153	300,184
Deferred charges	148,651	210,061	255,837
Others	525,356	397,383	394,609
	$ 9,909,063	$ 8,201,600	$ 9,192,777

23. DEPOSITS FROM THE CENTRAL BANK AND OTHER BANKS

	June 30, 2022	December 31, 2021	June 30, 2021
Call loans from banks	$ 35,526,367	$ 40,854,566	$ 43,703,754
Due to banks	11,218,658	10,037,561	7,210,392
Deposit from Chunghwa Post Co., Ltd.	1,221,799	1,221,799	1,221,799
Bank overdrafts	931,928	541,963	4,420,156
	$ 48,898,752	$ 52,655,889	$ 56,556,101

24. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold under repurchase agreements as of June 30, 2022, December 31,2021 and June 30, 2021 were $2,168,166 thousand, $14,505,024 thousand and $28,560,269 thousand, respectively. The aforementioned securities will be repurchased by December 29, 2022, September 13, 2022 and January 14, 2022 at $2,168,901 thousand, $14,508,047 thousand and $28,565,102 thousand, respectively.

25. PAYABLES

	June 30, 2022	December 31, 2021	June 30, 2021
Dividends payable	$ 22,975,604	$ 14,908,719	$ 14,072,262
Accounts payable	5,094,354	6,920,914	9,287,964
Acceptances	2,636,546	3,046,505	3,601,998
Accrued interest	2,692,566	2,138,298	2,329,027
Accrued expenses	1,462,133	1,676,966	1,357,787
Others	807,042	737,553	690,557
	$ 35,668,245	$ 29,428,955	$ 31,339,595

26. DEPOSITS AND REMITTANCES

	June 30, 2022	December 31, 2021	June 30, 2021
Time deposits	$ 782,287,508	$ 706,005,580	$ 713,723,257
Savings deposits	557,880,166	554,410,590	532,852,773
Demand deposits	447,877,881	427,859,684	400,968,218
Negotiable certificates of deposit	11,304,000	8,787,700	17,751,300
Checking deposits	9,848,765	10,221,245	8,498,994
Remittances	252,285	317,723	271,753
	$ 1,809,450,605	$ 1,707,602,522	$ 1,674,066,295

27. BANK DEBENTURES

27.1 The Bank

	June 30, 2022	December 31, 2021	June 30, 2021
The subordinated bank debenture - 7-10 years maturity, third issued in 2012; maturity date is from November 2019 to November 2022.	$ 4,000,000	$ 4,000,000	$ 4,000,000
The subordinated bank debenture - 7-10 years maturity, fourth issued in 2012; maturity date is from December 2019 to December 2022.	5,700,000	5,700,000	5,700,000
The subordinated bank debenture - 7-10 years maturity, first issued in 2014; maturity date is from March 2021 to March 2024	5,100,000	5,100,000	5,100,000
The subordinated bank debenture - 7 years maturity, second issued in 2014; maturity date is in November 2021	-	-	3,300,000
The subordinated bank debenture - 7 years maturity; first issued in 2015; maturity date is in June 2022	-	2,150,000	2,150,000
The subordinated bank debenture - 8.5 years maturity; second issued in 2015; maturity date is in June 2024	3,000,000	3,000,000	3,000,000
The subordinated bank debenture - 7-10 years maturity; first issued in 2017; maturity date is from June 2024 to 2027	5,000,000	5,000,000	5,000,000
The subordinated bank debenture - 7-10 years maturity; second issued in 2017; maturity date is from December 2024 to	5,000,000	5,000,000	5,000,000

	June 30, 2022	December 31, 2021	June 30, 2021
2027			
The subordinated bank debenture - 7-10 years maturity; first issued in 2018; maturity date is from June 2025 to 2028	5,000,000	5,000,000	5,000,000
The subordinated bank debenture; third issued in 2018; no maturity date	7,000,000	7,000,000	7,000,000
The bank debenture - 3 years maturity; first issued in 2019; maturity date is in September 2022	3,100,000	3,100,000	3,100,000
The bank debenture - 5 years maturity; first issued in 2019; maturity date is in September 2024	6,900,000	6,900,000	6,900,000
The bank debenture - 7 years maturity; first issued in 2020; maturity date is in March 2027	3,000,000	3,000,000	3,000,000
The bank debenture - 10 years maturity; first issued in 2020; maturity date is in March 2030	7,000,000	7,000,000	7,000,000
The subordinated bank debenture - 7-10 years maturity; first issued in 2021; maturity date is from October 2028 to 2031	5,000,000	5,000,000	-
	$ 64,800,000	$ 66,950,000	$ 65,250,000

The third issuance of the 2012 bank debenture was classified into two types, Types A and B, in accordance with the issued terms. Their terms and methods of interest accrual were as follows: Type A, seven-year of subordinated bank debenture at a fixed annual interest rate of 1.43%; Type B, ten-year of subordinated bank debenture at a fixed annual interest rate of 1.55%. The interests were paid annually with the repayment of principals at maturity.

The fourth issuance of the 2012 bank debenture was classified into two types, Types A and B, in accordance with the issued terms. Their terms and methods of interest accrual were as follows: Type A, seven-year of subordinated bank debenture at a fixed annual interest rate of 1.43%; Type B, ten-year of subordinated bank debenture at a fixed annual interest rate of 1.55%. The interests were paid annually with the repayment of principals at maturity.

The first issuance of the 2014 bank debenture was classified into two types, Types A and B, in accordance with the issued terms. Their terms and methods of interest accrual were as follows: Type A, seven-year of subordinated bank debenture at a fixed annual interest rate of 1.70%; Type B, ten-year of subordinated bank debenture at a fixed annual interest rate of 1.85%. The interests were paid annually with the repayment of principals at maturity.

The second issuance of the 2014 subordinated bank debenture, seven-year of subordinated bank debenture, had a fixed interest rate of 1.83% with the interest paid annually and the repayment of principal at maturity. The first issuance of the 2015 subordinated bank debenture had a fixed interest rate of 1.83% with the interest paid annually and the repayment of principal at maturity.

The second issuance of the 2015 subordinated bank debenture had a fixed interest rate of 1.83% with the interest paid annually and the repayment of principal at maturity.

The first issuance of the 2017 bank debenture was classified into two types, Types A and B, in accordance with the issued terms. Their terms and methods of interest accrual were as follows: Type A, seven-year of subordinated bank debenture at a fixed annual interest rate of 1.50%; Type B, ten-year of subordinated bank debenture at a fixed annual interest rate of 1.85%. The interests were paid annually with the repayment of principals at maturity.

The second issuance of the 2017 bank debenture was classified into two types in accordance with the issued terms and the methods of interest accrual: Types A and B. Their terms and methods of interest accrual were as follows: Type A, seven-year of subordinated bank debenture at a fixed annual interest rate of 1.30%; Type B, ten-year of subordinated bank debenture at a fixed annual interest rate of 1.55%. Their interests were paid annually with repayment of principals at maturity.

The first issuance of the 2018 bank debenture was classified into two types in accordance with the issued terms and the methods of interest accrual: Types A and B. Their terms were as follows: Type A, seven-year of subordinated bank debenture at a fixed annual interest rate of 1.25%; Type B, ten- year of subordinated bank debenture at a fixed annual interest rate of 1.45%. Their interests were paid annually with repayment of principals at maturity.

The third issuance of the 2018 subordinated bank debenture was at a fixed annual interest rate of 2.15% with the interest paid annually and the repayment of principal at maturity.

The first issuance of the 2019 bank debenture was classified into two types in accordance with the issued terms and the methods of interest accrual: Types A and B. Their terms were as follows: Type A, three-year of bank debenture at a fixed annual interest rate of 0.65%; Type B, five-year of bank debenture at a fixed annual interest rate of 0.69%. Their interests were paid annually with repayment of principals at maturity.

The first issuance of the 2020 bank debenture was classified into two types in accordance with the issued terms and the methods of interest accrual: Types A and B. Their terms were as follows: Type A, seven-year of bank debenture at a fixed annual interest rate of 0.62%; Type B, ten-year of bank debenture at a fixed annual interest rate of 0.64%. Their interests were paid annually with repayment of principals at maturity.

The first issuance of the 2021 bank debenture was classified into two types in accordance with the issued terms and the methods of interest accrual: Types A and B. Their terms were as follows: Type A, seven-year of subordinated bank debenture at a fixed annual interest rate of 0.60%; Type B, ten-year of subordinated bank debenture at a fixed annual interest rate of 0.72%. Their interests were paid annually with repayment of principals at maturity.

27.2 SCB (HK)

	June 30, 2022	December 31, 2021	June 30, 2021
The subordinate bank debenture with a 10 years maturity and maturity date on November 2027	$ 7,399,129	$ 6,879,578	$ 6,936,540
The subordinate bank debenture with a 10 years maturity and maturity date on January 2029	8,886,877	8,261,934	8,329,372
	$ 16,286,006	$ 15,141,512	$ 15,265,912

The first issuance of the 2017 subordinated bank debenture had a fixed interest rate of 3.75% with interest to be paid semi-annually.

The second issuance of the 2019 subordinated bank debenture had a fixed interest rate of 5.00% with interest to be paid semi-annually.

28. OTHER FINANCIAL LIABILITIES

	June 30, 2022	December 31, 2021	June 30, 2021
Appropriated loan funds	$ 1,335,491	$ 1,378,521	$ 1,570,297
Principals of structured instruments	1,051,676	1,444,718	1,130,136
Bank borrowings	390,491	453,304	368,222
Other financial liabilities	1,492,658	1,507,463	1,370,360
	$ 4,270,316	$ 4,784,006	$ 4,439,015

29. PROVISIONS

	June 30, 2022	December 31, 2021	June 30, 2021
Provision for employee benefits	$ 1,323,898	$ 1,332,971	$ 1,285,487
Provision for guarantees liabilities	1,256,854	1,196,049	1,116,255
Provision for other operations	282,315	321,658	358,463
Provision for financing commitment	78,958	77,582	77,633
Provision for unexpected losses	3,565	4,540	3,754
	$ 2,945,590	$ 2,932,800	$ 2,841,592

Provisions for changes in financing commitment and guarantee liability of the Group for the six months ended June 30, 2022 and 2021 were as follows:

For the Six Months Ended June 30, 2022

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulatory Decree	Total
Provisions for commitment and guarantee liability							
January 1, 2022	$ 319,092	$ 21,043	$ 7,252	$ 1,357	$ 348,744	$ 924,887	$ 1,273,631
Changes due to financial assets recognized at the beginning of the period:							
Transfer to lifetime ECLs	(303)	9,568	444	-	9,709	-	9,709
Transfer to credit impaired financial assets	-	(237)	-	433	196	-	196
Transfer to 12-month ECLs	1,749	-	(7,119)	-	(5,370)	-	(5,370)
Financial assets derecognized in the current period	(235,814)	(18,171)	(150)	-	(254,135)	-	(254,135)
Purchased or originated financial assets	298,523	21,843	883	564	321,813	-	321,813
The difference of impairment under the regulation or decree	-	-	-	-	-	(13,093)	(13,093)
Changes in model/risk parameters	39,804	-	1,012	-	40,816	-	40,816
Exchange rate and other changes	(38,087)	2	330	-	(37,755)	-	(37,755)
June 30, 2022	$ 384,964	$ 34,048	$ 2,652	$ 2,354	$ 424,018	$ 911,794	$ 1,335,812

For the Six Months Ended June 30, 2021

	12-Month ECLs	Lifetime ECLs (Collectively)	Lifetime ECLs (Individually)	Lifetime ECLs (Non-Purchased or Originated Credit Impairment on Financial Assets)	Impairment Under the Guidelines of IFRS 9	The Difference of Impairment under the Regulatory Decree	Total
Provisions for commitment and guarantee liability							
January 1, 2021	$ 608,285	$ 22,140	$ 4,081	$ 20,418	$ 654,924	$ 515,348	$ 1,170,272
Changes due to financial assets recognized at the beginning of the period:							
Transfer to lifetime ECLs	10,905	20,891	14	(5,654)	26,156	-	26,156
Transfer to 12-month ECLs	1,800	(598)	(2,467)	-	(1,265)	-	(1,265)
Financial assets derecognized in the current period	(515,422)	(21,157)	(1,327)	(8,945)	(546,851)	-	(546,851)
Purchased or originated financial assets	300,904	13,191	400	-	314,495	-	314,495
The difference of impairment under the regulatory decree	-	-	-	-	-	233,041	233,041
Exchange rate and other changes	(2,167)	(1)	208	-	(1,960)	-	(1,960)
June 30, 2021	$ 404,305	$ 34,466	$ 909	$ 5,819	$ 445,499	$ 748,389	$ 1,193,888

30. OTHER LIABILITIES

	June 30, 2022	December 31, 2021	June 30, 2021
Guarantee deposits received	$ 2,094,754	$ 1,980,597	$ 2,319,987
Deferred revenue	664,919	596,736	576,777
Temporary credit	155,281	135,751	93,771
Interest received in advance	11,398	9,709	11,458
Others	618,175	467,695	564,625
	$ 3,544,527	$ 3,190,488	$ 3,566,618

31. PENSION PLAN

The expenses related to the post-retirement benefit plan for the six months ended June 30, 2022 and 2021 were recognized as employee benefit expenses in each period at the cost rate determined by the actuarial calculations as of December 31, 2021 and 2020. The breakdown of employee benefit expenses for the six months ended June 30, 2022 and 2021 was as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Defined benefit plan	$ 48,114	$ 68,810	$ 109,855	$ 133,649
Employees' preferential deposit plan	7,500	7,500	15,000	15,000
	$ 55,614	$ 76,310	$ 124,855	$ 148,649

32. EQUITY

32.1 Share capital

	June 30, 2022	December 31, 2021	June 30, 2021
Ordinary shares			
Authorized shares (in thousands)	6,000,000	6,000,000	6,000,000
Authorized capital	$ 60,000,000	$ 60,000,000	$ 60,000,000
Issued and fully paid shares (in thousands)	4,481,603	4,481,603	4,481,603
Issued capital	$ 44,816,031	$ 44,816,031	$ 44,816,031

The issued ordinary share has par value of $10. Each shareholder is entitled with the right to vote and receive dividends.

In order to increase the Bank's capital adequacy and working capital, the board of directors approved the investment of 380,000 thousand shares with par value of $10 for capital increase on August 13, 2022.

32.2 Capital surplus

	June 30, 2022	December 31, 2021	June 30, 2021
Share premium	$ 13,431,903	$ 13,431,903	$ 13,431,903
Treasury shares transaction	2,046,520	2,046,520	2,037,566
Unclaimed dividends	1,100,985	1,100,985	994,456
Recognition of changes in equity of subsidiaries	85,518	85,518	85,518
Proportionate share in investee's surplus from donated assets under the equity method	1,218	1,218	1,218
	$ 16,666,144	$ 16,666,144	$ 16,550,661

The capital surplus from shares issued in excess of par (including additional paid-in capital from the issuance of ordinary shares, conversion of bonds and treasury share transactions) and donations may be capitalized from capital surplus into share capital, which is limited to a certain percentage of the Bank's paid-in capital. In addition, the capital surpluses generated by the issuance of employee stock options were all $2,971,968 thousand on June 30, 2022, December 31, 2021 and June 30, 2021, which are restricted to offset losses.

The capital surplus from investments accounted for using the equity method, dividends not yet collected by shareholders has limited use and can only be used to offset losses.

Since the shares held by subsidiaries were classified as treasury shares, cash dividend distributed to subsidiaries was then recorded as capital surplus - treasury shares according to the shareholding ratio.

When the equity of the company is not actually obtained or processed, the impact of the equity transaction recognized due to changes in the company's equity or the company's recognition of the adjustment to the capital reserve of the subsidiary identified using the equity method.

32.3 Retained earnings and dividend policy

According to the earnings distribution policy of the Bank, where the Bank made a surplus profit in its annual accounts, the profit shall be first utilized for paying taxes and then offsetting losses of previous years. As required by the law, 30% of profit shall be allocated as the legal reserve. However, when the amount of statutory surplus reserve has reached the amount of total paid-in capital of the Bank, the required allocation of 30% of profit to the legal reserve is waived and any amount exempted from allocation to capital reserve may be appropriated to or reversed from the special surplus reserve for distribution of special dividends. After the abovementioned appropriations, the balance and accumulated unappropriated earnings of the previous year, including the special reserve shall be available for earnings for distribution. The board of directors drafts a plan for surplus distribution and submits it to the shareholders' meeting for approval. The distribution of dividends or bonuses is subject to the attendance of more than two-thirds of the members of the board of directors and the resolution of more than half of the directors present. All or part of the dividends or bonuses shall be distributed in cash and reported to the shareholders in their meeting.

If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be corrected into capital (share capital) or distributed in cash. However, under the Banking Act, if legal reserve is less than its paid-in capital, the Bank is allowed to distribute cash earnings only up to 15% of its capital. For the estimation on the distribution of employees' compensation and remuneration of directors, refer to employee benefits expense in Note 33(6).

The Bank held the shareholders' meeting on June 17, 2022 and July 5, 2021 for the appropriations of earnings and dividends per share for 2021 and 2020 were as follows:

	Appropriation of Earnings		Dividends Per Share (In NT Dollar)	
	2021	**2020**	**2021**	**2020**
Legal reserve	$ 4,251,394	$ 3,879,720		
Cash dividends - ordinary shares	8,066,886	7,618,725	$ 1.80	$ 1.70
	$ 12,318,280	$ 11,498,445	$ 1.80	$ 1.70

The appropriation of earnings for 2021 has not yet been distributed on June 30, 2022, and is accounted for as dividend payable, please refer to Note 25.

32.4 Special reserve

The Bank made a special reserve due to the transfer of $1,256,859 thousand of its cumulative translation adjustment reported in equity to retained earnings upon first-time IFRS adoption. There was no change in the balance of the special reserve for the six months ended June 30, 2022.

According to Rule No. 10510001510 issued by the FSC on May 25, 2016, public banks shall appropriate to a special reserve 0.5% to 1.0% of net profit. Public banks may reverse the same amount of transfers or resettle the expenses starting from 2017. However, in accordance with Rule No. 10802714560 issued by the FSC, starting from 2019, the special reserve method will no longer be used to respond to the development of financial technology and protect the rights and interests of domestic bank employees, and to transfer expenses for employees to pay or resettlement expenses, and employee education and training expenses in response to the needs of financial technology or banking business development shall be returned within the scope of the special surplus reserve balance mentioned above. The Bank made a special reserve in the amount of $189,228 thousand according to the rule on June 30, 2022.

32.5 Treasury shares

On June 30, 2022, December 31, 2021 and June 30, 2021, Shancom Reconstruction Inc. and China Travel Service (Taiwan) held 11,370 thousand shares and 27 thousand shares of the Bank, respectively.

Under the Company Act, the Bank is not allowed to buy back more than 5% of its issued shares. In addition, the total cost of treasury shares may not exceed the sum of the retained earnings and realized capital surplus. The Bank is not allowed to exercise shareholders' rights on these shares before they are resold. The shares held by its subsidiaries are treated as treasury shares, except for participating in the Bank's cash addition and voting rights, the rest is the same as the general shareholder's rights.

32.6. Non-controlling interests

	For the Six Months Ended June 30	
	2022	2021
Beginning balance	$ 51,436,384	$ 49,995,956
Attributed to non-controlling interests		
Net income	1,941,857	2,208,065
Translation adjustments for foreign operations	3,441,003	(428,124)
Unrealized gain on financial assets measured at FVTOCI	(3,795,715)	99,557
Realized gain on financial assets measured at FVTOCI	(34,600)	(121,275)
(Reversal) loss on investments in debt instruments measured at FVTOCI	(6,938)	10,260
Share of other comprehensive profit and loss under the equity method	(81,980)	6,020
Income tax effect	513,769	57,654
Cash dividends distribution	(503,283)	(476,048)
Ending balance	$ 52,910,497	$ 51,352,065

33. DETAILS OF COMPREHENSIVE INCOME STATEMENT ITEMS

33.1 Interest income, net

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Interest income				
Discounts and loans	$ 7,987,036	$ 6,912,186	$ 14,924,873	$ 13,744,278
Securities investments	1,949,215	1,742,292	3,729,492	3,564,864
Due from banks	681,148	264,069	928,718	551,955
Others	27,449	35,292	94,108	96,952
	10,644,848	8,953,839	19,677,191	17,958,049
Interest expense				
Deposits	2,117,245	1,610,950	3,733,638	3,381,571
Bank debentures	438,573	431,196	864,587	866,491
Due to banks	157,303	59,888	266,141	129,624
Securities sold under repurchase agreements	9,946	14,263	27,128	28,800
Leased liability	8,006	2,126	15,814	12,788
Others	124,564	90,556	230,695	172,268
	2,855,637	2,208,979	5,138,003	4,591,542
Interest income, net	$ 7,789,211	$ 6,744,860	$ 14,539,188	$ 13,366,507

33.2 Service fee income, net

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Service fee income				
Trust and custody services	$ 393,884	$ 512,968	$ 900,656	$ 1,265,168
Loan service fees	292,679	274,738	701,789	599,493
Guarantees related fees	205,573	210,322	454,405	435,943
Insurance commission fees	191,774	54,746	400,366	147,541
Nominee and brokerage service charge	164,280	197,063	324,492	485,805
Credit card related fees	127,900	110,046	241,262	210,984
Exchange related fees	93,599	94,160	184,045	187,074
Inward/outward business	74,820	77,061	145,953	148,500
Others	186,728	182,351	369,691	365,154
	1,731,237	1,713,455	3,722,659	3,845,662
Service charge				
Credit card service charge	62,219	55,431	126,054	103,936
Nominee and brokerage service charge	26,691	25,017	52,759	50,324
Finance service charge	14,706	14,044	27,339	26,374
Custody service charge	10,593	12,079	21,580	25,426
Inter-bank service charge	2,766	3,152	5,367	6,178
Others	147,845	140,303	287,423	269,306
	264,820	250,026	520,522	481,544
Service fee income, net	$ 1,466,417	$ 1,463,429	$ 3,202,137	$ 3,364,118

33.3 Gain (loss) on financial assets and liabilities at FVTPL

	For the Three Months Ended June 30, 2022		
	Realized Gain (Loss)	Unrealized Gain (Loss)	Total
Financial assets mandatorily classified as at FVTPL	$ 2,315,107	$ 590,030	$ 2,905,137
Held-for-trading financial liabilities	(2,954,199)	(1,268,854)	(4,223,053)
Financial liabilities designated at FVTPL	-	79,629	79,629
	$ (639,092)	$ (599,195)	$ (1,238,287)

	For the Three Months Ended June 30, 2021		
	Realized Gain (Loss)	Unrealized Gain (Loss)	Total
Financial assets mandatorily classified as at FVTPL	$ 2,268,945	$ (204,072)	$ 2,064,873
Held-for-trading financial liabilities	(2,019,184)	384,600	(1,634,584)
Financial liabilities designated at FVTPL	-	16,284	16,284
	$ 249,761	$ 196,812	$ 446,573

	For the Six Months Ended June 30, 2022		
	Realized Gain (Loss)	Unrealized Gain (Loss)	Total
Financial assets mandatorily classified as at FVTPL	$ 4,854,223	$ (54,903)	$ 4,799,320
Held-for-trading financial liabilities	(5,787,568)	(1,103,241)	(6,890,809)
Financial liabilities designated at FVTPL	-	176,694	176,694
	$ (933,345)	$ (981,450)	$ (1,914,795)

	For the Six Months Ended June 30, 2021		
	Realized Gain (Loss)	Unrealized Gain (Loss)	Total
Financial assets mandatorily classified as at FVTPL	$ 4,156,406	$ (2,467)	$ 4,153,939
Held-for-trading financial liabilities	(3,665,991)	(343,346)	(4,009,337)
Financial liabilities designated at FVTPL	-	60,876	60,876
	$ 490,415	$ (284,937)	$ 205,478

33.4 Realized gain or loss on financial assets at FVTOCI

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Disposal of debt instruments	$ 117,933	$ 327,671	$ 466,764	$ 715,312
Dividend income	87,674	41,060	93,551	44,128
	$ 205,607	$ 368,731	$ 560,315	$ 759,440

33.5 Employment benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Short-term employment benefits	$ 2,258,412	$ 2,199,482	$ 4,445,205	$ 4,288,260
Retirement benefits				
Defined contribution plan	102,706	94,927	196,607	188,828
Defined benefit plan	48,114	68,810	109,855	133,649
Other benefit plan	103,637	91,224	205,706	197,987
	$ 2,512,869	$ 2,454,443	$ 4,957,373	$ 4,808,724

33.6 Employees' compensation and remuneration of directors

The employees' compensation and remuneration of directors were at the rates of no less than 0.1% and no higher than 0.6%, respectively, of net profit before income tax, employees' compensation and directors' remuneration. The employees' compensation and the remuneration of directors for the six months ended June 30, 2022 and 2021 were as follows:

	For the Six Months Ended June 30	
	2022	2021
Employees' compensation	$ 30,006	$ 29,984
Remuneration of directors	$ 28,998	$ 28,998

The employees' compensation and the remuneration of directors for 2021 and 2020 as approved in the board meetings on March 26, 2022 and March 27, 2021, respectively, were as follows:

	For the Year Ended December 31			
	2021		2020	
	Cash	Shares	Cash	Shares
Employees' compensation	$ 60,000	$ -	$ 60,000	$ -
Remuneration of directors	50,800	-	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 estimation and will be adjusted in the next year.

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2021 and 2020.

Information on the employees' compensation and remuneration of directors resolved by the Bank's board of directors in 2021 and 2020 is available on the Market Observation Post System website of the Taiwan Stock Exchange.

33.7 Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Depreciation expense				
Properties	$ 174,220	$ 161,919	$ 340,920	$ 321,229
Right-of-use assets	199,246	187,363	380,727	376,463
Investment properties	8,340	8,002	16,303	16,040
	381,806	357,284	737,950	713,732
Amortization expense				
Intangible assets	38,430	32,493	76,011	64,867
Other assets	17,626	19,396	35,082	39,899
	56,056	51,889	111,093	104,766
	$ 437,862	$ 409,173	$ 849,043	$ 818,498

34. INCOME TAXES RELATING TO CONTINUING OPERATIONS

34.1 Income tax expense recognized in profit or loss

The major components of tax expenses were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Current tax				
In respect of the current year	$ 1,147,237	$ 1,302,923	$ 2,204,243	$ 2,060,430
In respect of prior periods	(28,735)	(259,986)	(20,615)	(268,168)
	1,118,502	1,042,937	2,183,628	1,792,262
Deferred tax				
In respect of the current year	113,651	(538,740)	134,035	(141,416)
In respect of prior periods	(237)	5,160	(237)	5,160
	113,414	(533,580)	133,798	(136,256)
Income tax expense recognized in profit or loss	$ 1,231,916	$ 509,357	$ 2,317,426	$ 1,656,006

34.2 Income tax expense recognized in other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Deferred income tax				
Recognized in other comprehensive income				
Translation adjustments for foreign operations	$ (556,172)	$ 307,008	$ (1,025,059)	$ 131,935
Unrealized gain or loss on financial assets measured at FVTOCI	177,990	(101,011)	1,419,367	122,842
Income tax expense recognized in other comprehensive income	$ (378,182)	$ 205,997	$ 394,308	$ 254,777

34.3 Income tax assessments

The Bank’s income tax returns through 2019 had been assessed by the tax authorities.

Income tax returns of the Bank’s domestic subsidiaries through 2020 had been assessed by the tax authorities.

35. EARNINGS PER SHARE

The numerators and denominators used in calculating basic earnings per share were as follows:

Unit: NT$ Per Share

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Basic earnings per share	$ 0.81	$ 0.80	$ 1.62	$ 1.63
Diluted earnings per share	$ 0.81	$ 0.80	$ 1.62	$ 1.63

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 Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Earnings used in the computation of basic and diluted earnings per share	$ 3,615,773	$ 3,582,287	$ 7,256,573	$ 7,304,152

Weighted average number of ordinary shares outstanding (in thousands of shares):

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
Weighted average number of ordinary shares in computation of basic earnings per share	4,470,206	4,470,206	4,470,206	4,470,206
Effect of potentially dilutive ordinary shares:				
Employees’ compensation	565	663	1,054	1,343
Weighted average number of ordinary shares used in the computation of diluted earnings per share	4,470,771	4,470,869	4,471,260	4,471,549

In the computation of diluted earnings per share, it assumed the entire amount of the compensation would be settled in potential shares. If the Bank offered to settle compensation paid to employees in cash or shares, the potential shares are included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

36. RELATED-PARTY TRANSACTIONS

The relationship, significant transactions and account balances of the Group and its related parties (except those disclosed in other notes) are summarized as follows:

36.1 The Bank's related parties

Related Party	Relationship with the Bank
The SCSB Cultural & Educational Foundation	Substantive related party
The SCSB Charity Foundation	Substantive related party
Silks Place Taroko	Substantive related party
Hung Ta Investment Corporation	Substantive related party
Hung Shen Investment Corporation	Substantive related party
GTM Corporation	Substantive related party
Chi-Li Investment Co., Ltd.	Substantive related party
Qin Mao Consultants Ltd.	Substantive related party
Yongye Investment Co., Ltd.	Substantive related party
Other related parties	The relatives of the Bank's directors and related management

36.2 Significant transactions between related parties

Balances and transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Bank and other related parties are disclosed below.

36.2.1 Deposits

	June 30, 2022			For the Six Months Ended June 30, 2022
	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Expense
Directors and related management	$ 16,322,976	$ 16,244,755	0.00~2.08	$ 67,091
The SCSB Cultural & Educational Foundation	320,769	319,332	0.01~1.21	518
Employees	280,431	157,452	0.00~9.82	1,151
Others	122,878	122,077	0.00~1.21	404
	$ 17,047,054	$ 16,843,616		$ 69,164

	December 31, 2021			For the Year Ended December 31, 2021
	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Expense
Directors and related management	$ 21,792,053	$ 21,570,369	0.00-2.18	$ 78,902
The SCSB Cultural & Educational Foundation	334,283	320,723	0.01-1.05	1,051
Employees	283,275	133,209	0.00-9.78	1,969
Others	108,992	107,624	0.00-0.82	541
	$ 22,518,603	$ 22,131,925		$ 82,463

	June 30, 2021			For the Six Months Ended June 30, 2021
	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Expense
Directors and related management	$ 25,085,018	$ 24,986,750	0.00~2.18	$ 41,385
The SCSB Cultural & Educational Foundation	324,230	307,083	0.01~1.05	521
Employees	236,185	109,764	0.00~9.78	992
Others	97,881	96,288	0.00~0.82	249
	$ 25,743,314	$ 25,499,885		$ 43,147

36.2.2 Interest receivable (accounted for as receivables)

	June 30, 2022	December 31, 2021	June 30, 2021
Directors and related management	$ 11	$ 11	$ 72

36.2.3 Interest payable (accounted for as payables)

	June 30, 2022	December 31, 2021	June 30, 2021
Directors and related management	$ 125	$ 44	$ 77
The SCSB Cultural & Educational Foundation	47	86	45
The SCSB Charity Foundation	19	15	14
	$ 191	$ 145	$ 136

36.2.4 Guarantee deposits received (accounted for as other liabilities)

	June 30, 2022	December 31, 2021	June 30, 2021
The SCSB Cultural & Educational Foundation	$ 318	$ 318	$ 318

36.2.5 Rental income (accounted for as other non-interest revenue, net)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	2021	2022	2021
The SCSB Cultural & Educational Foundation	$ 318	$ 318	$ 636	$ 636

For the rental contracts with related parties, the rental is determined in proportion similar to rentals in the area, based on a reference to the rentals in the neighborhood, and is received on a monthly basis.

36.2.6 Loans

June 30, 2022									For the Six Months Ended June 30, 2022
				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)	$ 180	$ -	$ -	-	Real estate	1.56-1.83	None	$ 1
Others	Directors and related management (7)	174,975	171,267	171,267	-	Real estate/ financial instruments	1.33-1.89	None	7,897
		$ 175,155	$ 171,267	$ 171,267					$ 7,898

December 31, 2021									For the Year Ended December 31 2021
				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)	$ 608	$ 180	$ 180	-	Real estate	1.56-1.57	None	$ 6
Others	Directors and related management (9)	155,372	140,010	140,010	-	Real estate/ financial instruments	1.29-1.49	None	11,549
		$ 155,980	$ 140,190	$ 140,190					$ 11,555

June 30, 2021									For the Six Months Ended June 30, 2021
				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)	$ 854	$ 395	$ 395	-	Real estate	1.57-1.57	None	$ 4
Others	Hung Shen Investment Corporation	378,000	378,000	378,000	-	Real estate	1.46-1.46	None	2,759
Others	Directors and related management (9)	247,003	132,294	132,294	-	Real estate/ financial instruments	1.30-2.40	None	7,205
		$ 625,857	$ 510,689	$ 510,689					$ 9,968

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 Group 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.

36.2.7 Disposal of property, plant and equipment (For the three months ended June 30 2022 and 2021: None)

	Disposal price		Disposal (loss) profit	
	For the Three Months Ended June 30		For the Six Months Ended June 30	
Category	**2022**	**2021**	**2022**	**2021**
Other related parties	$ 341,264	$ -	$ 208,377	$ -

36.3 Compensation of directors and management personnel

The compensation of key management personnel for the six months ended June 30, 2022 and 2021 was as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2022	**2021**	**2022**	**2021**
Salaries and other short-term employee benefits	$ 112,579	$ 86,363	$ 200,666	$ 175,730
Remuneration of directors	40,554	29,365	62,103	55,723
Post-employment benefits	10,123	9,742	20,345	20,151
Bonuses and employees' compensation	2,191	2,662	10,055	7,658
Others	-	180	301	521
	$ 165,447	$ 128,312	$ 293,470	$ 259,783

37. PLEDGED ASSETS

Under the Central Bank's clearing system of Real-Time Gross Settlement (RTGS), on June 30, 2022, December 31, 2021 and June 30, 2021, the assets listed below had been provided as collateral for day-term overdrafts with the pledged amount adjustable at any time.

	June 30, 2022	December 31, 2021	June 30, 2021	Guaranty Purpose
The Bank				
Investments in debt instruments measured at amortized cost	$ 12,000,000	$ 12,000,000	$ 11,100,000	Day-term overdraft with the pledge

On June 30, 2022, December 31, 2021 and June 30, 2021, the Bank provided financial assets at FVTOCI listed below which had been provided as operating guarantees.

	June 30, 2022	December 31, 2021	June 30, 2021	Guaranty Purpose
The Bank				
Financial assets at FVTOCI	$ 383,543	$ 346,624	$ 350,383	Operating guarantee

On June 30, 2022, December 31, 2021 and June 30, 2021, SCB (HK) and its overseas branch provided financial assets at amortized cost listed below which had been provided as operating guarantees.

	June 30, 2022	December 31, 2021	June 30, 2021	Guaranty Purpose
The SCB (HK)				
Investments in debt instruments measured at amortized cost	$ 6,730,220	$ 4,872,533	$ 4,984,660	Operating guarantee

On June 30, 2022, December 31, 2021 and June 30, 2021, SCB (HK) and its overseas branch provided financial assets at FVTOCI listed below which had been provided as operating guarantees.

	June 30, 2022	December 31, 2021	June 30, 2021	Guaranty Purpose
The SCB (HK)				
Financial assets at FVTOCI	$ 11,246,381	$ 21,270,542	$ 3,592,118	Operating guarantee

38. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

38.1 In addition to those disclosed in other notes, significant commitments and contingencies of the Bank as of June 30, 2022, December 31, 2021 and June 30, 2021, were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Commitments of forward contracts with customers	$ 725,599,320	$ 312,461,232	$ 567,730,799
Securities in custody	274,709,354	242,180,397	254,484,370
Assets under trust	216,201,388	212,201,956	208,942,734
Guarantee notes payable	144,413,987	164,076,416	143,623,489
Receivables under custody	29,435,366	32,484,286	30,504,635
Government bonds in brokerage accounts	31,259,200	29,466,700	11,536,700
Short-term bills in brokerage accounts	947,620	559,450	841,600

38.2 Material litigation

Vegesentials commenced civil proceedings before the Business and Property Courts of the High Court of Justice of England and Wales against the Bank on August 28, 2020. Vegesentials claimed that it relied upon a fraudulent document issued by a former employee of the Bank to enter into a transaction which stated (inter alia) that the counterparty had the funds to purchase some of its shares. Vegesentials therefore asked the Bank to compensate it for its loss on the basis of vicarious liability. After receiving Vegesentials' claim on September 18, 2020, the Bank engaged instructed English legal counsel to defend the Bank in the proceedings.

The Bank was notified by a British lawyer that Vegesentials claimed the amount of compensation over £10 million on April 25, 2022, but has only provided very limited evidence. Therefore, the Bank assesses that the litigation should have no significant impact on the Bank's financial business at this stage.

Relevant information about the above litigation is available in the material information on the Market Observation Post System website of the Taiwan Stock Exchange.

39. FINANCIAL INSTRUMENTS

39.1 Fair value information - financial instruments not measured at fair value

39.1.1 Financial assets and liabilities with significant differences between carrying amounts and fair values.

Except as detailed in the following table, the Group’s management considers that the carrying amounts of financial instruments not measured at fair values are approximate of their fair values or the fair values could not otherwise be reliably measured:

	June 30, 2022		December 31, 2021		June 30, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets						
Financial assets measured at amortized cost	$ 118,898,569	$ 118,705,086	$ 159,319,588	$ 159,375,166	$ 183,607,759	$ 183,763,402
Financial liabilities						
Bank debentures	81,086,006	81,299,597	82,091,512	82,882,006	80,515,912	81,628,481

39.1.2 Fair value level

	June 30, 2022			
	Total	Level 1	Level 2	Level 3
Financial assets				
Financial assets measured at amortized cost	$ 118,705,086	$ 15,602,405	$ 103,102,681	$ -
Financial liabilities				
Bank debentures	81,299,597	-	81,299,597	-

	December 31, 2021			
	Total	Level 1	Level 2	Level 3
Financial assets				
Financial assets measured at amortized cost	$ 159,375,166	$ 22,634,554	$ 136,740,612	$ -
Financial liabilities				
Bank debentures	82,882,006	-	82,882,006	-

	June 30, 2021			
	Total	Level 1	Level 2	Level 3
Financial assets				
Financial assets measured at amortized cost	$ 183,763,402	$ 12,590,134	$ 171,173,268	$ -
Financial liabilities				
Bank debentures	81,628,481	-	81,628,481	-

39.1.3 The evaluation method and assumptions used in measuring fair value.

The fair value of financial assets and liabilities are determined as follows:

(1) The fair value of financial assets with standard clauses and terms is quoted market price.

(2) The fair value of financial instruments other than the above is determined by the discounted cash flow analysis or other generally accepted pricing models.

39.2 Fair value information – financial instrument measured at fair value under repetitive basis

39.2.1 Fair value level

Information of the financial instruments measured at fair value categorized by level is as follows:

Financial Instruments Measured at Fair Value	June 30, 2022			
	Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets measured at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Shares	$ 1,885,829	$ 1,847,091	$ 38,738	$ -
Bonds	1,915,684	1,862,037	53,647	-
Beneficiary certificates	264,932	264,932	-	-
Financial assets at FVTOCI				
Equity instruments	26,647,455	24,722,415	-	1,925,040
Debt instruments	443,604,581	191,971,704	251,488,579	144,298
	$ 474,318,481	$ 220,668,179	$ 251,580,964	$ 2,069,338

Financial Instruments Measured at Fair Value	June 30, 2022 Total	Level 1	Level 2	Level 3
Liabilities				
Financial liabilities measured at FVTPL	$ 2,061,860	$ -	$ 2,061,860	$ -
Derivative financial instruments				
Assets				
Financial assets measured at FVTPL	$ 4,298,273	$ 101,995	$ 4,196,278	$ -
Liabilities				
Financial liabilities measured at FVTPL	$ 3,612,837	$ 737	$ 3,612,100	$ -

Financial Instruments Measured at Fair Value	December 31, 2021 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets measured at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Shares	$ 2,174,721	$ 2,138,464	$ 36,257	$ -
Bonds	6,099,860	92,275	6,007,585	-
Beneficiary certificates	535,265	535,265	-	-
Financial assets at FVTOCI				
Equity instruments	23,077,179	20,892,243	-	2,184,936
Debt instruments	495,479,676	198,770,322	295,958,341	751,013
	$ 527,366,701	$ 222,428,569	$ 302,002,183	$ 2,935,949
Liabilities				
Financial liabilities measured at FVTPL	$ 2,068,124	$ -	$ 2,068,124	$ -
Derivative financial instruments				
Assets				
Financial assets measured at FVTPL	$ 1,788,166	$ 49,737	$ 1,738,429	$ -
Liabilities				
Financial liabilities measured at FVTPL	$ 1,602,830	$ 6,837	$ 1,595,993	$ -

Financial Instruments Measured at Fair Value	June 30, 2021 Total	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Assets				
Financial assets measured at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Shares	$ 1,687,980	$ 1,656,649	$ 31,331	$ -
Bonds	7,373,356	383,196	6,990,160	-
Beneficiary certificates	589,742	589,742	-	-
Financial assets at FVTOCI				
Equity instruments	23,176,067	20,994,172	-	2,181,895
Debt instruments	474,466,528	189,955,934	284,500,269	10,325
	$ 507,293,673	$ 213,579,693	$ 291,521,760	$ 2,192,220

Financial Instruments Measured at Fair Value	June 30, 2021			
	Total	Level 1	Level 2	Level 3
Liabilities				
Financial liabilities measured at FVTPL	$ 2,131,868	$ -	$ 2,131,868	$ -
Derivative financial instruments				
Assets				
Financial assets measured at FVTPL	$ 2,342,206	$ 73,878	$ 2,268,328	$ -
Liabilities				
Financial liabilities measured at FVTPL	$ 1,277,701	$ -	$ 1,277,701	$ -

There were no transfers of financial instruments between Level 1 and Level 2 fair value measurement for the six months ended June 30, 2022 and 2021.

39.2.2 Reconciliation of Level 3 fair value measurement

For the Six Months Ended June 30, 2022

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 measured at FVTOCI	$2,935,949	$ -	$ (257,745)	$ 179,781	$ -	$ (565,769)	$ (243,755)	$ 20,877	$2,069,338

For the Six Months Ended June 30, 2021

Item	Beginning Balance	Amount of Valuation Gain or Loss		Addition		Reduction		Exchange	Ending Balance
		Included in Profit or Loss	Included in Other Comprehensive Income	Buy or Issue	Transferred In	Sell Out, Disposal or Settlement	Transferred Out from Third Level		
Assets									
Financial assets measured at FVTPL									
Financial assets mandatorily classified as at FVTPL	$ 487,597	$ (347,949)	$ -	$ -	$ -	$ (139,648)	$ -	$ -	$ -
Financial assets measured at FVTOCI	1,940,585	-	248,448	4,277	-	-	-	(1,090)	2,192,220
Liabilities									
Financial liabilities measured at FVTPL									
Held-for-trading financial liabilities	67,068	(67,068)	-	-	-	-	-	-	-

Some of the Group's investments have been listed during the six months ended June 30, 2022. After the assessment, the market's fair values are available for reference. Therefore, such financial assets have been transferred from Level 3 to Level 1.

39.2.3 Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Bonds	Valuation was based on observable market prices or assessed by using cash flow method through observable elements.
Derivatives	Valuation was based on widely-adapted pricing techniques. The inputs were assessed by observable elements in the market.
Others	Valuation was based on observable market prices or assessed by using cash flow method through observable elements.

39.2.4 Valuation techniques and inputs applied for Level 3 fair value measurement

The fair value of financial assets classified as Level 3 included but was not limited to bond investments measured at FVTPL, and investments in bonds and equity securities measured at FVTOCI.

Most financial instruments with fair value measurements classified as Level 3 only possess single, unobservable inputs. Non-active market debt instruments possess unobservable inputs. The non-active market equity instruments are independent and thus, are irrelevant to each other. The quantified information of significant unobservable inputs is as follows:

	Fair Value June 30, 2022	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-Average)	Notes
Financial assets measured at FVTOCI					
Shares	$ 1,925,040	1. Market approach	Market liquidity reduction	10%-19%	1. The higher of the liquidity reduction, and the lower of the fair value.
		2. Net asset value method	Market liquidity reduction	10%-19%	2. The higher of the liquidity reduction, and the lower of the fair value
Bonds	144,298	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.

39.2.5 Sensitivity analysis of alternative assumptions of Level 3 fair value measurements

The Group reasonably measured the fair values of its financial instruments; however, using different valuation models, evaluation methods and underlying assumptions may lead to different results. For financial instruments classified as having Level 3 fair value measurements, if the parameters were to go up 1%, the influence on net income or other comprehensive income would be as follows:

June 30, 2022

	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 FVTOCI	$ -	$ -	$ -	$ (18,095)

December 31, 2021

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflected in Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
Assets				
Financial assets measured at FVTPL				
Financial assets mandatorily classified as at FVTPL	$ -	$ (362)	$ -	$ -
Financial assets measured at FVTOCI	-	-	-	(20,719)

June 30, 2021

	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	$ -	$ (313)	$ -	$ -
Financial assets measured at FVTOCI	-	-	-	(20,637)

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:

June 30, 2022

	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 FVTOCI	$ -	$ -	$ 18,095	$ -

December 31, 2021

	Changes in Fair Value Reflected in Profit or Loss		Changes in Fair Value Reflected in Other Comprehensive Income	
	Favorable	Unfavorable	Favorable	Unfavorable
Assets				
Financial assets measured at FVTPL				
Financial assets mandatorily classified as at FVTPL	$ 362	$ -	$ -	$ -
Financial assets measured at FVTOCI	-	-	20,719	-

June 30, 2021

	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	$ 313	$ -	$ -	$ -
Financial assets measured at FVTOCI	-	-	20,637	-

39.3 Financial risk management

39.3.1 Risk management

The Group's objective in risk management is to establish a risk control mechanism weighing the entire risk of the Group, restrictions from laws and regulations, to diversify, transfer, and avoid risk, and to pursue the maximum benefits of the Group's customers, shareholders, and employees. The Group's major risks include credit risk, market risk (interest rate, exchange rate and equity securities), operational risk, liquidity risk and so on.

The Group established written risk management policies and procedures that are considered and approved by the board of directors to identify, measure, monitor, and control the credit risk, market risk, operation risk and liquidity risk.

The Group's risk management department performs the Group's risk management activities pursuant to the policies approved by the board of directors. Risk management department works with other business departments in order to identify, evaluate, and avoid any financial risks. The board of directors formulates the written policies for risk management; the policy included specific exposures such as currency risk, interest rate risk, credit risk, derivative and non-derivative financial instruments. In addition, the department of internal audit is responsible for independent review of risk management and control environment.

39.3.2 Credit risks

Credit risk is the risk of counterparties' failure to fulfill their contractual obligations causing the Group's financial losses. Both in-balance-sheet and off-balance-sheet items are exposed to credit risks. For the Group's credit exposures, in-balance-sheet items mainly consisted of discounts and loans, credit card business, due from and call loans to banks, debt investments, and derivative instruments. Off-balance sheet items mainly consisted of financial guarantee, acceptances, letters of

credit, loan commitments, and other services which also generate credit exposure.
To ensure that the credit risk is controlled within a tolerable range, the Group established an internal standard for credit risk. In that standard, all transactions are analyzed whether in the banking book or in the trading book, and either in-balance-sheet or off-balance-sheet, to identify the inherent and potential risks. The Group examines and confirms credit risk in accordance with the rules before launching new products and business. Furthermore, the Group also establishes a risk management system for complicated credit business such as factoring, credit derivative financial instruments and so on.

The Group’s foreign operation units adopt policies and standards same as above to assess their asset quality and provision for contingent loss, and also include policies that comply with the regulations of the local financial supervisory commission.

(1) Procedures of credit risk management

The major procedures and methods for credit risk management are as follows:

A Credit business (including loan commitments and guarantees)

The Bank

a. The credit risk has increased significantly since initial recognition

The Bank assesses the change in the risk of default over the expected duration of each type of credit asset on each reporting date in order to determine whether the credit risk has increased significantly since initial recognition. For this assessment, the Bank’s considerations (including forward-looking information) show that the credit risk has increased significantly since initial recognition and can be corroborated. The main considerations include:

i. Changes in internal and external credit ratings from the significant increase in credit risk.

ii. Information of overdue status (e.g. if the payment is overdue for more than 30 days).

iii. Unfavorable changes in current or projected operating, financial or economic conditions that are expected to result in significant changes in the ability of the debtor to perform its debt obligations.

iv. Significant changes in actual or expected results of the debtor’s operations.

v. The credit risk of other financial instruments of the same debtor has increased significantly.

b. The definition of default and credit impairment on financial assets

The Bank’s definition of default on financial assets is the same as the judgment of credit impairment on financial assets. If one or more of the following conditions are met, the Bank determines that the financial assets have defaulted and become credit impaired:

i. Changes in internal and external credit ratings from the significant increase in credit risk.

ii. Information of overdue status (e.g. if the payment is overdue for more than 90 days).

iii. The debtor has become bankrupt or may file for bankruptcy or financial restructuring.

iv. The debtor has died or been dissolved.

v. Contracts of other debt instruments of the debtor have defaulted.

vi. The active market of the financial assets disappeared due to financial difficulties.

vii. The debtor's creditor gives the borrower a concession that would not have been considered due to economic or contractual reasons related to the debtor's financial difficulties.

viii. There is a purchase or initiation of financial assets at a significant discount reflecting that credit losses have occurred.

The aforementioned default and credit impairment definitions apply to all financial assets held by the Bank and are consistent with the definitions used for the internal credit risk management purposes of the financial assets and are applied to the relevant impairment assessment model.

c. Measurement of expected credit loss

For the objective of assessing expected credit loss, credit assets are classified according to the credit risk characteristics (such as the purpose of the borrowing, the nature of the industry, the type of collateral and the state of the borrowing) into three categories: corporate finance, personal finance and credit risk. Further to this, the credit risk characteristics are divided according to each category.

The 12-month expected credit loss amounts of the Bank's financial instruments whose credit risk has not significantly increased since initial recognition are used to measure the allowance for loss of the financial instruments; for financial instruments whose credit risk has increased significantly or which have had credit impairment since initial recognition, such financial instruments are measured at the amount of full lifetime expected credit losses.

The estimation method and significant assumptions used to assess expected credit losses have not changed significantly since June 30, 2022.

d. Forward-looking information considerations

When measuring the expected credit losses, the Bank uses forward-looking economic factors that affect credit risk and takes such forward-looking information regarding expected credit losses into consideration. Based on professional economic judgment, the Bank uses statistical analysis results of GDP growth rate to provide forecast information of economic factors on a quarterly basis and re-evaluates such data on each financial reporting date.

SCB (HK)

a. The credit risk has increased significantly since initial recognition

SCB assesses the change in the risk of default in the next 12 months of each type of credit asset on each reporting date in order to determine whether the credit risk has increased significantly since initial recognition. For this assessment, SCB considerations (including forward-looking information) show that the credit risk has increased significantly since initial recognition and can be corroborated. The main considerations include:

i. Changes in internal and external credit ratings and probability of default in the next 12 months.

ii. Information of overdue status (e.g. if the payment is overdue for more than 30 days).

iii. Unfavorable changes in current or projected operating, financial or economic conditions that are expected to result in significant changes in the ability of the debtor to perform its debt obligations.

iv. Significant changes in actual or expected results of the debtor's operations.

v. The credit risk of other financial instruments of the same debtor has increased significantly.

vi. There is doubt about the collateral rights under the debt, or the collateral price is affected by the surrounding economic environment, and the mortgage value will decline due to economic recession.

vii. There are unfavorable changes in the business of the debtor industry which are affected by the surrounding economy or policy.

viii. Key person in debt companies have financial difficulties, debt or dispute litigation, or serious illness or death, all of which have a negative impact on the ability of debt companies to meet their debt obligations.

b. The definition of default and credit impairment on financial assets

SCB's definition of default on financial assets is the same as the judgment of credit impairment on financial assets. If one or more of the following conditions are met, SCB determines that the financial assets have defaulted and have credit impairment:

i. Information of overdue status (e.g. if the payment is overdue for more than 90 days).

ii. The debtor has become bankrupt or may file for bankruptcy or financial restructuring.

iii. The debtor has died or been dissolved.

iv. Contracts of other debt instruments of the debtor have defaulted.

v. The active market of the financial assets disappeared due to financial difficulties.

vi. The debtor's creditor gives the borrower a concession that would not have been considered due to economic or contractual reasons related to the debtor's financial difficulties.

vii. The debtor's overall debt rises and is not proportional to its business growth.

viii. If the debtor invests in a project or delays the construction of a project, the cost exceeds the budget, and the creditor needs to arrange for debt restructuring.

ix. There is a purchase or initiation of financial assets at a significant discount reflecting that credit losses have occurred.

x. Estimated debt contract payments failed to be fully recovered.

The aforementioned default and credit impairment definitions apply to all financial assets held by SCB and are consistent with the definitions used for the internal credit risk management purposes of the financial assets and are applied to the relevant impairment assessment model.

If the financial assets no longer meet the definition of default and credit impairment for six consecutive months, their statuses are judged to have returned to performance level and are no longer regarded as financial assets that have defaulted and have been credited.

c. Measurement of expected credit loss

For the objective of assessing expected credit loss, credit assets are classified according to the credit risk characteristics (such as the purpose of the borrowing, the nature of the industry, the type of collateral and the state of the borrowing) into two categories: Corporate finance and personal finance. Further to this, the credit risk characteristics are divided according to each category.

For financial instruments whose credit risk has not significantly increased since initial recognition, SCB measures the allowance for loss of the financial instruments based on the 12-month expected credit loss amounts; for financial instruments and operating lease receivables whose financial risk has significantly increased or which have had credit impairment since initial recognition, such instruments and operating lease receivables are measured at the amount of expected credit losses during the duration of the period.

The estimation method and significant assumptions used to assess expected credit losses have not changed significantly since June 30, 2022.

d. Forward-looking information considerations

When measuring the expected credit losses, SCB uses forward-looking economic factors that affect credit risk and takes such forward-looking information regarding expected credit losses into consideration. Based on professional economic judgment, SCB uses the statistical analysis results of GDP growth rate to provide forecast information of economic factors on a quarterly basis and re-evaluates such data on each financial reporting date.

B. Due from and call loans to bank

The Group assesses the credit position of counterparties and consults a credit rating agency for credit rating information and sets limits to the credit facilities.

C. Debt investments and derivative financial instruments

For the credit risk management of debt investments, the Group identifies credit risk by using information from external institutions about credit ratings, quality of debts, region, and the risk of counterparties.

Most of the Group's counterparties in derivative transactions are assessed at higher than investment grade, and the Group controls the investments according to counterparties' facilities (including call loans); counterparties that do not have credit ratings or are not assessed at investment grade are reviewed case by case. Counterparties which are non-financial or non-banking clients are assessed according to the general procedures for the approval of credit facilities and control of credit exposure situations of the counterparties.

(2) Policies of credit risk hedging or mitigation

A. Collateral

The Group applies series of policies to decrease credit risks in its lending business. Among those policies is to request collateral from creditors. To secure the creditor's rights, the

Group has established procedures for pledges, valuations, management, and disposals of collateral. The contracts between the Group and the borrowers clearly state the protocols, including but not limited to the security of credit, procedures for collateral and for offsets. To further decrease credit risks, the contracts also proclaim that the Group may decrease the credit facilities at its discretion, accelerate the maturity of the borrowings, demand immediate payback, or offset borrowers' assets in the Group against the borrowings.

B. Credit risk limitation and credit concentration management

The credit policies of the Group regulate the credit limitations, as applied to a single counterparty or group, to avoid excessive credit concentration. The Group further implements concentration policies, which monitor and manage the credit limitation and concentration in one single counterparty, different enterprises, related parties, industries, and countries. The policies are based on individual criteria in different categories including but not limited to industries, enterprises, and share-pledge related loans.

C. Other mechanisms for credit risk management

The contracts between the Group and the borrowers clearly state the protocols, including but not limited to the security of the credit, procedures for collateral and set off. To further decrease credit risks, the contracts also proclaim that the Group may decrease the balances, shorten the maturity period, demand immediate payback, or use borrowers' assets in the Group to offset their liabilities.

In most circumstances, the Group applies gross settlement with counterparties. However, to further decrease credit risks, the Group applies net settlement or even terminates transactions with certain counterparties when default may occur.

The table below analyzes the collateral held as security and other credit enhancements, and their financial effects in respect of the financial assets recognized in the Group's consolidated balance sheets:

June 30, 2022

		Maximum Exposure to Credit Risk Mitigated by			
Financial instruments subject to IFRS 9 impairment requirements and credit impairment	**Book Value**	**Collateral**	**Master Netting Arrangement**	**Other Credit Enhancement**	**Total**
Receivables	$ 89,913	$ 24,397	$ -	$ -	$ 24,397
Discounts and loans	5,676,362	3,741,159	-	335,769	4,076,928

December 31, 2021

		Maximum Exposure to Credit Risk Mitigated by			
Financial instruments subject to IFRS 9 impairment requirements and credit impairment	**Book Value**	**Collateral**	**Master Netting Arrangement**	**Other Credit Enhancement**	**Total**
Receivables	$ 75,748	$ 8,940	$ -	$ -	$ 8,940
Discounts and loans	3,014,931	2,438,429	-	245,455	2,683,884

June 30, 2021

		Maximum Exposure to Credit Risk Mitigated by			
Financial instruments subject to IFRS 9 impairment requirements and credit impairment	**Book Value**	**Collateral**	**Master Netting Arrangement**	**Other Credit Enhancement**	**Total**
Receivables	$ 81,468	$ 9,591	$ -	$ -	$ 9,591
Discounts and loans	2,507,729	1,530,257	-	323,497	1,853,754

(3) Credit risk exposures

The maximum exposure of the Group's assets in the consolidated balance sheets is equivalent to the book value, while the pledged assets and other credit instruments are not considered. The off-balance sheet items related to the maximum credit exposure (without considering collateral or other credit enhancements and irrevocable maximum exposure) are as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Issued and non-cancelable loan commitments	$ 69,295,723	$ 52,480,756	$ 53,487,461
Non-cancelable credit card commitments	563,448	576,919	616,370
Issued but unused letters of credit	34,835,257	32,142,233	32,902,303
Other guarantees	111,659,922	113,845,852	107,145,595

The Group assessed that it could continually control and minimize credit risk exposure of off-balance sheet items because it adopts stricter procedures and regularly audits credit accounts.

Total carrying amounts of the financial assets with the largest credit risk exposure in the Group are as follows:

	June 30, 2022			
	12-Month ECLs	Lifetime ECLs - Unimpaired	Lifetime ECLs - Impaired	Total
Discounts and loans				
Consumer banking				
-Mortgage	$ 288,660,884	$ 1,981,845	$ 331,846	$ 290,974,575
-Microcredit	21,505,160	299,762	482,584	22,287,506
-Others	49,630,746	238,554	42,401	49,911,701
Corporate banking				
-Secured	482,250,016	12,280,157	4,167,556	498,697,729
-Unsecured	294,868,293	27,582,115	651,975	323,102,383
Total	$ 1,136,915,099	$ 42,382,433	$ 5,676,362	$ 1,184,973,894
Accounts receivable (including non-performing credit card receivables)				
Credit cards	$ 3,081,053	$ 164,865	$ 61,943	$ 3,307,861
Others	16,101,714	140,307	27,970	16,269,991
Total	$ 19,182,767	$ 305,172	$ 89,913	$ 19,577,852
Debt instruments measured at FVTOCI	$ 456,225,117	$ 989,931	$ 134,006	$ 457,349,054
Investments in debt instruments measured at amortized cost	$ 118,899,522	$ -	$ -	$ 118,899,522

	December 31, 2021			
	12-Month ECLs	Lifetime ECLs - Unimpaired	Lifetime ECLs - Impaired	Total
Discounts and loans				
Consumer banking				
-Mortgage	$ 274,750,979	$ 2,087,554	$ 496,621	$ 277,335,154
-Microcredit	17,233,134	423,747	157,303	17,814,184
-Others	50,131,068	181,585	36,133	50,348,786
Corporate banking				
-Secured	473,837,846	12,084,819	2,036,819	487,959,484
-Unsecured	243,475,192	24,435,473	244,596	268,155,261
Total	$ 1,076,867,874	$ 44,315,960	$ 3,014,931	$ 1,124,198,765
Accounts receivable (including non-performing credit card receivables)				
Credit cards	$ 3,229,190	$ 166,770	$ 64,794	$ 3,460,754
Others	11,758,420	300,217	10,954	12,069,591
Total	$ 14,987,610	$ 466,987	$ 75,748	$ 15,530,345
Debt instruments measured at FVTOCI	$ 494,308,800	$ 792,656	$ -	$ 495,101,456
Investments in debt instruments measured at amortized cost	$ 159,320,715	$ -	$ -	$ 159,320,715

	June 30, 2021			
	12-Month ECLs	Lifetime ECLs - Unimpaired	Lifetime ECLs - Impaired	Total
Discounts and loans				
Consumer banking				
-Mortgage	$ 273,390,474	$ 2,501,397	$ 601,494	$ 276,493,365
-Microcredit	15,581,568	87,880	274,514	15,943,962
-Others	51,979,192	306,601	25,342	52,311,135
Corporate banking				
-Secured	488,577,062	10,233,334	1,044,879	499,855,275
-Unsecured	254,105,332	27,211,248	561,500	281,878,080
Total	$ 1,083,633,628	$ 40,340,460	$ 2,507,729	$ 1,126,481,817
Accounts receivable (including non-performing credit card receivables)				
Credit cards	$ 2,490,116	$ 155,157	$ 67,854	$ 2,713,127
Others	13,412,081	157,629	13,614	13,583,324
Total	$ 15,902,197	$ 312,786	$ 81,468	$ 16,296,451
Debt instruments measured at FVTOCI	$ 470,360,090	$ 500,065	$ -	$ 470,860,155
Investments in debt instruments measured at amortized cost	$ 183,608,764	$ -	$ -	$ 183,608,764

(4) Information on concentration of credit risk

Concentration of credit risk exists if transaction counterparties are significantly concentrated on same individuals or groups engaged in activities with similar economic characteristics, which may lead their ability to fulfill contractual obligations being affected by similar changes in economic or other conditions.

Concentration of credit risk can be on assets, liabilities or off-balance sheet items and can arise in the course of the enforcement and implementation of transactions (regardless of products or service) or in the combination of exposures across categories, including credit, due from and call loans to banks, marketable securities, receivables and derivatives, etc. The Group maintains a diversified loan portfolio to mitigate the credit risk concentration to same customers; total discounts and loans transactions with same customers and non-performing loans are not material. The Group's most significant concentrations of credit risk of discounts and loans and non-performing loans by industry, region, and collateral were summarized as follows:

A. Industry

	June 30, 2022		December 31, 2021		June 30, 2021	
Sector	Amount	%	Amount	%	Amount	%
Private sector	$ 751,807,507	63	$ 710,332,622	63	$ 707,984,851	63
Consumer	405,610,401	34	387,381,005	34	388,478,937	34
Financial institution	19,486,156	2	17,382,251	2	19,045,816	2
Others	8,069,830	1	9,102,887	1	10,972,213	1
	$ 1,184,973,894	100	$ 1,124,198,765	100	$ 1,126,481,817	100

B. Region

	June 30, 2022		December 31, 2021		June 30, 2021	
Region	Amount	%	Amount	%	Amount	%
Taiwan	$ 691,560,053	58	$ 669,998,201	60	$ 654,338,481	58
Asia Pacific except Taiwan	348,225,879	29	324,154,314	29	343,630,405	31
Others	145,187,962	13	130,046,250	11	128,512,931	11
	$ 1,184,973,894	100	$ 1,124,198,765	100	$ 1,126,481,817	100

C. Collateral

Collaterals Assumed	June 30, 2022 Amount	%	December 31, 2021 Amount	%	June 30, 2021 Amount	%
Unsecured	$ 320,711,933	27	$ 287,613,071	26	$ 277,895,705	25
Secured						
Properties	737,744,463	62	708,232,575	63	711,087,816	63
Guarantee	71,054,212	6	72,751,320	6	75,644,186	7
Financial collateral	32,550,481	3	35,356,195	3	41,324,265	3
Personal properties	2,837,097	1	2,924,020	1	3,313,964	1
Other collateral	20,075,708	1	17,321,584	1	17,215,881	1
	$ 1,184,973,894	100	$ 1,124,198,765	100	$ 1,126,481,817	100

(5) Information on credit risk quality

Part of the financial assets held by the Group, cash and cash equivalents, financial assets at fair value through profit or loss, investments in bills and bonds with resale agreements, guarantee deposits paid, security businesses, clearing and settlement funds, etc. are assessed to have very low credit risk because the counterparties have good credit ratings.

39.3.3 Market risk

(1) The sources and definition of market risk

Market risk is the risk resulting from changes in fair value and future cash flows of on- and off-balance-sheet financial instruments caused by changes in market prices, interest rates, foreign exchange rate, including equity securities price and commodity price. Changes in above risk elements can cause risks to shift the net profit of the Group or its investment structures.

The Group's financial instruments are exposed to price, interest rate and foreign exchange rate risks. Major market price risk positions of equity securities include domestic listed shares and funds. Major interest risks include bonds and interest rate derivative instruments such as fixed and floating interest rate swap and bond options whereas the major foreign exchange risks include foreign currency positions held by the Group.

(2) Market risk management policies

The Group monitors its market risk and tolerable loss according to the risk management objectives and limits approved by the board of directors.

The Group also builds a market risk information system, which enables the Group to effectively monitor the management of the investment limits, assessment of gains and losses, and analysis of sensitivity factors. The results of the monitoring, assessment and analysis are reported to the board of directors in risk control meetings and serve as references for the decision making of the management.

The Group splits market risk exposures into trading and held-for-fixed-income portfolios which are controlled by both the Group's operation and risk management section. Routine control reports are reviewed by the board of directors and relevant committees.

(3) Market risk management process

A. Recognition and measurement

The Group's operation and risk management sections both identify market risk factors of exposure positions, which are used to measure market risks. Market risk factors include interest rates, foreign exchange rates and market price of equity securities, and exposures, gains and losses and sensitivity (PV01, Delta, Beta) etc. Measurement of investment portfolio is affected by interest rate risk, foreign exchange risk and price of equity securities.

B. Monitoring and reporting

The Group's risk management department regularly reviews market risk management objective, positions and control of gains and losses, sensitivity analysis and pressure test and reports to the board of directors. Therefore, the board of directors could well understand market risk control. The Group has established explicit notification process, the limit and stop-loss regulation for various transactions. Stop-loss order must be taken when the limit is reached, otherwise the trading department's reasons and plans must be approved by the management, and the department should report to relevant committee regularly.

(4) Interest rate risk management

A. Definition of interest rate risk

Interest rate risk represents risks of changes in fair value of investment portfolio and loss in earnings resulting from changes in interest rates. Major products include interest rate-related financial securities and derivative instruments.

B. Purpose of interest risk management

Interest rate risk management enhances the Group's ability to deal with a contingency, to measure, manage and avoid negative influence on earnings and economic values of balance sheet items affected by the changes in interest rates. In addition, it enhances the efficiency of capital and the business management.

C. Procedures of interest risk management

The Group carefully chooses investment target through conducting research about issuers' credit, financial status, country risks and interest rate trend. The Group also establishes trading amount limit and stop-loss limit including limit for trading department, trader and trading commodity, etc. which are approved by top management and the board of directors.

When the Group undertakes business activities related to interest rate commodities, it will identify interest rate reprising risks and yield curve risks, and measure the possible impact of interest rate changes on the Group's earnings and economic value. The Group reports the analysis and monitoring of limit on interest rate risk position and various interest rate management objectives to the strategy management committee and the board of directors on a monthly.

When risk management objective has exceeded its limit, it will be reported to the strategy management committee for resolution of response actions.

D. Measurement methods

The Group measures risks of price reset periods gap from difference in maturity date and price reset date of assets, liabilities, and off-balance sheet items. The Group also established interest rate sensitivity monitoring index for major periods in order to maintain long-term profitability and business growth. Such interest rate indexes and results of pressure test are reviewed by management personnel regularly. In addition, the Group regularly uses DV01 to measure portfolio affected by interest rate.

(5) Foreign exchange rate risk management

A. Definition of foreign exchange rate risk
Foreign exchange risk means losses resulting from currencies exchange at different times. The Group's foreign exchange rate risk results mainly from spot and forward foreign exchange. The Group's foreign exchange rate risk is relatively insignificant due to the fact that transactions are basically settled immediately on transaction date.

B. Policies, procedures and measurement method for foreign exchange rate risk management

In order to control foreign exchange rate risk within tolerable range, the Group has established trading limit, stop-loss limit and maximum loss for trading department and trader and the risk is controlled within the tolerable range.

The Group undertakes pressure test on a seasonal basis and uses 3% fluctuation in major foreign exchange rate (USD) as the sensitivity threshold and reports test results to the board of directors.

(6) Equity securities price risk management

A. Definition of equity securities price risk

The market risk of equity securities held by the Group includes individual and general risk from price fluctuations of both individual equity security and the entire equity security market.

B. Purpose of equity security price risk management

The main purpose of equity security price risk management is to prevent financial status from deteriorating and to avoid decrease in earnings due to violent fluctuation in equity security prices, and to enhance capital efficiency and strengthen operation.

C. Procedures of equity security price risk management

The Group regularly uses 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.

D. Measurement method

The Group's control of security price risk is based on risk values.

(7) Market valuation technique

The Group assesses its exposures to market risk and the anticipated loss under market pressures by using assumptions on changes in several market conditions. Limits of various financial instruments are set by the board of directors and monitored by its risk management department. The Group also establishes sensitivity analysis based on major risk factors of various financial products in order to monitor the changes in various market risk factors of financial products.

A. Sensitivity analysis

a. Interest rate risk

The Group has assessed the possible impact on income if global yield curve moves between -1 to +1 basis points simultaneously on June 30, 2022, December 31, 2021 and June 30, 2021 while other factors remain unchanged.

b. Foreign exchange rate risk

The Group assesses the possible impact on income when exchange rates of the NTD against various currencies fluctuate between -1% and +1% on June 30, 2022, December 31, 2021 and June 30, 2021 while other factors remain unchanged.

The functional currency of SCB (HK) is the HKD, and the major foreign currency is the USD; as the two currencies were under the Linked Exchange Rate System, there was insignificant foreign exchange rate risk.

c. Equity securities price risk

The Group has assessed the possible impact on income when equity security prices on June 30, 2022, December 31, 2021 and June 30, 2021 rise or fall by 1% while other factors remain unchanged.

The analysis assumed that the trends of equity instruments are consistent with historical data.

B. Sensitivity analysis is summarized as follows:

June 30, 2022			
Major Risk	**Fluctuation Range**	**Amount**	
		Equity	**Profit or Loss**
Foreign exchange risk	Foreign currency appreciated 1% against the NTD	$ 733,838	$ (28,930)
	Foreign currency depreciated 1% against NTD	(733,838)	28,930
Interest rate risk	Interest rate curve edged up 1bp	(90,248)	(3,375)
	Interest rate curve edged down 1bp	90,248	3,375
Equity price risk	Equity price increased 1%	202,346	19,350
	Equity price decreased 1%	(202,346)	(19,350)

December 31, 2021			
Major Risk	**Fluctuation Range**	**Amount**	
		Equity	**Profit or Loss**
Foreign exchange risk	Foreign currency appreciated 1% against the NTD	$ 706,960	$ 17,378
	Foreign currency depreciated 1% against NTD	(706,960)	(17,378)
Interest rate risk	Interest rate curve edged up 1bp	(85,373)	(762)
	Interest rate curve edged down 1bp	85,373	762
Equity price risk	Equity price increased 1%	191,250	24,093
	Equity price decreased 1%	(191,250)	(24,093)

June 30, 2021			
Major Risk	**Fluctuation Range**	**Amount**	
		Equity	**Profit or Loss**
Foreign exchange risk	Foreign currency appreciated 1% against the NTD	$ 700,657	$ 23,058
	Foreign currency depreciated 1% against NTD	(700,657)	(23,058)
Interest rate risk	Interest rate curve edged up 1bp	(77,386)	(1,497)
	Interest rate curve edged down 1bp	77,386	1,497
Equity price risk	Equity price increased 1%	201,467	18,302
	Equity price decreased 1%	(201,467)	(18,302)

39.3.4 Liquidity risk

(1) The sources and definition of liquidity risk

Liquidity risk is the possibility that the Group is unable to liquidate assets or obtain financing to fulfill matured financial liabilities which may result in financial loss. Liquidity risk may be present when, for example, deposits are withdrawn in advance of the original date of settlement, the market becomes worse and borrowing from other banks becomes difficult, the clients' credit deteriorates leading to the occurrence of defaults, liquidation of financial instruments becomes difficult, early redemption of interest-sensitive instruments happens, etc. The aforementioned factors may reduce cash balance to be used in the areas of loans, trading, and investment. In some extreme circumstances, the lack of liquidity may lead to the decrease in the overall assets and liabilities, and the need to liquidate the Group's assets and the possibility of being unable to fulfill loan commitments. Liquidity risks include inherent risks that may be affected by some specific industry events or overall market condition. These events include but are not limited to credit, merger and acquisitions, systemic breakdown and natural disasters.

(2) The management policies are as follows:

The management procedures are monitored by the independent department of risk management; the procedures are as follows:

A. Regular financing and monitoring of cash flows to ensure the fulfillment of the requirements in the future.

B. Maintaining appropriate position of high liquidity assets which are easily realizable.

C. Monitoring of liquidity ratios of the balance sheet accounts according to the internal management purposes and external monitoring rules.

D. Managing the maturity date of debt instruments.

The procedures for monitoring and reporting liquidity risk are applied and measured based on the estimated cash flows (the time gap is based on how the Group manages the liquidity risk) of 1 day, 10 days, and 1 month. Estimates of future cash flows are based on the maturity analysis of financial assets and liabilities. The risk management department also monitors the use of loan commitment, discount facilities, guarantee letters, and other types of contingent liabilities, and furthermore reports the related information to the risk management committee and the board of directors regularly.

The Group holds certain position of highly liquid interest bearing assets to fulfill its obligation and for future needs. To manage the liquidity risk, the Group holds the following assets: Cash and cash equivalents, due from the Central Bank and banks, and financial assets at fair value through profit or loss, etc.

(3) Maturity analysis

The Group analyzed cash outflows of non-derivative financial liabilities according to the remaining terms from date of the balance sheets to maturity date of the contract. The disclosure of cash outflows of non-derivative financial liabilities is based on the cash flows of contracts so that the items could not correspond with all items in the consolidated balance sheets.

June 30, 2022	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Due to the central bank and banks	$ 22,469,315	$ 16,094,094	$ 3,586,991	$ 2,657,888	$ 4,090,464	$ 48,898,752
Financial liabilities measured at FVTPL	-	-	-	-	2,134,136	2,134,136
Securities sold under repurchase agreements	1,765,335	105,474	289,161	8,196	-	2,168,166
Payables	33,940,284	482,349	467,532	352,582	425,498	35,668,245
Deposits and remittances	1,130,192,721	335,483,106	187,162,439	145,440,349	11,171,990	1,809,450,605
Bank debentures	223,014	3,100,000	9,839,382	362,396	67,561,214	81,086,006
Other financial liabilities	2,977,947	35,615	75,672	153,634	1,027,448	4,270,316
Lease liabilities	36,029	72,241	102,944	200,509	1,510,327	1,922,050

December 31, 2021	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Due to the central bank and banks	$ 26,041,035	$ 18,218,405	$ 3,109,936	$ 1,968,917	$ 3,317,596	$ 52,655,889
Due to the central bank and other banks	-	-	-	17,787,080	-	17,787,080
Financial liabilities measured at FVTPL	-	-	-	-	2,110,011	2,110,011
Securities sold under repurchase agreements	13,699,906	625,552	169,347	10,219	-	14,505,024
Payables	28,108,948	450,172	256,174	271,289	342,372	29,428,955
Deposits and remittances	1,076,075,464	295,952,045	142,149,806	180,896,875	12,528,332	1,707,602,522
Bank debentures	207,412	-	2,279,634	13,137,046	66,467,420	82,091,512
Other financial liabilities	3,450,655	32,600	157,360	155,032	988,359	4,784,006
Lease liabilities	35,161	60,936	103,471	174,593	1,494,768	1,868,929

June 30, 2021	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Due to the central bank and banks	$ 36,796,310	$ 14,396,875	$ 1,423,460	$ 1,677,191	$ 2,262,265	$ 56,556,101
Due to the central bank and other banks	-	-	-	9,830,040	-	9,830,040
Financial liabilities measured at FVTPL	-	-	-	-	2,340,649	2,340,649
Securities sold under repurchase agreements	28,010,304	382,545	159,240	8,180	-	28,560,269
Payables	29,774,556	343,575	477,231	450,625	293,608	31,339,595
Deposits and remittances	1,038,814,942	312,663,109	162,415,497	149,473,101	10,699,646	1,674,066,295
Bank debentures	-	130,923	3,509,476	2,490,400	74,385,113	80,515,912
Other financial liabilities	2,951,871	31,704	125,644	313,161	1,016,635	4,439,015
Lease liabilities	33,899	64,132	98,646	204,725	1,598,071	1,999,473

The Group evaluated the contractual maturity date to comprehend all derivative financial instruments on the consolidated balance sheets. Because the maturity analysis of derivative financial liabilities is based on the contractual cash flows, the amounts would not correspond with related items on the consolidated balance sheets. Maturity analysis of derivative financial liabilities is as follows:

A. Derivative financial liabilities in net settlement

June 30, 2022	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	$ 5,469	$ 41,323	$ 44,042	$ 28,349	$ -	$ 119,183
Interest rate derivatives	-	-	-	-	-	-
Equity securities derivatives	407	-	-	-	-	407

December 31, 2021	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial liabilities measured at FVTPL						
Foreign exchange derivatives	$ 18,406	$ 21,684	$ 10,331	$ 20,941	$ 383	$ 71,745
Interest rate derivatives	-	-	-	354	11,386	11,740
Equity securities derivatives	172	-	-	-	-	172

June 30, 2021	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial liabilities measured at FVTPL						
Foreign exchange derivatives	$ 6,233	$ 8,922	$ 6,297	$ 10,069	$ 249	$ 31,770
Interest rate derivatives	-	-	-	-	10,152	10,152
Equity securities derivatives	-	-	-	-	-	-

B. Derivative financial liabilities in total settlement

June 30, 2022	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	$ 24,736,004	$ 19,916,742	$ 15,008,579	$ 12,412,549	$ -	$ 72,073,874
Cash outflow	25,175,357	20,879,625	15,659,326	12,941,171	-	74,655,479
Interest rate derivatives						
Cash inflow	-	3,266	-	-	-	3,266
Cash outflow	-	3,266	-	-	-	3,266

December 31, 2021	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial liabilities measured at FVTPL						
Foreign exchange derivatives						
Cash inflow	$ 169,388,812	$ 57,397,514	$ 42,764,988	$ 51,157,774	$ 82,446	$ 320,791,534
Cash outflow	170,330,204	57,640,994	42,855,741	51,334,826	82,421	322,244,186
Interest rate derivatives						
Cash inflow	-	2,472	-	5,309	-	7,781
Cash outflow	-	2,472	-	5,309	-	7,781

June 30, 2021	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Derivative financial liabilities measured at FVTPL						
Foreign exchange derivatives						
Cash inflow	$ 199,531,899	$ 70,326,528	$ 40,653,078	$ 18,583,025	$ 111,441	$ 329,205,971
Cash outflow	199,793,590	70,670,460	40,726,946	18,679,608	111,505	329,982,109

The analysis of cash outflows of in-balance-sheet items is illustrated according to the remaining days from the balance sheet date to maturity date of the contract. For financial guarantee contracts, the largest amount is categorized under the earliest possible date to take responsibility. The disclosure of cash outflows of off-balance sheet items is based on the cash flows of contracts so that part items could not correspond with all items in the balance sheet.

June 30, 2022	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Non-cancelable loan commitments	$ 11,538,948	$ 1,659,601	$ 4,626,900	$ 2,244,295	$ 49,025,979	$ 69,295,723
Non-cancelable credit card commitments	84,462	168,922	253,381	56,683	-	563,448
Issued but unused letters of credit	27,188,988	5,764,268	1,346,055	274,914	261,032	34,835,257
Other guarantees	46,030,187	23,570,178	7,714,488	17,381,800	16,963,269	111,659,922

December 31, 2021	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Non-cancelable loan commitments	$ 6,803,687	$ 1,445,480	$ 1,860,146	$ 6,235,606	$ 36,135,837	$ 52,480,756
Non-cancelable credit card commitments	86,481	172,960	259,440	58,038	-	576,919
Issued but unused letters of credit	26,221,032	4,914,364	796,631	125,927	84,279	32,142,233
Other guarantees	31,644,411	36,114,248	9,525,589	18,454,608	18,106,996	113,845,852

June 30, 2021	0~30 days	31~90 days	91~180 days	181 days~1 year	Over 1 year	Total
Non-cancelable loan commitments	$ 1,458,628	$ 715,060	$ 9,387,139	$ 6,355,753	$ 35,570,881	$ 53,487,461
Non-cancelable credit card commitments	92,394	184,788	277,181	62,007	-	616,370
Issued but unused letters of credit	25,988,307	5,504,371	1,021,806	302,557	85,262	32,902,303
Other guarantees	27,971,100	37,650,880	9,575,213	16,755,884	15,192,518	107,145,595

39.3.5 Interest rate benchmarks

The financial instruments of the Group affected by the interest rate benchmarks include loans and discounts, financial assets and liabilities measured at FVTPL, financial assets measured at FVTOCI and financial assets measured at amortized cost. The linked indicator interest rate types are USD LIBOR. The Secured Overnight Financing Rate (SOFR) is expected to replace USD LIBOR, although the two are fundamentally different. LIBOR is a forward-looking interest rate indicator that implies market expectations for future interest rate trends, and includes interbank credit discounts. SOFR is a retrospective interest rate index calculated with reference to actual transaction data, and does not include credit discounts. Therefore, when an existing contract linked to USD LIBOR is transferred to SOFR, additional adjustments shall be made to the aforementioned differences to ensure that the interest rate bases before and after the modification are economically equivalent.

In response to the reform, the Group prepared interest rate benchmark transition plan which comprises the following work streams: risk management, contract management, product management, taxation and accounting, and customer communication.

If the Group fails to complete the contract modification negotiation with the counterparty of the financial instrument before the exit of the current interest rate benchmark, there will be significant uncertainty about the interest rate base applicable to the financial instrument in the future. This situation will result in interest rate risk that was not anticipated when the Group originally signed the contract. Changes in interest rate benchmark reform may also affect the existing financial instrument evaluation mechanism of the Group, and it may even be necessary to establish a new evaluation model for certain financial instruments. In addition, if the amendments caused by changes in interest rate benchmark reform fail to meet the applicable conditions of IFRS 9 practical expedients, it may result in the recognition of financial assets or financial liabilities amendment gains and losses, which will increase the volatility of profit and loss. The Group is working to complete the revision of financial instruments in a manner that complies with IFRS 9 practical expedients.

On June 30, 2022, the non-derivative financial instruments held by the Group that have been affected by the interest rate benchmark reform and not yet converted to alternative interest rate indicators are summarized as follows:

Financial assets	Book value
Discount and loans, net	
USD LIBOR	$ 136,838,917
EUR LIBOR	66,000
SGD SOR	465,104
Total	137,370,021
Financial assets measured at FVTOCI	
USD LIBOR	18,594,232
Total	$ 155,964,253

Financial liabilities	Book value
Due to the central bank and other banks	
USD LIBOR	$ 2,825

On June 30, 2022, the non-derivative financial instruments held by the Group that have been affected by the interest rate benchmark reform are summarized as follows:

	Nominal in currency	Book value Financial assets
Derivatives linked to USD LIBOR		
Interest rate swap	$ 2,400,940	$ 52,686

39.4 Transfer of financial assets

In the daily transactions of the Group, most of the transferred financial assets not eligible for full derecognition are repurchase notes and bonds. The cash flows of the transactions have been transferred to outsiders and the liabilities for repurchasing the transferred financial assets in a fixed amount have been recognized; the Group may repurchase the transferred financial assets in the future. The Group is not eligible to conduct, sell, or pledge the transferred financial assets during the effective period prior to derecognition. However, the Group is still exposed to the interest risks and credit risks. As a result, the transferred financial assets are not derecognized. The following tables show the transferred financial assets that are not qualified for derecognition and related financial liabilities.

June 30, 2022

Type of Financial Assets	The Book Value of Financial Assets Transferred	The Book Value of Related Financial Liabilities	The Fair Value of Financial Assets Transferred	The Fair Value of Related Financial Liabilities	Net Amount
Financial assets measured at FVTOCI					
Securities sold under repurchase agreements	$ 2,130,896	$ 2,168,166	$ 2,130,896	$ 2,168,166	$ (37,270)

December 31, 2021

Type of Financial Assets	The Book Value of Financial Assets Transferred	The Book Value of Related Financial Liabilities	The Fair Value of Financial Assets Transferred	The Fair Value of Related Financial Liabilities	Net Amount
Financial assets measured at FVTOCI					
Securities sold under repurchase agreements	$ 14,495,369	$ 14,505,024	$ 14,495,369	$ 14,505,024	$ (9,655)

June 30, 2021

Type of Financial Assets	The Book Value of Financial Assets Transferred	The Book Value of Related Financial Liabilities	The Fair Value of Financial Assets Transferred	The Fair Value of Related Financial Liabilities	Net Amount
Financial assets measured at FVTOCI					
Securities sold under repurchase agreements	$ 28,504,295	$ 28,560,269	$ 28,504,295	$ 28,560,269	$ (55,974)

40. AVERAGE AMOUNT AND AVERAGE INTEREST RATE OF INTEREST-EARNING ASSETS AND INTEREST-BEARING LIABILITIES

Average amount and average interest rate of interest-earning assets and interest-bearing liabilities that were affected by interest rate fluctuations are as follows:

Average balances were calculated by the daily average balances of interest-earning assets and interest-bearing liabilities.

40.1 The Bank

	For the Six Months Ended June 30, 2022	
	Average Balance	Average Rate (%)
Interest-bearing assets		
Cash and cash equivalents - due from other banks	$ 30,115,653	0.05
Due from the Central Bank and call loans to banks	107,562,316	0.57
Financial assets at fair value through profit or loss	32,263	0.56
Securities purchased under resell agreements	287,435	0.74
Credit card revolving balances	562,326	12.72
Discounts and loans (excluding non-performing loans)	776,996,992	1.86
Financial assets measured at FVTOCI - investments in debt instruments	225,550,828	1.24
Investments in debt instruments measured at amortized cost	125,755,136	0.39
Interest-bearing liabilities		
Due to the central bank and banks	16,308,061	0.64
Financial liabilities at fair value through profit or loss	2,006,976	5.64
Securities sold under repurchase agreements	18,068,417	0.30
Negotiable certificates of deposit	12,648,551	0.42
Demand deposits	363,674,165	0.08
Savings deposits	204,919,547	0.29
Time deposits	334,200,940	0.50
Time savings	146,250,142	0.85
Bank debentures	66,902,222	1.31
Other financial liabilities	1,344,780	0.66
Lease liabilities	675,706	1.22

	For the Six Months Ended June 30, 2021	
	Average Balance	Average Rate (%)
Interest-bearing assets		
Cash and cash equivalents - due from other banks	$ 33,515,104	0.15
Due from the Central Bank and call loans to banks	83,858,936	0.39
Financial assets at fair value through profit or loss	73,821	0.24
Securities purchased under resell agreements	166,026	0.45
Credit card revolving balances	607,574	12.65
Discounts and loans (excluding non-performing loans)	753,041,007	1.32
Financial assets measured at FVTOCI - investments in debt instruments	223,458,294	1.05
Investments in debt instruments measured at amortized cost	131,268,899	0.29
Other financial assets due from other banks (time deposits of more than three months)	863,020	1.32

	For the Six Months Ended June 30, 2021	
	Average Balance	Average Rate (%)
Interest-bearing liabilities		
Due to the central bank and banks	$ 21,356,296	0.26
Financial liabilities at fair value through profit or loss	1,958,972	5.37
Securities sold under repurchase agreements	29,833,420	0.19
Negotiable certificates of deposit	13,508,510	0.29
Demand deposits	313,238,998	0.05
Savings deposits	187,152,208	0.25
Time deposits	352,770,774	0.49
Time savings	146,229,133	0.79
Bank debentures	65,989,785	1.39
Other financial liabilities	1,064,658	0.39
Lease liabilities	818,339	1.30

40.2 SCB (HK)

	For the Six Months Ended June 30, 2022	
	Average Balance	Average Rate (%)
Interest-bearing assets		
Due from other banks	$ 193,511,570	0.60
Discounts and loans (excluding non-performing loans)	364,724,055	3.54
Credit card revolving balances	101,148	30.00
Debt instruments (including investments in debt instruments measured at FVTOCI and amortized cost)	283,818,185	1.53
Interest-bearing liabilities		
Due to banks	35,611,061	1.16
Demand deposits	290,626,843	0.02
Time deposits	408,372,968	0.87
Bank debentures	16,244,017	4.53

	For the Six Months Ended June 30, 2021	
	Average Balance	Average Rate (%)
Interest-bearing assets		
Due from other banks	$ 162,203,818	0.36
Discounts and loans (excluding non-performing loans)	363,702,642	3.33
Credit card revolving balances	105,958	29.03
Debt instruments (including investments in debt instruments measured at FVTOCI and amortized cost)	253,770,118	1.74
Interest-bearing liabilities		
Due to banks	28,749,070	0.67
Demand deposits	262,362,288	0.02
Time deposits	395,168,329	0.78
Bank debentures	15,257,024	4.54

41. 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.

In order to improve the financial base of the Bank, the ratio of own capital to risky assets shall not be less than 10.5% in accordance with the Rules of the Banking Act and relevant measures. If the capital adequacy ratio falls below required standards, the Central Regulator would restrict the earnings distribution.

The Group conformed to the regulation on capital management as of June 30, 2022, December 31, 2021 and June 30, 2021.

The following table lists the equity capital, risk-weighted assets, and risk exposure:

	June 30, 2022	December 31, 2021	June 30, 2021
Analysis items			
Eligible capital			
Common equity	$ 167,551,324	$ 170,375,493	$ 172,545,484
Other Tier I capital	6,999,699	6,470,659	6,012,568
Tier II capital	48,035,230	51,378,379	47,936,021
Eligible capital	$ 222,586,253	$ 228,224,531	$ 226,494,073
Risk-weighted assets			
Credit risk			
Standardized approach	$ 1,390,189,763	$ 1,325,138,207	$ 1,308,764,490
Credit valuation adjustment (CVA)	1,655,427	751,052	1,547,492
Internal rating based approach	N/A	N/A	N/A
Synthetic securitization	703,482	1,072,451	757,521
Operational risk			
Basic indicator approach	68,453,256	68,453,256	68,763,627
Standardized approach /alternative standardized approach	N/A	N/A	N/A
Advanced measurement approach	N/A	N/A	N/A
Market risk			
Standardized approach	88,090,656	90,991,498	83,350,035
Internal models approach	N/A	N/A	N/A
Total risk-weighted assets	$ 1,549,092,584	$ 1,486,406,464	$ 1,463,183,165
Capital adequacy ratio	14.37%	15.35%	15.48%
Ratio of common equity to risk-weighted assets	10.82%	11.46%	11.79%
Ratio of Tier I capital to risk-weighted assets	11.27%	11.90%	12.20%
Leverage ratio	7.38%	7.72%	7.86%

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

42. ASSET QUALITY, CONCENTRATION OF CREDIT EXTENSIONS, INTEREST RATE SENSITIVITY, PROFITABILITY AND MATURITY ANALYSIS OF ASSETS AND LIABILITIES

42.1 Assets quality: As stated in Table 1

42.2 Concentration of credit risks

Top 10 credit extensions information of the Bank and SCB(HK) were as below:

Ranking (Note 1)	June 30, 2022					
	The Bank			SCB (HK)		
	Group Name (Note 2)	Credit Extension Balance (Note 3)	% of Net Asset Value	Group Name (Note 2)	Credit Extension Balance (Note 3)	% of Net Asset Value (Note 4)
1	A Group (general management agency)	7,874,733	5.28%	H Group (other holding companies)	16,871,530	13.51%
2	B Group (general management agency)	6,626,745	4.45%	Q Group (property investment and development)	11,613,043	9.30%
3	C Group (computer manufacturing)	6,227,590	4.18%	R Group (hotel property development)	11,538,743	9.24%
4	D Group (computer and peripheral manufacturing)	5,484,544	3.68%	S Group (automobile retail)	11,286,350	9.03%
5	E Group (television program design and broadcasting)	5,301,167	3.56%	T Group (hotel property development)	11,209,545	8.97%
6	F Group (real estate selling and leasing)	5,198,299	3.49%	U Group (broadcasting and entertainment industry)	8,204,529	6.57%
7	G Group (general management agency)	5,100,531	3.42%	V Group (property investment)	7,734,635	6.19%
8	H Group (other holding companies)	5,006,083	3.36%	W Group (hotel property development)	6,597,969	5.28%
9	I Group (apparel manufacturing)	4,671,892	3.14%	X Group (investment holding)	5,505,773	4.41%
10	J Group (real estate selling and leasing)	4,494,275	3.02%	Y Group (property investment)	5,487,597	4.39%

Ranking (Note 1)	December 31, 2021					
	The Bank			SCB (HK)		
	Group Name (Note 2)	Credit Extension Balance (Note 3)	% of Net Asset Value	Group Name (Note 2)	Credit Extension Balance (Note 3)	% of Net Asset Value (Note 4)
1	A Group (general management agency)	7,048,914	4.47%	H Group (other holding companies)	17,939,234	14.78%
2	K Group (computer manufacturing)	5,542,432	3.52%	Q Group (property investment and development)	10,851,531	8.94%
3	H Group (other holding companies)	5,341,380	3.39%	R Group (hotel property development)	10,502,737	8.65%
4	G Group (general management agency)	5,225,283	3.31%	T Group (hotel property development)	7,317,087	6.03%
5	E Group (television program design and broadcasting)	4,923,767	3.12%	W Group (hotel property development)	7,141,344	5.88%
6	F Group (real estate selling and leasing)	4,865,089	3.09%	U Group (broadcasting and entertainment industry)	6,996,414	5.77%
7	L Group (real estate development)	4,754,700	3.02%	Y Group (property investment)	5,695,838	4.69%
8	C Group (computer manufacturing)	4,379,965	2.78%	Z Group (investment holding and steel sales)	5,407,724	4.46%
9	I Group (apparel manufacturing)	4,376,397	2.78%	a Group (import and export of garments and accessories)	5,316,198	4.38%
10	M Group (chemical materials manufacturing)	4,169,693	2.64%	b Group (property investment and development)	4,366,722	3.60%

Ranking (Note 1)	June 30, 2021					
	The Bank			SCB (HK)		
	Group Name (Note 2)	Credit Extension Balance (Note 3)	% of Net Asset Value	Group Name (Note 2)	Credit Extension Balance (Note 3)	% of Net Asset Value (Note 4)
1	A Group (general management agency)	6,297,898	3.89%	H Group (other holding companies)	18,199,057	15.01%
2	C Group (computer manufacturing)	5,589,050	3.45%	R Group (hotel property development)	10,115,427	8.35%
3	H Group (other holding companies)	5,432,253	3.35%	Q Group (property investment and development)	9,723,078	8.02%
4	F Group (real estate selling and leasing)	5,187,426	3.20%	W Group (hotel property development)	7,652,043	6.31%
5	N Group (wiring and cable system manufacturing)	4,849,955	2.99%	T Group (hotel property development)	7,404,177	6.11%
6	B Group (general management agency)	4,440,869	2.74%	U Group (broadcasting and entertainment industry)	7,065,907	5.83%
7	I Group (apparel manufacturing)	4,262,847	2.63%	S Group (automobile retail)	5,931,545	4.89%
8	G Group (general management agency)	3,947,618	2.44%	Y Group (property investment)	5,906,744	4.87%
9	O Group (real estate selling and leasing)	3,840,000	2.37%	c Group (securities trading industry)	5,632,717	4.65%
10	P Group (wholesale of chemical materials and products)	3,821,558	2.36%	a Group (import and export of garments and accessories)	5,185,088	4.28%

Note 1: The top 10 credit extensions ranking is made by total credit balance, which excluded government-owned or state-run enterprises. If the borrower is an affiliate of the Group enterprise, the credit balance of the borrower is then aggregated to the Group enterprise's credit balance. The borrower is marked by specific codes as well as its major industry. The major industry of a borrower is determined by its maximum exposures by industries. The classification of industry should be in line with the Standard Industrial Classification System of the Republic of China published by the Directorate General of Budget, Accounting and Statistics under the Executive Yuan.

Note 2: "Group Enterprise" conforms to the definition of Article 6 in "Supplementary Provisions to the Taiwan Stock Exchange Corporation Rules for Review of Securities Listings."

Note 3: Credit balance includes each item of loan (including import bill negotiated, export bill negotiated, discounts, overdrafts, short-term loans, short-term secured loans, marginal receivables, medium-term loans, medium-term secured loans, long-term loans, long-term secured loans and non-performing loans), exchange bills negotiated, accounts receivable - without recourse factoring, acceptances receivable and guarantees issued.

Note 4: It is net equity of SCB (HK).

42.3 Interest rate sensitivity information

42.3.1 The Bank

Interest Rate Sensitivity (NTD)

June 30, 2022					
Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate sensitive assets	$ 793,417,835	$ 8,683,011	$ 6,485,665	$ 74,428,447	$ 883,014,958
Interest rate sensitive liabilities	268,051,818	431,177,963	53,962,875	56,140,077	809,332,733
Interest rate sensitivity gap	525,366,017	(422,494,952)	(47,477,210)	18,288,370	73,682,225
Net equity					149,004,855
Ratio of interest rate sensitive assets to liabilities					109.10%
Ratio of interest rate sensitivity gap to net equity					49.45%

December 31, 2021					
Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate sensitive assets	$ 818,439,615	$ 24,251,062	$ 6,847,424	$ 73,859,608	$ 923,397,709
Interest rate sensitive liabilities	255,753,646	401,021,104	91,728,331	57,669,835	806,172,916
Interest rate sensitivity gap	562,685,969	(376,770,042)	(84,880,907)	16,189,773	117,224,793
Net equity					157,801,816
Ratio of interest rate sensitive assets to liabilities					114.54%
Ratio of interest rate sensitivity gap to net equity					74.29%

June 30, 2021					
Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate sensitive assets	$ 834,812,060	$ 12,741,208	$ 3,886,898	$ 68,168,439	$ 919,608,605
Interest rate sensitive liabilities	276,404,951	395,551,221	57,054,456	65,733,812	794,744,440
Interest rate sensitivity gap	558,407,109	(382,810,013)	(53,167,558)	2,434,627	124,864,165
Net equity					161,974,762
Ratio of interest rate sensitive assets to liabilities					115.71%
Ratio of interest rate sensitivity gap to net equity					77.09%

Note 1: The tables above refer only to the financial assets/liabilities denominated in NT dollars held by the whole bank, excluded contingent assets and liabilities.

Note 2: Interest rate-sensitive assets/liabilities refer to financial assets/liabilities which returns are driven by interest rate fluctuations.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities. (The interest rate-sensitive assets and liabilities are denominated in NT dollars).

Interest Rate Sensitivity (USD)

June 30, 2022					
Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate sensitive assets	$ 7,272,348	$ 62,850	$ 136,616	$ 1,571,264	$ 9,043,078
Interest rate sensitive liabilities	2,708,647	6,491,128	513,360	70,194	9,783,329
Interest rate sensitivity gap	4,563,701	(6,428,278)	(376,744)	1,501,070	(740,251)
Net equity					5,011,093
Ratio of Interest rate sensitive assets to liabilities					92.43%
Ratio of interest rate sensitivity gap to net equity					(14.77%)

December 31, 2021					
Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate sensitive assets	$ 6,193,692	$ 126,770	$ 210,422	$ 1,791,696	$ 8,322,580
Interest rate sensitive liabilities	2,456,287	6,761,257	837,875	70,145	10,125,564
Interest rate sensitivity gap	3,737,405	(6,634,487)	(627,453)	1,721,551	(1,802,984)
Net equity					5,706,086
Ratio of Interest rate sensitive assets to liabilities					82.19%
Ratio of interest rate sensitivity gap to net equity					(31.60%)

June 30, 2021					
Items	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate sensitive assets	$ 5,775,935	$ 44,488	$ 168,729	$ 1,771,529	$ 7,760,681
Interest rate sensitive liabilities	2,648,347	6,330,876	689,800	70,038	9,739,061
Interest rate sensitivity gap	3,127,588	(6,286,388)	(521,071)	1,701,491	(1,978,380)
Net equity					5,807,212
Ratio of Interest rate sensitive assets to liabilities					79.69%
Ratio of interest rate sensitivity gap to net equity					(34.07%)

Note 1: The tables above refer only to the financial assets/liabilities denominated in US dollars held by the whole bank, contingent assets and liabilities excluded.

Note 2: Interest rate-sensitive assets/liabilities refer to financial assets/liabilities which returns are driven by interest rate fluctuations.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities. (The interest rate-sensitive assets and liabilities are denominated in US dollars).

42.3.2 SCB (HK)

Interest Rate Sensitivity (USD)

June 30, 2022					
Items	**1 to 90 Days**	**91 to 180 Days**	**181 Days to 1 Year**	**Over 1 Year**	**Total**
Interest rate sensitive assets	$ 5,855,965	$ 893,003	$ 1,271,237	$ 2,727,021	$ 10,747,226
Interest rate sensitive liabilities	6,558,582	1,200,088	437,340	496,048	8,692,058
Interest rate sensitivity gap	(702,617)	(307,085)	833,897	2,230,973	2,055,168
Net equity					4,240,098
Ratio of interest rate sensitive assets to liabilities					123.64%
Ratio of interest rate sensitivity gap to net equity					48.47%

December 31, 2021					
Items	**1 to 90 Days**	**91 to 180 Days**	**181 Days to 1 Year**	**Over 1 Year**	**Total**
Interest rate sensitive assets	$ 6,369,856	$ 893,914	$ 664,635	$ 2,911,276	$ 10,839,681
Interest rate sensitive liabilities	6,605,646	1,156,657	882,240	506,801	9,151,344
Interest rate sensitivity gap	(235,790)	(262,743)	(217,605)	2,404,475	1,688,337
Net equity					4,423,704
Ratio of interest rate sensitive assets to liabilities					118.45%
Ratio of interest rate sensitivity gap to net equity					38.17%

June 30, 2021					
Items	**1 to 90 Days**	**91 to 180 Days**	**181 Days to 1 Year**	**Over 1 Year**	**Total**
Interest rate sensitive assets	$ 6,782,693	$ 705,005	$ 1,321,863	$ 3,239,035	$ 12,048,596
Interest rate sensitive liabilities	6,354,916	1,421,356	644,393	780,919	9,201,584
Interest rate sensitivity gap	427,777	(716,351)	677,470	2,458,116	2,847,012
Net equity					4,368,174
Ratio of interest rate sensitive assets to liabilities					130.94%
Ratio of interest rate sensitivity gap to net equity					65.18%

Note 1: The tables above refer only to the financial assets/liabilities denominated in US dollars held by SCB (HK), contingent assets and liabilities excluded.

Note 2: Interest rate-sensitive assets/liabilities refer to financial assets/liabilities which returns are driven by interest rate fluctuations.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets ÷ Interest rate-sensitive liabilities. (The interest rate-sensitive assets and liabilities are denominated in US dollars).

42.4 Profitability

The Group

Items		**June 30, 2022**	**June 30, 2021**
Return on total assets	Before income tax	1.06	1.06
	After income tax	0.85	0.90
Return on equity	Before income tax	11.20	10.68
	After income tax	8.95	9.09
Profit margin		45.27	49.10

Note 1: Return on total assets = Income before (after) income tax ÷ Average total assets.

Note 2: Return on equity = Income before (after) income tax ÷ Average equity.

Note 3: Profit margin = Income after income tax ÷ Total net revenue.

Note 4: Income before (after) income tax represents income YTD.

Note 5: The quarterly profitability of each quarter is converted to the annual benchmark figures expressed in the annual rates.

42.5 Maturity analysis of assets and liabilities

42.5.1 The Bank

(1) In Thousands of New Taiwan Dollars

	Total	June 30, 2022 For remaining period to maturity date					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow on maturity	$ 942,492,096	$ 97,214,398	$ 90,331,226	$ 55,475,449	$ 66,212,572	$ 105,489,822	$ 527,768,629
Major cash outflow on maturity	1,231,736,185	39,880,095	85,654,535	196,343,021	238,955,359	200,460,115	470,443,060
Gap	(289,244,089)	57,334,303	4,676,691	(140,867,572)	(172,742,787)	(94,970,293)	57,325,569

	Total	December 31, 2021 For remaining period to maturity date					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow on maturity	$ 984,229,637	$ 111,024,017	$ 98,976,458	$ 73,825,440	$ 80,550,735	$ 106,648,647	$ 513,204,340
Major cash outflow on maturity	1,212,894,739	46,548,364	88,428,107	166,195,370	194,629,115	240,913,382	476,180,401
Gap	(228,665,102)	64,475,653	10,548,351	(92,369,930)	(114,078,380)	(134,264,735)	37,023,939

	Total	June 30, 2021 For remaining period to maturity date					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow on maturity	$ 967,741,868	$ 155,565,795	$ 87,257,465	$ 72,704,001	$ 66,762,491	$ 94,666,714	$ 490,785,402
Major cash outflow on maturity	1,182,102,820	40,356,734	96,540,239	178,586,715	208,942,440	188,092,185	469,584,507
Gap	(214,360,952)	115,209,061	(9,282,774)	(105,882,714)	(142,179,949)	(93,425,471)	21,200,895

Note: This table includes only financial assets/liabilities denominated in the NTD dollars held by the head office and domestic branches.

(2) In Thousands of US dollars

	Total	June 30, 2022 For remaining period to maturity date				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow on maturity	$ 13,722,139	$ 3,791,510	$ 1,847,103	$ 1,097,388	$ 1,066,759	$ 5,919,379
Major cash outflow on maturity	15,440,290	2,464,477	2,086,713	2,016,180	2,559,970	6,312,950
Gap	(1,718,151)	1,327,033	(239,610)	(918,792)	(1,493,211)	(393,571)

	Total	December 31, 2021 For remaining period to maturity date				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow on maturity	$ 14,359,196	$ 5,046,690	$ 1,680,396	$ 698,018	$ 1,016,554	$ 5,917,538
Major cash outflow on maturity	15,656,617	2,237,988	2,254,601	1,908,869	2,986,539	6,268,620
Gap	(1,297,421)	2,808,702	(574,205)	(1,210,851)	(1,969,985)	(351,082)

	Total	June 30, 2021 For remaining period to maturity date				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow on maturity	$ 13,590,225	$ 5,189,393	$ 791,149	$ 650,455	$ 1,043,427	$ 5,915,801
Major cash outflow on maturity	14,904,191	2,055,253	1,998,529	1,952,430	2,799,094	6,098,885
Gap	(1,313,966)	3,134,140	(1,207,380)	(1,301,975)	(1,755,667)	(183,084)

Note: This table includes only financial assets/liabilities denominated in the US dollars held by the head office, branches and OBU.

42.5.2 SCB (HK)

In Thousands of US dollars

	Total	June 30, 2022 For remaining period to maturity date				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow on maturity	$ 10,854,146	$ 2,002,847	$ 688,991	$ 1,048,166	$ 1,700,451	$ 5,413,691
Major cash outflow on maturity	8,714,978	5,176,804	2,173,856	900,975	164,470	298,873
Gap	2,139,168	(3,173,957)	(1,484,865)	147,191	1,535,981	5,114,818

	Total	December 31, 2021 For remaining period to maturity date				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow on maturity	$ 11,251,276	$ 2,030,424	$ 1,082,054	$ 1,326,440	$ 1,042,141	$ 5,770,217
Major cash outflow on maturity	9,174,182	5,048,281	2,412,323	840,980	324,836	547,762
Gap	2,077,094	(3,017,857)	(1,330,269)	485,460	717,305	5,222,455

	Total	June 30, 2021 For remaining period to maturity date				
		0 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Major cash inflow on maturity	$ 12,535,098	$ 2,092,042	$ 1,331,758	$ 1,257,465	$ 2,018,595	$ 5,835,238
Major cash outflow on maturity	9,296,468	4,935,472	2,393,194	1,078,250	340,646	548,906
Gap	3,238,630	(2,843,430)	(1,061,436)	179,215	1,677,949	5,286,332

Note: This table includes only financial assets/liabilities held by SCB.

43. 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	June 30, 2022	December 31, 2021	June 30, 2021	Trust Liabilities	June 30, 2022	December 31, 2021	June 30, 2021
Bank deposit	$ 8,311,791	$ 7,375,059	$ 6,490,593	Accounts payable	$ 113	$ 161	$ 102
Short-term investments	94,745,849	90,663,600	88,276,154	Depository of security payable	69,094,702	73,234,289	76,497,285
Net asset value of collective investment trust fund	6,869,672	7,960,305	6,834,967	Trust capital	147,690,296	138,760,691	132,293,230
Accounts receivable	12,476	9,518	8,254	Accumulated (loss) gain and equity	(583,723)	206,815	152,117
Land	29,420,121	27,760,022	26,819,834				
Buildings and improvement, net	85,792	92,954	158,665				
Construction in progress	7,604,059	5,049,288	3,801,830				
Securities in custody	69,094,702	73,234,289	76,497,285				
Other assets	56,926	56,921	55,152				
Total trust assets	$ 216,201,388	$ 212,201,956	$ 208,942,734	Total trust liabilities	$ 216,201,388	$ 212,201,956	$ 208,942,734

Trust Asset Lists

Item	June 30, 2022	December 31, 2021	June 30, 2021
Cash in banks	$ 8,311,791	$ 7,375,059	$ 6,490,593
Short-term investment			
Funds	67,760,923	67,990,417	66,425,673
Bonds	19,772,216	15,997,545	17,083,461
Common stocks	4,776,388	3,469,653	3,006,588
Structured instruments	2,245,496	3,087,465	1,651,637
Preferred stock	190,826	118,520	108,795
Net asset value of collective trust accounts	6,869,672	7,960,305	6,834,967
Receivables	12,476	9,518	8,254
Land	29,420,121	27,760,022	26,819,834
Buildings and improvement, net	85,792	92,954	158,665
Construction in progress	7,604,059	5,049,288	3,801,830
Depository of securities	69,094,702	73,234,289	76,497,285
Other assets - principal deferred expense	56,926	56,921	55,152
Total	$ 216,201,388	$ 212,201,956	$ 208,942,734

Income Statements of Trust Account

	For the Six Months Ended June 30	
	2022	2021
Trust income		
Interest income	$ 9,315	$ 7,888
Dividend income	1,430	-
Donation income	117	43
Realized investment gains	1,639	10,556
Unrealized investment gains	217,811	229,374
Other revenue	106,537	58,430
	336,849	306,291
Trust expenses		
Tax expenditures	51,765	113,520
Management expenses	4,204	3,702
Service expenses	1,841	4,322
Realized investment losses	8,246	24
Unrealized investment losses	1,027,187	146,164
Donation expenses	59	86
Other expenses	1,430	-
	1,094,732	267,818
Income (loss) before income tax	(757,883)	38,473
Income tax expense	-	-
Net income (loss)	$ (757,883)	$ 38,473

44. EXCHANGE RATE INFORMATION OF FOREIGN FINANCIAL ASSETS AND LIABILITIES

The information regarding significant financial assets/liabilities denominated in foreign currencies held by the Group was as follows:

44.1 The Bank

	June 30, 2022			December 31, 2021			June 30, 2021		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets									
Monetary items									
Cash and cash equivalents									
JPY	$ 44,430,453	0.2176	$ 9,668,067	$ 34,668,959	0.2404	$ 8,334,418	$ 29,362,716	0.2525	$ 7,414,086
USD	229,038	29.7350	6,810,445	445,460	27.6550	12,319,196	289,389	27.8920	8,071,638
CNY	531,887	4.4374	2,360,195	215,743	4.3421	936,778	448,628	4.3151	1,935,875
Due from the Central Bank and call loans to banks									
USD	2,618,754	29.7350	77,868,650	1,825,454	27.6550	50,482,930	1,301,274	27.8920	36,295,134
CNY	1,167,900	4.4374	5,182,439	122,800	4.3421	533,210	1,143,300	4.3151	4,933,454
VND	680,000,000	0.0013	884,000	640,000,000	0.0012	768,000	630,000,000	0.0012	756,000
Receivables									
USD	80,206	29.7350	2,384,925	84,389	27.6550	2,333,778	71,771	27.8920	2,001,837
JPY	1,430,608	0.2176	311,300	1,660,240	0.2404	399,122	1,033,278	0.2525	260,903
CNY	18,263	4.4374	81,040	18,654	4.3421	80,998	19,095	4.3151	82,397
Discounts and loans									
USD	4,411,313	29.7350	131,170,392	4,145,859	27.6550	114,653,731	4,249,705	27.8920	118,532,772
HKD	4,270,630	3.7894	16,183,125	3,920,675	3.5465	13,904,674	3,623,343	3.5924	13,016,497
EUR	335,400	31.0344	10,408,938	464,115	31.3774	14,562,722	533,891	33.2082	17,729,559
Financial assets at FVTOCI									
USD	1,814,945	29.7350	53,967,390	2,101,469	27.6550	58,116,125	2,003,197	27.8920	55,873,171
AUD	491,631	20.4562	10,056,902	224,379	20.0969	4,509,322	200,415	20.9692	4,202,542
CNY	1,469,820	4.4374	6,522,179	2,428,982	4.3421	10,546,883	1,783,791	4.3151	7,697,237
Financial assets measured at amortized cost									
SGD	62,672	21.3498	1,338,035	71,265	20.4723	1,458,958	66,437	20.7383	1,377,790
USD	13,093	29.7350	389,320	17,974	27.6550	497,071	169,100	27.8920	4,716,537
Financial assets at FVTPL									
USD	21,890	29.7350	650,899	23,585	27.6550	652,243	26,422	27.8920	736,962
EUR	23	31.0344	714	42	31.3774	1,318	43	33.2082	1,428
CAD	17	23.0611	392	-	-	-	6	22.5044	135
Other financial assets									
CNY	-	-	-	-	-	-	200,000	4.3151	863,020
Non-monetary items									
Equity investments under the equity method									
USD	2,580,836	29.7350	76,741,158	2,660,471	27.6550	73,575,326	2,624,901	27.8920	73,213,743
HKD	92,523	3.7894	350,607	90,388	3.5465	320,385	88,405	3.5924	317,586
Financial liabilities									
Monetary items									
Payables									
USD	115,233	29.7350	3,426,453	89,044	27.6550	2,462,512	132,296	27.8920	3,690,000
JPY	1,478,765	0.2176	321,779	1,693,730	0.2404	407,173	1,204,037	0.2525	304,019
EUR	1,532	31.0344	47,545	2,576	31.3774	80,828	3,258	33.2082	108,192
Deposits from the central bank and other banks									
HKD	1,173,000	3.7894	4,444,966	1,939,000	3.5465	6,876,664	1,850,000	3.5924	6,645,940
USD	76,384	29.7350	2,271,278	92,641	27.6550	2,561,987	262,953	27.8920	7,334,285
VND	1,457,000,000	0.0013	1,894,100	1,457,000,000	0.0012	1,748,400	1,223,000,000	0.0012	1,467,600
Deposits and remittances									
USD	9,701,054	29.7350	288,460,841	10,022,437	27.6550	277,170,495	9,444,565	27.8920	263,427,807
CNY	4,681,608	4.4374	20,774,167	4,132,735	4.3421	17,944,749	4,593,039	4.3151	19,819,423
EUR	598,703	31.0344	18,580,388	564,545	31.3774	17,713,954	561,302	33.2082	18,639,829
Financial liabilities at FVTPL									
USD	84,324	29.7350	2,507,374	88,223	27.6550	2,439,804	85,960	27.8920	2,397,596
CAD	17	23.0611	392	-	-	-	6	22.5044	135
EUR	10	31.0344	310	29	31.3774	910	30	33.2082	996

45.2 SCB (HK)

	June 30, 2022			December 31, 2021			June 30, 2021		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets									
Monetary items									
Cash and cash equivalents									
EUR	$ 192,191	31.0344	$ 5,964,532	$ 155,899	31.3774	$ 4,891,705	$ 145,709	33.2082	$ 4,838,734
JPY	24,609,861	0.2176	5,355,106	19,334,657	0.2404	4,648,052	15,104,658	0.2525	3,813,926
USD	151,834	29.7350	4,514,784	182,804	27.6550	5,055,445	38,310	27.8920	1,068,543
Due from the Central Bank and call loans to banks									
USD	2,300,748	29.7350	68,412,742	1,903,114	27.6550	52,630,618	2,428,966	27.8920	67,748,720
CNY	3,054,343	4.4374	13,553,342	2,263,641	4.3421	9,828,956	1,708,791	4.3151	7,373,604
Receivables									
USD	36,741	29.7350	1,092,494	47,682	27.6550	1,318,646	59,038	27.8920	1,646,688
CNY	-	-	-	42,236	4.3421	183,393	7,783	4.3151	33,584
Discounts and loans									
USD	4,796,637	29.7350	142,628,001	4,775,423	27.6550	132,064,323	4,857,365	27.8920	135,481,625
CNY	5,403,437	4.4374	23,977,211	5,418,566	4.3421	23,527,955	5,427,315	4.3151	23,419,407
GBP	498,557	36.0329	17,964,455	-	-	-	489,457	38.6472	18,916,143
Financial liabilities									
Monetary items									
Payables									
USD	21,803	29.7350	648,312	25,560	27.6550	706,862	102,929	27.8920	2,870,896
CNY	12,099	4.4374	53,688	40,825	4.3421	177,266	41,030	4.3151	177,049
Deposits from the central bank and other banks									
USD	605,591	29.7350	18,007,248	579,281	27.6550	16,020,016	737,373	27.8920	20,566,808
CNY	2,207,165	4.4374	9,794,074	1,480,145	4.3421	6,426,938	1,290,047	4.3151	5,566,682
GBP	12,090	36.0329	435,638	154,590	37.3467	5,773,426	170,596	38.6472	6,593,058
Deposits and remittances									
USD	7,522,771	29.7350	223,689,596	8,005,923	27.6550	221,403,801	7,890,982	27.8920	220,095,270
CNY	14,430,576	4.4374	64,034,238	15,498,812	4.3421	67,297,392	13,308,395	4.3151	57,427,055

45. OTHERS

Owing to the global outbreak of corona virus pandemic, the Bank's business strategies always follow the stable and practical core values. Despite facing the global economic turmoil, the Bank still maintained a steady growth of capital. The interim consolidated financial statements included relevant material information properly.

46. ADDITIONAL DISCLOSURES

46.1 Information of significant transaction items and 46.2 Other business investment is as follows:

46.1.1 Financing provided: Table 2.

46.1.2 Endorsement/guarantee provided: The Bank - not applicable; investees - not applicable or none.

46.1.3 Marketable securities held: Table 3.

46.1.4 Marketable securities (for investees) or investee investment (for the Bank) acquired and disposed of, at costs or prices of at least NT$300 million or 10% of the issued capital: Table 4.

46.1.5 Acquisition of individual real estate at costs of at least NT$300 million or 10% of the issued capital: None.

46.1.6 Disposal of individual real estate at prices of at least NT$300 million or 10% of the issued capital: Table 5.

46.1.7 Allowance for service fees to related-parties amounting to more than NT$5 million: None.

46.1.8 Receivables from related parties amounting to at least NT$300 million or 10% of the issued capital: None.

46.1.9 Sale of non-performing loans: None.

46.1.10 Application for approval of securitization product types and information according to Financial Asset Securitization Clause of the Real State Securitization Act: None.

46.1.11 Other significant transactions which may have effects on decision making of financial statement users: None.

46.1.12 Names, locations, and other information of investees on which the Bank exercises significant influence: Table 6.

46.1.13 Derivative financial transactions: Note 8 on which the Bank exercises significant influence has no such transactions.

46.3 Investments in Mainland China:

46.3.1 Name of the investees in mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in mainland China: Table 7.

46.3.2 Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss: None.

46.4 Significant transactions and the amount among the parent and its subsidiaries: Table 8.

46.5 Information of major shareholders:

list all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder: None.

47. SEGMENT INFORMATION

Information reported to the chief operating decision maker focuses on the major geographical areas and profit or loss of the segments. The Group's segments mainly operate in Taiwan and Hong Kong.

The Group provides income before tax of each operating segment to the chief operating decision maker as the basis of resource allocation and assessment of segment performance.

The significant accounting policies of each operating segment are in line with the Group's significant accounting policies stated in Note 4.

The operating segments information is as follows:

	For the Six Months Ended June 30, 2022				
	Taiwan	Hong Kong	Others	Other Adjustments	Total
Net interest income	$ 6,921,949	$ 6,577,291	$ 1,039,943	$ 5	$ 14,539,188
Non-interest income	2,996,343	2,616,592	168,169	(1,489)	5,779,615
Net revenue	9,918,292	9,193,883	1,208,112	(1,484)	20,318,803
Provisions for bad-debt expense, commitment and guarantee liability	(450,000)	(185,791)	(155,205)	-	(790,996)
Operating expenses	(3,988,919)	(3,233,908)	(773,180)	(15,944)	(8,011,951)
Profit before income tax	$ 5,479,373	$ 5,774,184	$ 279,727	$ (17,428)	$ 11,515,856

	For the Six Months Ended June 30, 2021				
	Taiwan	Hong Kong	Others	Other Adjustments	Total
Net interest income	$ 5,810,873	$ 6,729,407	$ 826,223	$ 4	$ 13,366,507
Non-interest income	2,846,300	2,928,704	188,699	44,649	6,008,352
Net revenue	8,657,173	9,658,111	1,014,922	44,653	19,374,859
Provisions for bad-debt expense, commitment and guarantee liability	(450,000)	(135,156)	(99,874)	-	(685,030)
Operating expenses	(3,732,168)	(3,096,618)	(676,571)	(16,249)	(7,521,606)
Profit before income tax	$ 4,475,005	$ 6,426,337	$ 238,477	$ 28,404	$ 11,168,223

The Group did not periodically disclose information on all assets of each operating segment to the operating management, there was no amount of assets.

Main operating clients

The Group's revenue from any single external client did not exceed 10% of the total revenue, thus main operating clients were not disclosed.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

OVERDUE LOANS AND RECEIVABLES
JUNE 30, 2022, DECEMBER 31, 2021 AND JUNE 30, 2021
(In Thousands of New Taiwan Dollars, %)

Date			June 30, 2022					December 31, 2021					June 30, 2021				
Business			Overdue Loans (Note 1)	Loans	NPL Ratio (%) (Note 2)	Loan Loss Reserve(LLR)	Coverage Ratio (Note 3)	Overdue Loans (Note 1)	Loans	NPL Ratio (%) (Note 2)	Loan Loss Reserve(LLR)	Coverage Ratio (Note 3)	Overdue Loans (Note 1)	Loans	NPL Ratio (%) (Note 2)	Loan Loss Reserve(LLR)	Coverage Ratio (Note 3)
Corporate banking	Secured		1,312,717	288,352,620	0.46	3,223,567	245.56	386,910	285,324,670	0.14	3,296,432	851.99	585,672	289,533,258	0.20	3,417,381	583.50
	Unsecured		316,604	211,798,472	0.15	2,737,242	864.56	153,242	198,650,305	0.08	2,105,034	1,373.67	262,201	184,057,908	0.14	2,074,296	791.11
Consumer banking	Mortgage (Note 4)		227,275	262,721,508	0.09	4,073,500	1,792.32	398,236	249,357,470	0.16	4,194,529	1,053.28	508,130	246,671,041	0.21	4,150,455	816.81
	Cash cards		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Microcredit (Note 5)		6,671	3,939,253	0.17	43,320	649.38	3,271	3,211,021	0.10	35,857	1,096.21	4,823	3,063,565	0.16	34,934	724.32
	Others (Note 6)	Secured	29,135	33,280,735	0.09	349,961	1,201.17	22,978	32,826,363	0.07	354,584	1,543.15	20,187	30,595,126	0.07	323,946	1,604.73
		Unsecured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total			1,892,402	800,092,588	0.24	10,427,590	551.02	964,637	769,369,829	0.13	9,986,436	1,035.25	1,381,013	753,920,898	0.18	10,001,012	724.18
			Overdue Loans (Note 1)	Accounts Receivable	Delinquency Ratio (%) (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Overdue Loans (Note 1)	Accounts Receivable	Delinquency Ratio (%) (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)	Overdue Loans (Note 1)	Accounts Receivable	Delinquency Ratio (%) (Note 2)	Allowance for Credit Losses	Coverage Ratio (Note 3)
Credit cards			6,954	2,736,960	0.25	89,511	1,287.19	5,064	2,797,758	0.18	89,820	1,773.70	5,826	2,210,140	0.26	86,885	1,491.33
Accounts receivable factored without recourse (Note 7)				469,892	-	4,699		-	567,807	-	5,678	-	-	423,042	-	4,230	-

Note 1: Non-performing loans represent the amounts of non-performing loans reported to the authorities and disclosed to the public, as required by the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrued Loans."
Non-performing credit card receivables represent the amounts of non-performing receivables reported to the authorities and disclosed to the public, as required by the Banking Bureau's letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: Ratio of non-performing loans: Non-performing loans ÷ Outstanding loan balance.
Ratio of non-performing credit card receivables: Non-performing credit card receivables ÷ Outstanding credit card receivables balance.

Note 3: Coverage ratio of loans: Allowance for possible losses on loans ÷ Non-performing loans.
Coverage ratio of credit card receivables: Allowance for possible losses on credit card receivables ÷ Non-performing credit card receivables.

Note 4: Housing mortgage is fully secured by property, which is purchased (owned) by the borrower, the spouse or the minor children of the borrower and the rights on mortgage are pledged to the financial institution, for the purpose of purchasing or decorating property.

Note 5: Small scale credit loans, as categorized in accordance with the Banking Bureau's letter dated December 19, 2005 (Ref. No. 09440010950), are unsecured loans with small amounts exclusive of credit cards and cash cards.

Note 6: Other loans of consumer banking refer to secured or unsecured loans exclusive of housing mortgage, cash card, small scale credit loans and credit card.

Note 7: As required by the Banking Bureau's letter dated July 19, 2005 (Ref. No. 0945000494), factoring without recourse is disclosed as non-performing receivables in three months after the factors or insurance companies reject indemnification.

TABLE 1-1

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

OVERDUE LOANS AND RECEIVABLES
JUNE 30, 2022, DECEMBER 31, 2021 AND JUNE 30, 2021
(In Thousands of New Taiwan Dollars)

	June 30, 2022		December 31, 2021		June 30, 2021	
	Excluded NPL	Excluded Overdue Receivables	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)	-	32,261	-	34,215	-	34,435

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).

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

LOANS AND OTHER INFORMATION
JUNE 30, 2022
(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	$ 79,873	$ 79,873	$ 79,873	6%~11%	1	$ 79,873	-	$ 799	Real estate	$ 267,575	$ 397,904	$ 994,760
1	SCSB Leasing (China) Co., Ltd.	B Co., Ltd.	Entrusted loan receivables	N/A	57,686	48,811	48,811	6%~11%	1	48,811	-	17,585	Real estate	190,542	397,904	994,760

Note 1: The numbers refer to the following:
(1) Issuer is 0.
(2) Investees are numbered sequentially starting from 1.

Note 2: The nature of capital loans corresponds to the following values:
(1) 1 for business dealing.
(2) 2 for reasons of short-term financing facility.

Note 3: The amounts and calculation of the loan limit are as follows:

1. Individual fund loans and limits

(1) For an enterprise or organization that has no business relationship with the lender but has short-term financing facility, the loan amount to the single enterprise or organization shall not exceed 40% of the net value as presented in the latest financial statements of the lender as audited by the accountant.

(2) For an enterprise or organization that has no business dealings with the lender but has short-term financing facility, the loan amount to the single enterprise or organization shall not exceed 20% of the net value as presented in the latest financial statements of the lender as audited by the accountant.

2. Capital loans and total loan limits

(1) For an enterprise or organization that has no business dealings with the lender but has short-term financing facility, the total accumulated loan balance of the single enterprise or organization shall not exceed twice the net value as presented in the latest financial statements of the lender as audited by the accountant.

(2) For an enterprise or organization that has no business dealings with the lender but has short-term financing facility, the total accumulated loan balance of the single enterprise or organization shall not exceed 40% of the net value as presented in the latest financial statements of the lender as audited by the accountant.

The total accumulated loan balance of the above two parties shall not exceed twice the net value as presented in the latest financial statements of the lender as audited by the accountant.

TABLE 3

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
JUNE 30, 2022
(In Thousands of New Taiwan Dollars)

Holding Company Name	Name	Security Issuer's Relationship with Holding Company	Financial Statement Account	June 30, 2022				Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership (%)	Market Value or Net Asset Value	
Shancom Reconstruction Inc.	Empresa Inversiones Generales, S.A.	Indirect subsidiary	Investments in subsidiaries	1	$ 21,333	100.00	$ 21,333	Note
	Krinein Company	Indirect subsidiary	Investments in subsidiaries	2	28,199	100.00	28,199	Note
	Safehaven Investment Corporation	Indirect subsidiary	Investments in subsidiaries	1	48,791	100.00	48,791	Note
Shanghai Commercial Bank (HK)	Shanghai Commercial & Savings Bank, Ltd.	The Bank	Financial assets measured at FVTOCI	11,370	604,226	0.25	604,226	
Wresqueue Limitada	Prosperity Realty Inc.	Indirect subsidiary	Investments in subsidiaries	4	29,915	100.00	29,915	Note
China Travel Service (Taiwan)	Silks Place Taroko	-	Equity investments under the equity method	20,372	304,435	45.00	304,435	
	CTS Travel International Ltd.	Indirect subsidiary	Investments in subsidiaries	600	7,016	100.00	7,016	Note
	Joy Tour Service Co., Ltd.	-	Financial assets measured at FVTOCI	100	1,000	10.00	1,000	
	Shanghai Commercial & Savings Bank, Ltd.	The Bank	Financial assets measured at FVTOCI	27	1,477	-	1,477	
SCSB Asset Management Ltd.	SCSB Leasing (China) Co., Ltd.	Indirect subsidiary	Investments in subsidiaries	N/A	1,007,822	100.00	1,007,822	Note
Krinein Company	Shanghai Commercial Bank (HK)	Indirect subsidiary	Investments in subsidiaries	1,920	11,956,990	9.60	11,956,990	Note
Empresa Inversiones Generales, S.A.	Shanghai Commercial Bank (HK)	Indirect subsidiary	Investments in subsidiaries	9,600	59,784,950	48.00	59,784,950	Note

Note: A consolidated entity; the related intercompany transaction was eliminated in the consolidated financial statements.

TABLE 4

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

MARKETABLE SECURITIES (FOR INVESTEES) OR INVESTEE INVESTMENT (FOR THE BANK) ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 10% OF THE ISSUED CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2022
(Amounts in Thousands of New Taiwan Dollars and US Dollars) (Share in Thousands)

Trading company	Name	Financial Statement Account	Counterparty	Relationship	Beginning		Buy		Sell				Ending	
					Shares	Amount	Shares	Amount	Shares	Price	Book Value	Disposal Profit and Loss	Shares	Amount
The Shanghai Commercial & Savings Bank, Ltd.	AMK Microfinance Institution Plc.	Equity investments under the equity method	-	None	7,278,997	NT$3,981,362 US$ 143,965 (Note 1 and Note 3)	3,667,500	NT$ 626,400 US$ 22,500 (Note 2)	-	$ -	$ -	$ -	10,946,497	NT$5,119,961 US$ 172,186 (Note 1 and Note 3)

Note 1：It included share of ownership interests in subsidiary accounted for using the equity method of NT$154,900 thousand (US$5,374 thousand), and net increase of NT$357,299 thousand in owner's other equity attributable to the parent company.

Note 2：Proceeds from capital increase by cash is $626,400 thousand.

Note 3：It has been written off when the consolidated financial statements are prepared.

TABLE 5

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

DISPOSAL OF ASSETS AT PRICES REACHEING $300 MILLION OR 10% OF THE ISSUED CAPITAL FOR THE SIX MONTHS ENDED JUNE 30, 2022 (In Thousands of New Taiwan Dollars)

Seller	Property	Event Date (Note 1)	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain (Loss) on Disposal (Note 2)	Counterparty	Relationship	Purpose of Disposal	Price Reference	Other Terms
The Shanghai Commercial & Savings Bank, Ltd.	Land, buildings and improvements	2021/11/13	2000/1/15	$ 114,504	$ 341,264	Full payment received	$ 208,377	Other related party	The relatives of the Bank's directors	Revitalize assets to increase profits	With reference to the appraisal report issued by Colliers International Real Estate Appraisers Associates and Repro International Real Estate Appraisers	None

Note 1: The event date is the date of the resolution of the board of directors.

Note 2: The disposal gain of NT$208,377 thousand was calculated by deducting the land value increment tax of NT$18,383 thousand and the carrying amount of NT$114,504 thousand from the transaction amount of NT$341,264 thousand.

TABLE 6

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

RELATED INFORMATION OF INVESTEES
FOR THE SIX MONTHS ENDED JUNE 30, 2022
(Amounts 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										
Shanghai Commercial Bank (HK)	Hong Kong	Banking and financial	57.60	$ 71,741,940	$ 2,636,665	11,520	-	11,520	57.60	
AMK Microfinance Institution Plc.	Cambodia	Microfinance institution	99.99	5,119,961	154,901	10,947	-	10,947	99.99	
SCSB Asset Management Ltd.	Taiwan	Purchase and management of creditor's rights of financial institutions	100.00	1,705,627	15,863	160,000	-	160,000	100.00	
SCSB Leasing (China) Co., Ltd.	China	Leasing operation	100.00	1,007,822	12,967	N/A	-	N/A	100.00	
Paofoong Insurance Company Ltd.	Hong Kong	Insurance	40.00	350,607	7,985	500	-	500	100.00	
SCSB Marketing Ltd.	Taiwan	Marketing	100.00	8,045	955	500	-	500	100.00	
Non-financial business										
Shancom Reconstruction Inc.	Liberia	Securities investment	100.00	71,271,904	2,621,432	5	-	5	100.00	
China Travel Service (Taiwan)	Taiwan	Travel services	99.99	427,883	24,479	38,943	-	38,943	99.99	
Wresqueue Limitada	Liberia	Securities investment	100.00	349,303	2,486	176	-	176	100.00	
Silks Place Taroko	Taiwan	Travel services	45.00	304,435	37,248	20,372	-	20,372	45.00	
Safehaven Investment Corporation	Liberia	Securities investment	100.00	48,791	154	1	-	1	100.00	
Prosperity Realty Inc.	USA	Real estate services	100.00	29,915	1,897	4	-	4	100.00	
Krinein Company	Cayman Islands	Securities investment	100.00	28,199	110,098	2	-	2	100.00	
Empresa Inversiones Generales, S.A.	Panama	Securities investment	100.00	21,333	550,031	1	-	1	100.00	
CTS Travel International Ltd.	Taiwan	Travel services	100.00	7,016	1	600	-	600	100.00	
Kuo Hai Real Estate Management	Taiwan	Building material distribution	34.69	-	-	3,000	-	3,000	34.69	

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 7

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
JUNE 30, 2022
(Amounts in Thousands of New Taiwan Dollars and US Dollars)

1. Investee company name, main business and products, total amount of paid-in capital, investment type, investment outflows and inflows, % ownership, investment gain (loss), carrying amount as of June 30, 2022 and inward remittance of earnings:

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type	Accumulated Outflow of Investment as of December 31, 2021	Investment Flows		Accumulated Outflow of Investment as of June 30, 2022	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of June 30, 2022 (Note 3)	Accumulated Inward Remittance of Earnings as of June 30, 2022
					Outflow	Inflow					
SCSB Leasing (China) Co., Ltd.	Leasing operation	NT$ 892,050 US$ 30,000	Note1(3)	NT$ 892,050 US$ 30,000	- -	- -	NT$ 892,050 US$ 30,000	100%	NT$ 12,967 US$ 452	NT$ 1,007,822 US$ 33,893	$ -
Bank of Shanghai	Banking business approved by local government	NT$ 63,040,584 US$ 2,120,080	Note 4	NT$ 3,352,413 US$ 112,743	- -	- -	NT$ 3,352,413 US$ 112,743	3%	- -	NT$ 12,396,323 US$ 416,893	-
Shanghai Commercial Bank Ltd. - Shenzhen Branch	Banking business approved by local government	NT$ 3,111,916 US$ 104,655	Note 4	NT$ 1,899,858 US$ 63,893	- -	- -	NT$ 1,899,858 US$ 63,893	100%	NT$ 57,726 US$ 2,013	NT$ 2,875,133 US$ 96,692	-
Shanghai Commercial Bank Ltd. - Shanghai Branch	Banking business approved by local government	NT$ 3,252,639 US$ 109,388	Note 4	NT$ 1,924,360 US$ 64,717	- -	- -	NT$ 1,924,360 US$ 64,717	100%	NT$ 83,991 US$ 2,929	NT$ 3,311,719 US$ 111,374	-
The Shanghai Commercial & Savings Bank, Ltd. - Wuxi Branch	Banking business approved by local government	NT$ 2,578,233 US$ 86,707	Note1(1)	NT$ 2,578,233 US$ 86,707	- -	- -	NT$ 2,578,233 US$ 86,707	100%	NT$ (23,576) US$ (822)	NT$ 2,616,004 US$ 87,977	-

2. Upper limit on investments in mainland China:

Accumulated Investment in Mainland China as of June 30, 2022 (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA (Note 3)	Upper Limit on Investment Authorized by Investment Commission MOEA
$ 10,646,914 (US$ 358,060)	$ 10,915,272 (US$ 367,085)	$ 121,149,211

Note 1: Methods of investment in mainland China are listed below:

(1) Directly invest.
(2) Invest indirectly via a third company.
(3) Others.

Note 2: Financial report audited by the accounting firm associated with the parent company in Taiwan.

Note 3: Calculated using the exchange rate on June 30, 2022.

Note 4: To invest via sub-subsidiary of the Bank, Shanghai Commercial Bank (HK).

TABLE 8

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2022
(In Thousands of New Taiwan Dollars)

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transaction			
				Financial Statement Item	Amount	Term	Percentage of Consolidated Total Gross Sales or Total Assets (Note 3)
0	The Shanghai Commercial & Savings Bank, Ltd.	SCSB Asset Management Ltd.	From parent company to subsidiary	Accounts payable	$ 237	Note 4	-
		SCSB Asset Management Ltd.	From parent company to subsidiary	Deposits and remittances	372,965	Note 4	-
		SCSB Asset Management Ltd.	From parent company to subsidiary	Other liabilities	61	Note 4	-
		SCSB Asset Management Ltd.	From parent company to subsidiary	Interest expenses	1,445	Note 4	-
		SCSB Asset Management Ltd.	From parent company to subsidiary	Other non-interest income	115	Note 4	-
		SCSB Asset Management Ltd.	From parent company to subsidiary	Other general and administrative expenses	2	Note 4	-
		SCSB Marketing	From parent company to subsidiary	Accounts payable	4	Note 4	-
		SCSB Marketing	From parent company to subsidiary	Deposits and remittances	12,188	Note 4	-
		SCSB Marketing	From parent company to subsidiary	Other liabilities	20	Note 4	-
		SCSB Marketing	From parent company to subsidiary	Interest expenses	29	Note 4	-
		SCSB Marketing	From parent company to subsidiary	Other non-interest income	42,947	Note 4	-
		SCSB Marketing	From parent company to subsidiary	Other non-interest income	39	Note 4	-
		China Travel Service (Taiwan)	From parent company to subsidiary	Accounts payable	140	Note 4	-
		China Travel Service (Taiwan)	From parent company to subsidiary	Deposits and remittances	109,003	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	322	Note 4	-
		China Travel Service (Taiwan)	From parent company to subsidiary	Other non-interest income	351	Note 4	-
		China Travel Service (Taiwan)	From parent company to subsidiary	Other general and administrative expenses	460	Note 4	-
		CTS Travel International Ltd.	From parent company to subsidiary	Accounts payable	25	Note 4	-
		CTS Travel International Ltd.	From parent company to subsidiary	Deposits and remittances	5,145	Note 4	-
		CTS Travel International Ltd.	From parent company to subsidiary	Interest expenses	22	Note 4	-
		Shancom Reconstruction Inc.	From parent company to subsidiary	Cash and cash equivalents	404,574	Note 4	-
		Shancom Reconstruction Inc.	From parent company to subsidiary	Due from the Central Bank and call loans to banks	50,610	Note 4	-
		Shancom Reconstruction Inc.	From parent company to subsidiary	Accounts payable	39	Note 4	-
		Shancom Reconstruction Inc.	From parent company to subsidiary	Deposits and remittances	88,828	Note 4	-
		Shancom Reconstruction Inc.	From parent company to subsidiary	Interest revenue	13	Note 4	-
		Shancom Reconstruction Inc.	From parent company to subsidiary	Interest expenses	256	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)
1	SCSB Asset Management Ltd.	The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Cash and cash equivalents	$ 372,965	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Accounts receivable	237	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Interest revenue	1,445	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Other assets	61	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Right-of-use assets	567	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Lease liabilities	569	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Other general and administrative expenses	113	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Other non-interest income	2	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Interest expenses	4	Note 4	-
		Shancom Reconstruction Inc.	From subsidiary to subsidiary	Cash and cash equivalents	223,360	Note 4	-
		Shancom Reconstruction Inc.	From subsidiary to subsidiary	Interest revenue	3,267	Note 4	-
2	SCSB Marketing	The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Cash and cash equivalents	12,188	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Accounts receivable	4	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	29	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Right-of-use assets	247	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Lease liabilities	250	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Other general and administrative expenses	40	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Interest expenses	2	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Other non-interest income	42,947	Note 4	-
3	China Travel Service (Taiwan)	The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Accounts receivable	140	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Cash and cash equivalents	109,003	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	322	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Other general and administrative expenses	351	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Other non-interest income	460	Note 4	-
		Shancom Reconstruction Inc.	From subsidiary to subsidiary	Cash and cash equivalents	164	Note 4	-
		CTS Travel International Ltd.	From subsidiary to subsidiary	Other general and administrative expenses	521	Note 4	-
4	CTS Travel International Ltd.	The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Accounts receivable	25	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Cash and cash equivalents	5,145	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Interest revenue	22	Note 4	-
		China Travel Service (Taiwan)	From subsidiary to subsidiary	Service fee income	470	Note 4	-
		China Travel Service (Taiwan)	From subsidiary to subsidiary	Other non-interest income	51	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)
5	Shancom Reconstruction Inc.	The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Due from the Central Bank and call loans to banks	$ 404,574	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Accounts receivable	39	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Cash and cash equivalents	139,432	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Interest expenses	13	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	From subsidiary to parent company	Interest revenue	256	Note 4	-
		China Travel Service (Taiwan)	From subsidiary to subsidiary	Deposits and remittances	164	Note 4	-
		SCSB Asset Management Ltd.	From subsidiary to subsidiary	Deposits and remittances	223,360	Note 4	-
		SCSB Asset Management Ltd.	From subsidiary to subsidiary	Interest expenses	3,267	Note 4	-

Note 1: The parent company and subsidiaries are indicated by the following numbers:

(1) Parent company: 0.
(2) Subsidiaries: 1 onward.

Note 2: The directional flow of the various transactions are indicated according to the following types:

(1) Transactions from parent company to subsidiary.
(2) Transactions from subsidiary to parent company.
(3) Transactions from subsidiary to subsidiary.
(4) Transactions from parent company to indirect subsidiary.
(5) Transactions from indirect subsidiary to parent company.

Note 3: The percentages are recalculated by the consolidated total assets or the consolidated net sales. If the account belongs to the balance sheets, it will be based on the percentage of its final amount divided by the consolidated total assets. Otherwise, if the account belongs to the income statements, it will be based on the percentage of its average amount divided by the consolidated net revenue.

Note 4: All transactions with related parties were carried out at arm’s length.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following unaudited pro forma consolidated statement of assets and liabilities of the Group (the "**Unaudited Pro Forma Financial Information**") has been prepared on the basis of the notes set out below for the purpose of illustrating the effects on the assets and liabilities of the Group as if the Proposed Transaction (to be defined below) had been completed on 30 June 2022.

The Unaudited Pro Forma Financial Information of the Group as at 30 June 2022 has been prepared based on (i) the unaudited consolidated balance sheet of the Group as at 30 June 2022, as set out in its published interim report for the period ended 30 June 2022; and (ii) the pro forma adjustments prepared to reflect the effects of the proposed subscription of shares of The Shanghai Commercial & Savings Bank Limited by the Group (the "**Proposed Transaction**") as explained in the notes set out below that are directly attributable to the Proposed Transaction and not relating to future events or decisions and are factually supportable.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information contained in this circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors for illustrative purposes only and is based on a number of assumptions, estimates and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Group had the Proposed Transaction been completed as at 30 June 2022 or any future date.

(I) Unaudited pro forma financial information of the Group

	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2022	Pro forma adjustments	Unaudited pro forma consolidated statement of assets and liabilities of the Group as at 30 June 2022
	HK$'000	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	
ASSETS			
Non-current assets			
Property, plant and equipment	155	–	155
Right-of-use assets	9,177	–	9,177
Investment properties	2,483,000	–	2,483,000
Investments in joint ventures	94,083	–	94,083
Financial assets at fair value through other comprehensive income	2,457,226	120,671	2,577,897
Non-current financial assets at fair value through profit or loss	9,880	–	9,880
	5,053,521	120,671	5,174,192
Current assets			
Trade and other receivables	92,775	–	92,775
Financial assets at fair value through profit or loss	361,699	–	361,699
Cash and bank balances			
– Pledged bank deposits	7,692	–	7,692
– Cash and cash equivalents	119,884	(117,184)	2,700
	582,050	(117,184)	464,866
Total assets	5,635,571	3,487	5,639,058

	Unaudited consolidated statement of assets and liabilities of the Group as at 30 June 2022	Pro forma adjustments	Unaudited pro forma consolidated statement of assets and liabilities of the Group as at 30 June 2022
	HK$'000	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	
LIABILITIES			
Non-current liabilities			
Non-current lease liabilities	5,713	–	5,713
Deferred income tax liabilities	28,199	–	28,199
Other non-current liability	1,490	–	1,490
	35,402	–	35,402
Current liabilities			
Trade and other payables	52,582	3,487	56,069
Current income tax liabilities	18,113	–	18,113
Lease liabilities	3,395	–	3,395
	74,090	3,487	77,577
Total liabilities	109,492	3,487	112,979
Net assets	5,526,079	–	5,526,079

(II) Notes to the unaudited pro forma financial information of the Group

1. The amounts are extracted from the unaudited condensed consolidated balance sheet of the Group as at 30 June 2022 as set out in its published interim report for the period ended 30 June 2022.

2. Proposed Subscription

	HK$'000
Subscription consideration	117,184
Transaction costs	3,487
	120,671

As the fair value of the SCSB shares to be received under the Proposed Subscription cannot be determined at the date when this unaudited pro forma financial information is prepared, for the purpose of this unaudited pro forma financial information, it is assumed that the Group will recognise the SCSB shares to be received under the Proposed Subscription as financial assets at fair value through other comprehensive income, initially measured at the subscription price and the transaction costs. The adjustment represents the Proposed Subscription with consideration payable by the Group amounting to NT$481,625,000 (equivalent to approximately HK$117,184,000) based on the subscription price of NT$37 per share (equivalent to approximately HK$9 per share) and transaction costs of approximately HK$3,487,000 directly attributable to the Proposed Subscription. The subscription consideration of approximately HK$117,184,000 for the Proposed Subscription will be satisfied in cash.

The fair value of the SCSB shares at the Completion Date may be materially different from the value used in the preparation of this unaudited pro forma financial information. Accordingly, the actual amount to be recorded in the consolidated financial statements of the Group upon the Completion may be materially different from the amounts shown in this unaudited pro forma financial information.

The final amounts of SCSB shares classified as financial assets at fair value through other comprehensive income will be stated at the quoted market price upon the completion of the Proposed Subscription.

For illustrative purpose, consideration payable is translated into HK$ at the exchange rate of HK$1 to NT$4.11, such translation does not constitute a representation that any amount has been, could have been, or may otherwise be exchanged or converted at the above rate.

3. Apart from the Proposed Subscription, no other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by the Group subsequent to 30 June 2022. In particular, the Unaudited Pro Forma Financial Information does not take into consideration the settlement of dividend receivables of HK$65,726,000 due from SCSB in July 2022.

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

pwc 羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Nanyang Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Nanyang Holdings Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2022 and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages III-1 to III-4 of the Company's circular dated 15 November 2022 (the "**Circular**"), in connection with the proposed subscription of shares of The Shanghai Commercial & Savings Bank Limited by the Group (the "**Transaction**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-4 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Transaction on the Group's financial position as at 30 June 2022 as if the Transaction had taken place at 30 June 2022. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's interim financial information for the period ended 30 June 2022 set out in the interim report, on which no audit or review report has been published.

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Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 30 June 2022 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 November 2022

MANAGEMENT DISCUSSION AND ANALYSIS ON SCSB

Set out below is the management discussion and analysis on SCSB for the two years ended 31 December 2020 and 2021 based on the published information of SCSB.

In 2021, global economic activity was clearly on the rebound thanks to growing vaccination coverage and eased restrictions in many economies worldwide. SCSB continued to uphold the principles of "asset safety, liquidity sufficiency and capital adequacy" in stable business operations and created consistently solid returns in business performance. SCSB achieved a net income after tax of NT$14.26 billion, a year-end non-performing loan ratio of 0.13%, a liquidity ratio of 31.19% and a capital adequacy ratio of 14.87%.

Overview of global & domestic financial environment

Strong exports and private sector investment continued to drive economic growth in 2021. Taiwan's annual economic growth reached 6.45%, a new high since the financial crisis. In terms of financial conditions, the Central Bank of Taiwan continued to adopt a loose monetary policy and held interest rates unchanged for seven consecutive quarters. The NT$ to US$ exchange rate was buoyed by returning Taiwanese businesses from overseas and export surplus, and showed a steady upward trend. The exchange rate closed at 27.69 at the end of the year, up by 3.0% over the year. Driven by the sound fundamentals of industries related to semiconductor, IT, communication, and electric vehicle parts companies, the TWSE reached a new high and closed at 18,218 at the end of the year, up by 23.7%.

Operational plans, strategies and results

The 2021 business plan allocated many resources to a range of core businesses, including corporate banking, personal banking, wealth management, treasury marketing, deposits and remittances, and digital banking. The plan focused on increasing the usage of fintech, accelerating the digital transition and promoting Environmental, Social, and Governance (ESG) to create sustainable value.

The results of 2021 business plan and strategy were reflected on the growth of main businesses and profits, year on year, in which the average deposit balance was NT$1,029.1 billion, up 1.3%, and average loan balance was NT$750.3 billion, down 0.2%; profit before income tax was NT$15.35 billion, up 3.9%, net income after income tax was NT$14.26 billion, up 5.9%; earnings per share was NT$3.19, up 6.0%; after-tax return on assets and after-tax return on equity were 1.05% and 9.11% respectively.

Budget implementation

As for main businesses and net income after income tax, the budgets achieving ratio of operational targets for average deposit balance was 94.4%, average loan balance was 90.8%, and foreign exchange business was 103.2% for the year ended 31 December 2021.

Analysis on the key financial performance

	For the year ended 31 December 2021 *(NT$ Billion)*	2020 *(NT$ Billion)*	Change *(%)*
Net interest income	11.64	11.62	0%
Total non-interest income	11.95	11.19	7%
Net revenue	23.59	22.81	3%
Provisions for bad-debt expense, commitment and guarantee liability	0.9	0.9	0%
Total operating expenses	7.34	7.14	3%
Profit before income tax	15.35	14.77	4%
Net income	14.26	13.46	6%
Earnings per share (in dollars)	3.19	3.01	6%

SCSB had net revenue of approximately NT$23.59 billion for the year ended 31 December 2021, increased by 3% comparing with the net revenue of approximately NT$22.81 billion for the year ended 31 December 2020. Provisions for bad-debt expense, commitment and guarantee liability as a whole remained the same, whereas total operating expenses increased slightly by 3% to approximately NT$7.34 billion for the 31 December 2021. SCSB recorded a net income of approximately NT$14.26 billion for the year ended 31 December 2021, representing a year-on-year increase of 6%. SCSB discontinues accruing interest when loans are deemed non-performing. For the year ended 31 December 2021 and 31 December 2020, the unrecognized interest revenue on the non-performing loans amounted to approximately NT$17 million and NT$19.1 million, respectively.

Analysis on the consolidated balance sheets

	As at 31 December 2021 *(NT$100 million, except as indicated)*	2020 *(NT$100 million, except as indicated)*	Change *(%)*
Total assets	21,396.3	21,137.4	1.2%
Discounts and loans, net	11,122.3	11,364.3	(2.1%)
Cash and cash equivalents	703.8	805.7	(12.6%)
Total liabilities	19,303.9	19,086.4	1.1%
Deposits and remittances	17,076.0	16,859.0	1.3%
Equity attributable to owners of SCSB	1,578.0	1,551.0	1.7%
Return on assets (after income tax) (“**ROA**”)	1.05%	1.03%	0.02%
Return on equity (after income tax) (“**ROE**”)	9.11%	8.72%	0.39%

SCSB had total assets of approximately NT$2,139.6 billion as at the year ended 31 December 2021, representing an increase of 1.2% comparing with approximately NT$2,113.7 billion as at 31 December 2020. Net discounts and loans decreased by 2.1% to approximately NT$1,112.2 billion while cash and cash equivalents decreased by 12.6% to approximately NT$70.4 billion year-on-year as at 31 December 2021. Total liabilities of SCSB increased from approximately NT$1,908.6 billion as at 31 December 2020 to approximately NT$1,930.4 billion as at 31 December 2021, while deposits and remittances amounted to approximately NT$1,707.6 billion as at 31 December 2021, increased by 1.3% as compared with approximately NT$1,685.9 billion as at 31 December 2020. The total equity attributable to owners of SCSB recorded approximately NT$157.8 billion as at 31 December 2021, increased by 1.7% as compared with approximately NT$155.1 billion as at 31 December 2020. Both ROA and ROE experienced an increase of 0.02% and 0.39% year-on-year to 1.05% and 9.11% for the year ended 31 December 2021, respectively.

Borrowings

	As at 31 December	
	2021	**2020**
	(NT$100 million)	*(NT$100 million)*
Due to the central bank and other banks	177.9	60.5
Bank debentures	820.9	822.2

As at 31 December 2021, the total amount of borrowings of SCSB was approximately NT$99.9 billion.

Maturity analysis

31 December 2021	**Within 1 year**	**Over 1 year**
	(NT$100 million)	*(NT$100 million)*
Due to the central bank and other banks	177.9	–
Bank debentures	156.2	664.7

As at 31 December 2021, the total amounts due to the central bank and other banks and the bank debentures due within 1 year were approximately NT$17.8 billion and NT$15.6 billion, respectively, while the total amounts due to the central bank and other banks and the bank debentures due over 1 year were nil and approximately NT$66.5 billion, respectively.

Total liabilities to total assets ratio

The total liabilities to total assets ratio of SCSB was 90.22% as at 31 December 2021, comparing with 90.3% as at 31 December 2020.

Loan-to-deposit ratio

The loan-to-deposit ratio of SCSB stood at 65.85% as at 31 December 2021, while the loan-to-deposit ratio was 68.11% as at 31 December 2020.

Capital adequacy ratio

SCSB's capital adequacy ratio was 15.35% as at 31 December 2021 comparing with 14.05% as at 31 December 2020.

Gearing ratio

The gearing ratio (calculated by dividing total debt by total equity attributable to owners of SCSB) of SCSB as at 31 December 2021 was 63.29%.

Financial instruments for hedging

As at 31 December 2021, SCSB did not hold any financial assets or derivative financial assets for hedging.

Significant contingent liabilities and unrecognized commitments

	As at 31 December	
	2021	**2020**
	(NT$100 million)	*(NT$100 million)*
Receivables under custody	324.8	276.4
Assets under trust	2,123.7	1,998.1
Securities in custody	2,421.8	2,308.4
Government bonds in brokerage accounts	294.7	306.1
Short-term bills in brokerage accounts	5.6	12.6
Commitments of forward contracts with customers	3,124.6	5,011.0

Sensitivity analysis

31 December 2021

Major Risk	**Variation Range**	**Amount** *(NT$)* **Equity**	**Profit or Loss**
Foreign exchange risk	Foreign currency appreciated 1% against NT$	706,960,000	17,378,000
	Foreign currency depreciated 1% against NT$	(706,960,000)	(17,378,000)
Interest rate risk	Interest rate curve edged up 1bp	(85,373,000)	(762,000)
	Interest rate curve edged down 1bp	85,373,000	762,000
Equity price risk	Equity price increased 1%	191,250,000	24,093,000
	Equity price decreased 1%	(191,250,000)	(24,093,000)

(i) Foreign exchange rate risk

SCSB assesses the possible impact on income when exchange rates of the NT$ against various currencies fluctuate between -1% and +1% on 31 December 2021 and while other factors remain unchanged.

The functional currency of Shanghai Commercial Bank (Hong Kong) is HK$, and the major foreign currency is the US$; as the two currencies were under the linked exchange rate system, there was insignificant foreign exchange rate risk.

(ii) Interest rate risk

SCSB has assessed the possible impact on income if global yield curve moves between -1 to +1 base points simultaneously on 31 December 2021 while other factors remain unchanged.

(iii) Equity securities price risk

SCSB has assessed the possible impact on income when equity security prices on 31 December 2021 rise or fall by 1% while other factors remain unchanged.

The analysis assumed that the trends of equity instruments are consistent with historical data.

Employment benefits expense

	For the year ended 31 December 2021 (NT$100 million)	2020 (NT$100 million)
Short-term employee benefits	84.0	80.7
Retirement benefits		
Defined contribution plan	3.7	3.8
Defined benefit plan	1.9	1.8
Other employee benefits	3.8	3.8
Total	93.4	90.1

The employment benefits expenses of SCSB recorded approximately NT$9.3 billion for the year ended 31 December 2021 comparing with approximately NT$9 billion for the year ended 31 December 2020.

Research and development

In 2021, in response to changes in external operating environment and to market competition, SCSB continued to adopt a customer centric approach to intensify research and development, improve business competitiveness, and raise customer satisfaction. In terms of corporate banking, SCSB continued to comply with government policies to promote the return of capital from Taiwanese businesses overseas. SCSB offered credit guarantee schemes for economic relief, financing for startups and green energy loans, aged building redevelopment loans, and government projects. In terms of personal banking, SCSB continued to strengthen the consumer financial services and promoted loans for small businesses and target groups as well as mortgage loans for green buildings. SCSB also optimized the online personal loan platform. In terms of customer finance, SCSB continued to expand the line of financial products and inclusive financial services. SCSB built a smart financial system and invested resources to develop high net-worth wealth management services, collective investment trust funds for target maturity bonds, overseas structured products, care trusts, inheritance management, and retirement insurance products.

In terms of deposits and remittances, SCSB continually optimized the deposit structure, reduced the cost of deposits, promoted retail deposits and demand deposits, and strengthened the partnerships with securities brokerage firms and electronic payment service providers. SCSB also promoted separate account services and linking of deposit accounts and payment services. In terms of digital banking, SCSB continued to promote the digital transition, build a digital culture, expand the digital talent pool, and create cross-functional teams. Plans were made to establish the FinTech Space “T8”, an innovation base, to create scenario-based finance centered around small and medium sized businesses. In addition, SCSB upgraded digital platforms, created new Big data analysis platforms, and implemented robotic process automation (RPA) and RegTech. SCSB strengthened smart financial services and the presence on social media in order to increase digital exposure and visibility of sub-brands.

Furthermore, SCSB committed investments to upgrade new IT core banking systems in order to increase competitiveness in this field. SCSB advanced toward "small cores, large middle platform, and flexible front end," and strengthened business growth drivers. SCSB updated IT infrastructures to meet the demands of business growth, and created key application platforms, enabling business innovation. In response to the risks and opportunities associated with climate change, SCSB built a sustainable governance framework and established relevant management mechanisms to align with international trends, laying a solid foundation for sustainable development competitiveness.

Development strategies

SCSB's main development strategies for 2022 are as follows:

1. Overall operations: Maintain stable operations with integrity, place equal emphasis on operations and management, strengthen finance and businesses, and create sustainable value.

2. Channel development: Continue to gain greater presence in the Asia-Pacific region, utilize the tri-shanghai banks strategic alliance, connect services across borders, and implement smart technologies in all channels.

3. Business development: Deploy multiple cores, develop sustainable finance, expand high net-worth wealth management services, and strengthen family finance.

4. Customer relations: Treat customers with fairness, adopt customer segmentation, focus on high value customer groups, and support integrated marketing.

5. Digital banking: Accelerate the digital transformation, integrate interdisciplinary and cross-sectoral collaborations, implement scenario-based finance, and promote inclusive finance.

6. Information technology: Stabilize system maintenance and operation, upgrade core banking systems, strengthen information utilization, and create robust information governance.

7. Human resources: Cultivate a diverse workforce, enhance professional competencies, strengthen management succession, and enrich human capital.

8. Internal control and management: Implement internal control, fully implement the three lines of defense, strengthen the culture of compliance, and optimize risk management.

9. Sustainable development: Promote environmental sustainability, fulfil CSR, strengthen corporate governance, and combine resilience and innovation.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

There has been no material acquisitions and disposals of subsidiaries, associates and joint ventures of SCSB during the financial year ended 31 December 2021.

External competitive environment

The world is still facing the threat of more SARS-CoV-2 variants, and thus risk factors remain in many world economies. Such uncertainty combined with supply chain disruptions and an imminent rising inflation are likely to push the world into an interest rate hike cycle with higher sector risks. Meanwhile, the progress of the digital transformation in the financial sector is being accelerated by the pandemic, which also alters business models. SCSB will expand the business in response to the competitive external environment and use value competition to replace price competition. SCSB shall actively enhance digital banking products and services and continue to expand in the Asia-Pacific region in pursuit of growth and a competitive position.

Regulatory environment

As part of the Financial Supervisory Commission (Taiwan) (the "**FSC**")'s efforts to promote the "Green Finance Action Plan 2.0," which sets core strategies for sustainable finance development goals, the FSC has strengthened supervision of domestic banks in management of climate-related risks. The FSC also released the Climate Risk Disclosure Guidelines for Domestic Banks (the "**Guidelines**") to guide banks toward green business and sustainable development. The Guidelines improved the quality and transparency of disclosures made by domestic banks. They also served to urge banks to review their ability to respond to climate-related risks. In addition, the FSC released the Sustainable Development Roadmap for TWSE/TPEx-Listed Companies to establish the schedules for GHG inventories and disclosure and boards of directors' sustainable development responsibility. SCSB will closely follow FSC policies, strengthen climate risk governance frameworks and risk management mechanisms, enhance green finance, and ensure the effectiveness and achieve sustainability.

Macroeconomic environment

In 2022, the global economy will still confront risks including the COVID-19 pandemic and the trade and tech war. In the meantime, the Russia–Ukraine war and Western countries' sanctions on Russia may also increase economic risks and thus deserve close attention. Benefiting from transferred purchase orders and supported by investments from the private sector, Taiwan's economy is expected to grow continuously. In the face of such volatile external challenges, SCSB will examine changes to the business environment at all times and anticipate future development trends, seize market opportunities, and adopt suitable operational measures to stably expand the businesses and create sources of revenue and profit.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make this circular or any statement herein misleading.

DISCLOSURE OF INTERESTS

(a) Interests and short positions of Directors

As at the Latest Practicable Date, the interests and short positions, if any, of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives were taken or deemed to have under such provisions of the SFO); or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer adopted by the Company ("**Model Code**") were as follows:

Long Positions in Shares

Name	Personal interests	Family interests	Corporate interests	Total	Approximate percentage of issued share capital
Hung Ching Yung *(Note 1)*	10,584,090	147,854	5,500,000 *(Note 2)*	16,231,944	47.79%
Lincoln C. K. Yung	2,280,500	10,000	–	2,290,500	6.74%
Rudolf Bischof	150,000	–	–	150,000	0.44%
John Con-sing Yung	33,000	37,000	–	70,000	0.21%

Notes:

1. Mr. Hung Ching Yung (the then Executive Director and Managing Director) deceased on 3 March 2022.

2. As stated above, Mr. Hung Ching Yung is taken to be interested in the same 5,500,000 shares owned by a substantial shareholder, Tankard Shipping Co. Inc., pursuant to the SFO.

Save as disclosed above, none of the Directors or chief executive of the Company had, as at the Latest Practicable Date, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Interests of Substantial Shareholders

As at the Latest Practicable Date, the register of substantial shareholders' interests and short positions maintained under Section 336 of the SFO shows that the following party, other than the Directors as disclosed above, was interested in 5 per cent or more of the issued share capital of the Company:

	Number of Shares	**% of issued share capital**
Tankard Shipping Co. Inc.	5,500,000 *(Note)*	16.19%

Note: Mr. Hung Ching Yung is taken to be interested in the same 5,500,000 shares owned by Tankard Shipping Co. Inc. pursuant to the SFO.

Save as disclosed above, and as at the Latest Practicable Date, the Directors were not aware of any persons (other than the Directors and chief executive of the Company) who had any interests or short positions in the Shares or underlying Shares which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SERVICE CONTRACTS

As at the Latest Practicable Date, other than service contracts which will expire or may be terminated within one year without payment of compensation (other than statutory compensation), none of the Directors had any service contract with any member of the Group.

COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or his/her respective close associates (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder) was interested in any business apart from the Group's business which competes or may compete with the business of the Group.

DIRECTORS' INTERESTS IN CONTRACTS AND OTHER INTERESTS

None of the Directors is materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up.

As at the Latest Practicable Date, none of the Directors was a director or an employee of a company which had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against the Company or any member of the Group.

MATERIAL CONTRACTS

The Group did not enter into any contract which are or may be material other than those entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries within the two years immediately preceding the issue of this circular.

EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions, letters or advice which are contained or referred in this circular:

Name	Qualification
Platinum Securities Company Limited	a licensed corporation under the SFO licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountant Ordinance (Cap. 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Cap. 588 of the Laws of Hong Kong)

As at the Latest Practicable Date, each of Platinum Securities Company Limited and PricewaterhouseCoopers did not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of Platinum Securities Company Limited and PricewaterhouseCoopers had given and has not withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/or its opinion in the form and context in which they are included.

As at the Latest Practicable Date, each of Platinum Securities Company Limited and PricewaterhouseCoopers had no direct or indirect interest in any asset which had been acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Group were made up.

GENERAL

(a) The company secretary of the Company is Mr. Lee Sheung Yee. Mr. Lee is a fellow member of the Association of Chartered Accountants, the Hong Kong Institute of Certified Public Accountants and Taxation Institute of Hong Kong.

(b) The registered office of the Company is situated at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda.

(c) The head office and principal place of business in Hong Kong is situated at Room 1808, St. George's Building, 2 Ice House Street, Central, Hong Kong.

(d) The principal share registrar and transfer office of the Company is Ocorian Management (Bermuda) Limited of Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda.

(e) The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(f) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

DOCUMENTS ON DISPLAY

Copies of the following documents will be published and displayed on the Stock Exchange's website (https://www.hkexnews.hk/) and the Company's website (https://www.nanyangholdingslimited.com) for a period of 14 days from the date of this circular (both days inclusive):

(a) the letter from the Independent Financial Adviser, the text of which is set out on pages 16 to 32 of this circular;

(b) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of the Group following completion of the Proposed Subscription, the text of which are set out in Appendix III to this circular;

(c) the written consents as referred to in the paragraph headed "Experts and Consents" in this appendix.

NANYANG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 212)

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of the shareholders of Nanyang Holdings Limited (the "**Company**") will be held at 20th Floor, St. George's Building, 2 Ice House Street, Central, Hong Kong on Friday, 2 December 2022 at 2:30 p.m. (or at any adjourned meeting thereof) for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

the Company's participation in the offer for subscription of new shares by The Shanghai Commercial & Savings Bank, Ltd. ("**SCSB**") whereby the Company may subscribe for up to 13,016,904 new shares in SCSB at a subscription price of NT$37 each ("**Proposed Subscription**") as more particularly described in the circular of the Company dated 15 November 2022 and produced to the SGM and signed by the chairman of the SGM for identification purpose be and is hereby generally and unconditionally approved; and the board of directors of the Company be and is hereby authorised at its discretion to exercise all the powers of the Company to subscribe for up to 13,016,904 new shares in SCSB under the Proposed Subscription and to take all such actions as it considers necessary or desirable to implement and give effect to the Proposed Subscription and the transactions contemplated thereunder."

By Order of the Board
LEE Sheung Yee
Company Secretary

Hong Kong, 15 November 2022

Notes:

1. The register of members of Company will be closed from 28 November 2022 to 2 December 2022, both days inclusive, during which period no transfer of shares will be registered. For the purpose of ascertaining the shareholders' eligibility to attend and vote at the SGM to be held on 2 December 2022, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Friday, 25 November 2022.

2. A member entitled to attend, act and vote is entitled to appoint one or more proxies to attend, act and vote instead of him. A proxy need not be a member of the Company. To be valid, an instrument appointing a proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority shall be deposited at the principal place of business of the Company, Room 1808, St. George's Building, 2 Ice House Street, Central, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting, and in default thereof the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date of its execution.

   Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting concerned, and in such event the instrument appointing a proxy shall be deemed to be revoked.

3. Corporate representatives shall before the meeting commences produce the relevant resolution of directors or other governing body or the power of attorney under which they are authorised to attend, act and vote at the meeting.

   If a member which is a corporation wishes to appoint a proxy to attend and vote at the meeting, Note 2 above shall be applicable.

4. The Chairman will demand that the resolution set out in the notice of this meeting be voted on by poll.

5. If shareholders have any questions relating to the SGM, please contact Computershare Hong Kong Investor Services Limited, the Company's Share Registrar as follows:

   Computershare Hong Kong Investor Services Limited
   17M Floor, Hopewell Centre
   183 Queen's Road East
   Wanchai, Hong Kong
   Tel: 852 2862 8555
   Fax: 852 2865 0990
   Enquires: www.computershare.com/hk/en/online_feedback

At the date of this notice, the Board comprises six Directors as follows:

Executive Directors:
Lincoln C. K. Yung, *JP, FHKIB (Managing Director)*
Jennie Chen *(Financial Controller)*

Non-executive Director:
John Con-sing Yung

Independent Non-Executive Directors:
Rudolf Bishof *(Chairman)*
Robert T.T. Sze
Wong Chi Kwong Patrick

PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

In view of the ongoing Coronavirus (COVID-19) epidemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the SGM to protect attending shareholders, staff and other stakeholders from the risk of infection:

(i) Compulsory body temperature checks will be conducted on every shareholder, proxy and other attendee at the entrance of the SGM venue. Any person with a body temperature of over 37.4 degrees Celsius may be denied entry into the SGM venue or be required to leave the SGM venue;

(ii) All shareholders, proxies and other attendees are required to (a) complete and submit at the entrance of the SGM venue a declaration form confirming their names and contact details, and confirming that they have not travelled to, or to their best of knowledge had physical contact with any person who has recently travelled to any affected countries or areas outside of Hong Kong (as per guidelines issued by the Hong Kong government at www.chp.gov.hk/en/features/102742.html) at any time in the preceding 14 days; and (b) scan the "LeaveHomeSafe" venue QR code or register his/her name, contact number and the date and time of visit. Any person who does not comply with these requirements may be denied entry into the SGM venue or be required to leave the SGM venue;

(iii) Attendees must wear surgical face masks inside the SGM venue at all times, and maintain a safe distance between seats. Any person who does not comply with this requirement may be denied entry into the SGM venue or be required to leave the SGM venue;

(iv) Attendees must scan the vaccination QR code and comply with the Vaccine Pass requirements, as well as other applicable requirements or guidelines of the HKSAR Government; and

(v) As usual, no refreshments will be served, and there will be no corporate gifts. To the extent permitted under law, the Company reserves the right to deny entry into the SGM venue or require any person to leave the SGM venue in order to ensure the safety of the attendees at the SGM.

Shareholders are requested (a) to consider carefully the risk of attending the SGM, which will be held in an enclosed environment, (b) to follow any prevailing requirements or guidelines of the Government relating to COVID-19 in deciding whether or not to attend the SGM, and (c) not to attend the SGM if they have contracted or are suspected to have contracted COVID-19 or have been in close contact with anybody who has contracted or is suspected to have contracted COVID-19.

Subject to the development of the COVID-19 pandemic and the requirements or guidelines of the Government and/or regulatory authorities, the Company may be required to change the SGM arrangements at short notice. Shareholders should check the website of the Company at www.nanyangholdingslimited.com for future announcements and updates on the SGM arrangements.