

35. RELATED-PARTY TRANSACTIONS

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

a. The Bank's related parties

Related Party	Relationship with the Bank
China Travel Service (Taiwan)	Subsidiary
SCSB Life Insurance Agency	Subsidiary
SCSB Property Insurance Agency	Subsidiary
SCSB Asset Management Ltd.	Subsidiary
SCSB Marketing Ltd.	Subsidiary
Shancom Reconstruction Inc.	Subsidiary
Wresqueue Limitada	Subsidiary
CTS Travel International Ltd.	Indirect subsidiary
SCSB Leasing (China) Co., Ltd.	Indirect subsidiary
Krinein Company (Krinein)	Indirect subsidiary
Empresa Inversiones Generales, S.A. (Empresa)	Indirect subsidiary
Shanghai Commercial Bank, HK (SCB)	Third-tier subsidiary
The SCSB Cultural & Educational Foundation	Fund donated by the Bank which exceed 1/3 of total fund
The SCSB Charity Foundation	Fund donated by the Bank which exceed 1/3 of total fund
Silks Place Taroko	Investment under equity method held by subsidiary
Hung Ta Investment Corporation	The chairman and the Bank's chairman are related by marriage
Hung Shen Investment Corporation	The chairman and the Bank's chairman are related by marriage
GTM Corporation	The director of the Bank is the director of the related party
Chi-Li Investment Co., Ltd.	The director of the Bank is the director of the related party
Goldsun Co., Ltd.	The director of the Bank is the director of the related party
Qin Mao Consultants Ltd.	The chairman and the Bank's director are related by marriage
Lian Yi Investment Co., Ltd.	The director and the Bank's director are related by marriage
Other related parties	The Bank's directors, managers, and general manager's spouses are the relatives within the second degree of relationship of the chairman and general manager of the related parties

b. Significant transactions and account balances

1) Due from foreign banks

	December 31, 2018	December 31, 2017
Shanghai Commercial Bank (HK)	\$ 431,071	\$ 221,537

The interest income arising from the above transactions were \$249 thousand and \$173 thousand for the year ended December 31, 2018 and 2017, respectively.

2) Due to banks

	December 31, 2018	December 31, 2017
Shanghai Commercial Bank (HK)	\$ <u>6</u>	\$ <u>24</u>

3) Guarantees

	Maximum Balance	Ending Balance	Reserve for Possible Losses on Guarantees	Interest Rate (%)	Collateral
December 31, 2018					
China Travel Service (Taiwan)	\$ <u>7,000</u>	\$ <u>7,000</u>	\$ _____	1.00	Real estate
December 31, 2017					
China Travel Service (Taiwan)	\$ <u>4,000</u>	\$ <u>4,000</u>	\$ _____	1.00	Real estate

4) Deposits

	December 31, 2018			For the Year Ended December 31, 2018
	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Expense
Empresa	\$ 2,560,769	\$ 805,663	0.75-2.70	\$ 19,042
Krinein	810,656	463,365	0.75 2.70	10,552
Employees	491,609	254,973	0.00-9.96	3,820
SCSB Asset Management Ltd.	410,357	279,796	0.08-1.03	2,982
The SCSB Cultural & Educational Foundation	334,122	314,922	0.01-1.07	1,918
Directors and related management	355,593	258,196	0.00-4.90	1,244
SCSB Life Insurance Agency	253,515	156,911	0.00-1.01	1,492
Shancom Reconstruction Inc.	176,440	176,440	0.25-2.70	3,937
Others	<u>280,692</u>	<u>224,232</u>	0.00-3.40	<u>1,776</u>
	<u>\$ 5,673,753</u>	<u>\$ 2,934,498</u>		<u>\$ 46,763</u>

	December 31, 2017			For the Year Ended December 31, 2017
	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Expense
Empresa	\$ 2,479,479	\$ 762,922	0.45-1.40	\$ 11,114
Krinein	780,094	438,783	0.45-1.40	6,101
Employees	440,089	216,980	0.00-9.96	3,027
Directors and related management	424,455	196,145	0.00-3.40	931
SCSB Asset Management Ltd.	409,308	409,217	0.08-1.08	2,904

The SCSB Cultural & Educational Foundation	332,374	311,573	0.01-1.24	1,921
SCSB Life Insurance Agency	258,763	218,605	0.00-1.08	1,618
Shancom Reconstruction Inc.	167,080	167,080	0.13-1.40	2,264
Others	<u>249,233</u>	<u>232,374</u>	0.01-3.50	<u>1,661</u>
	<u>\$ 5,540,875</u>	<u>\$ 2,953,679</u>		<u>\$ 31,541</u>

5) Accrued receivables (accounted for as receivables)

	December 31, 2018	December 31, 2017
SCSB Life Insurance Agency	\$ 24,027	\$ 35,188
SCSB Property Insurance Agency	<u>338</u>	<u>657</u>
	<u>\$ 24,365</u>	<u>\$ 35,845</u>

6) Interest receivable (accounted for as receivables)

	December 31, 2018	December 31, 2017
Directors and related management	<u>\$ 54</u>	<u>\$ 103</u>

7) Interest payable (accounted for as payables)

	December 31, 2018	December 31, 2017
Empresa Krinein	\$ 4,955	\$ 2,433
Shancom Reconstruction Inc.	2,850	1,399
SCSB Life Insurance Agency	1,085	533
Others	76	87
	<u>618</u>	<u>661</u>
	<u>\$ 9,584</u>	<u>\$ 5,113</u>

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

	December 31, 2018	December 31, 2017
The SCSB Cultural & Educational Foundation	\$ 211	\$ 211
SCSB Life Insurance Agency	197	197
SCSB Property Insurance Agency	197	197
China Travel Service (Taiwan)	180	180
Others	<u>67</u>	<u>67</u>
	<u>\$ 852</u>	<u>\$ 852</u>

9) Service fees (accounted for as service fee income, net)

	For the Year Ended December 31	
	2018	2017
SCSB Life Insurance Agency	\$ 399,129	\$ 257,763
SCSB Property Insurance Agency	<u>12,132</u>	<u>11,858</u>
	<u>\$ 411,261</u>	<u>\$ 269,621</u>

10) Rental income (accounted for other revenue, net)

	For the Year Ended December 31	
	2018	2017
The SCSB Cultural & Educational Foundation	\$ 842	\$ 842
SCSB Life Insurance Agency	790	790
SCSB Property Insurance Agency	790	790
China Travel Service (Taiwan)	738	732
Others	<u>254</u>	<u>254</u>
	<u>\$ 3,414</u>	<u>\$ 3,408</u>

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

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

	For the Year Ended December 31	
	2018	2017
SCSB Marketing	\$ 82,422	\$ 72,427
China Travel Service (Taiwan)	<u>1,674</u>	<u>2,599</u>
	<u>\$ 84,096</u>	<u>\$ 75,026</u>

12) Loans

December 31, 2018									For the Year Ended December 31, 2018
Category	Name	Maximum Balance	Ending Balance	Performance		Collateral	Interest Rate (%)	Difference of Terms of the Transactions with Unrelated Parties	Interest Income
				Normal Loans	Non- performing Loans				
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 (4)	86,548	44,427	44,427	-	Real estate	1.68-2.66	None	1,549
	Silks Place Taroko	5,000	-	-	-	Real estate	1.63	None	6
		\$ 108,295	\$ 52,896	\$ 52,896					\$ 1,819

December 31, 2017									For the Year Ended December 31, 2017
Category	Name	Maximum Balance	Ending Balance	Performance		Collateral	Interest Rate (%)	Difference of Terms of the Transactions with Unrelated Parties	Interest Income
				Normal Loans	Non- performing Loans				
Loans for personal house mortgages	Directors and related management (2)	\$ 24,296	\$ 16,184	\$ 16,184	-	Real estate	1.86-2.10	None	\$ 423
Others	Directors and related management (4)	80,114	74,754	74,754	-	Real estate	1.68-2.67	None	1,416
	Silks Place Taroko	<u>10,000</u>	<u> </u>	<u> </u>	-	Real estate	1.63	None	<u>15</u>
		<u>\$114,410</u>	<u>\$ 90,938</u>	<u>\$ 90,938</u>					<u>\$ 1,854</u>

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

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

c. Compensation of directors, supervisors and management personnel

The compensation of key management personnel for the year ended December 31, 2018 and 2017 was as follows:

	For the Year Ended December 31	
	2018	2017
Salaries and other short-term employment benefits	\$ 97,639	\$ 96,001
Bonuses of employees	69,120	71,842
Remuneration of directors and supervisors	92,371	88,876
Retirement benefits	<u>13,594</u>	<u>13,749</u>
	<u>\$272,724</u>	<u>\$270,468</u>

