The Shanghai Commercial & Savings Bank, Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2016 and 2015 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of The Shanghai Commercial & Savings Bank, Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations of IAS (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China (FSC).

Basis for Opinion

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements of Financial Institutions by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, 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, 2016. 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 for the year ended December 31, 2016 for the Group, which are described as follows:

Allowance for Credit Losses on Discounts and Loans

The Group primarily engages in crediting business. As of December 31, 2016, the balance of discounts and loans amounted to $859,573,282 thousand, which was significant to the consolidated financial statements for the year ended December 31, 2016. The Group conducted its impairment assessment on discounts and loans following the requirement of International Accounting Standard No. 39 as well as with reference to related regulations. The Group's management periodically assessed the impairment on its loan portfolios and the impairment was then determined by estimating the future cash flows from the loan portfolios. Please refer to Notes 4, 5, 11 and 37 to the consolidated financial statements for disclosures related to impairment on loan portfolios. As the cash flow forecasts involved management's critical judgments in accounting estimation and the underlying assumption, we then determined the impairment on loan portfolios as a key audit matter.

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

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

2. For loans individually assessed, made selections to assess the reasonableness of management's estimations on future cash flows from borrowers and fair value of collaterals.

3. For loans collectively assessed, verified whether the underlying assumptions and critical parameters (loss given default and probability of default) adopted by the impairment model were consistent with the actual situation and then reperformed the impairment calculation.

Measurements of Deferred Income Taxes

As of December 31, 2016, the balances of deferred income tax liabilities and assets amounted to $10,744,497 thousand and $870,520 thousand, respectively and deferred income tax expense for the year then ended amounted to $468,396 thousand, which were significant to the consolidated financial statements for the year ended December 31, 2016. The management measured the deferred tax following the requirement of International Accounting Standard No. 12. The management periodically assessed the realizability and reversal timing of all temporary difference to recognize deferred income tax assets and liabilities. Please refer to Notes 4, 5 and 31 to consolidated financial statement for disclosures regarding deferred taxes. As the realizability and reversal of temporary differences involved management's critical judgments in accounting estimations and the underlying assumptions, we determined the measurement of deferred taxes as a key audit matter.

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

1. Evaluated the financial forecast and underlying assumptions used by management supporting the realizability of deductible temporary differences, and recalculated the deferred income tax assets recognized;

2. Assessed the completeness and expected reversal timings of all taxable temporary differences and recalculated the deferred income tax liabilities recognized.

Other Matter

We have also audited the parent company only financial statements of the Bank as of and for the years ended December 31, 2016 and 2015 on which we have issued an unmodified 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 Regulations Governing the Preparation of Financial Reports by Public Banks and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations of IAS (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, 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 auditing standards generally accepted in the Republic of China 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 auditing standards generally accepted in the Republic of China, 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 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, 2016 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 partner on the audit resulting in this independent auditors' report are Tzu-Jung Kuo and Shih-Tsung Wu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 25, 2017

__Notice to Readers__

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. 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, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016		2015	
ASSETS	**Amount**	**%**	**Amount**	**%**
Cash and cash equivalents (note 6)	$ 66,775,994	4	$ 96,923,788	6
Due from the central bank and call loans to banks (note 7)	244,371,302	15	195,329,717	12
Financial assets at fair value through profit or loss (note 8)	12,744,976	1	27,991,683	2
Securities purchased under resell agreements (note 9)	-	-	10,245,428	1
Receivables, net (notes 10 and 34)	15,326,174	1	15,118,711	1
Current income tax assets (note 31)	112,400	-	154,683	-
Discounts and loans, net (notes 4, 11 and 34)	849,330,659	52	847,606,449	52
Available-for-sale financial assets, net (notes 12 and 35)	351,138,563	21	304,480,067	19
Held-to-maturity financial assets, net (notes 13 and 35)	72,666,706	5	92,771,401	6
Equity investments under the equity method, net (note 15)	1,421,566	-	1,361,088	-
Other financial assets, net (note 16)	6,749	-	36,448	-
Properties, net (note 17)	22,280,250	1	23,913,150	1
Investment properties, net (note 18)	5,760,628	-	4,226,143	-
Deferred income tax assets (note 31)	870,520	-	962,789	-
Other assets, net (notes 19 and 33)	4,002,465	-	3,747,335	-
Total	$ 1,646,808,952	100	$ 1,624,868,880	100
LIABILITIES AND EQUITY				
Due to the central bank and banks (note 20)	$ 35,428,666	2	$ 37,919,750	2
Financial liabilities at fair value through profit or loss (note 8)	1,377,770	-	1,437,270	-
Securities sold under repurchase agreements (note 21)	10,186,212	1	6,320,676	1
Payables (notes 22, 33 and 34)	25,340,348	2	22,364,638	1
Current income tax liabilities (note 31)	873,972	-	1,152,377	-
Deposits and remittances (notes 23 and 34)	1,354,361,910	82	1,343,639,313	83
Bank debentures (note 24)	38,150,000	2	38,150,000	2
Other financial liabilities (note 25)	3,280,387	-	3,979,973	-
Provisions (note 26)	1,796,539	-	1,534,882	-
Deferred income tax liabilities (note 31)	10,744,497	1	9,958,414	1
Other liabilities (notes 27 and 34)	2,246,221	-	2,515,208	-
Total liabilities	1,483,786,522	90	1,468,972,501	90
Equity attributable to owners of the Bank				
Share capital				
Ordinary shares	40,791,031	2	39,991,207	2
Capital surplus	4,647,655	-	4,639,910	-
Retained earnings				
Legal reserve	40,592,926	3	37,023,528	2
Special reserve	7,480,146	-	7,480,146	1
Unappropriated earnings	18,465,441	1	17,171,825	1
Total retained earnings	66,538,513	4	61,675,499	4
Other equity	8,339,449	1	9,015,524	1
Treasury stock	(83,144)	-	(83,144)	-
Total equity attributable to owners of the Bank	120,233,504	7	115,238,996	7
Non-controlling interests	42,788,926	3	40,657,383	3
Total equity (note 29)	163,022,430	10	155,896,379	10
Total	$ 1,646,808,952	100	$ 1,624,868,880	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, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	**%**	**Amount**	**%**
Interest revenues	$ 31,774,881	98	$ 32,605,159	104
Interest expenses	9,808,954	30	11,501,203	37
Net interest (notes 30 and 34)	21,965,927	68	21,103,956	67
Net revenues other than interest				
Service fee incomes, net (note 30)	4,750,997	15	5,385,696	17
Gains on financial assets and liabilities at fair value through profit or loss (note 30)	590,393	2	707,029	2
Realized gains on available-for-sale financial assets	1,995,269	6	1,369,657	4
Foreign exchange gains, net	1,603,112	5	1,425,088	5
Share of profit of associates and joint ventures, net (note 15)	154,231	-	194,937	1
Other net revenues (note 34)	1,395,347	4	1,252,661	4
Total net revenues other than interest	10,489,349	32	10,335,068	33
Consolidated net revenues	32,455,276	100	31,439,024	100
Bad debt expenses (note 11)	687,149	2	625,310	2
Operating expenses				
Personnel (notes 4, 28, 30 and 34)	7,311,826	23	6,977,112	22
Depreciation and amortization (note 30)	920,086	3	818,633	3
Other general and administrative	4,317,055	13	4,144,893	13
Total operating expenses	12,548,967	39	11,940,638	38
Profit before income tax	19,219,160	59	18,873,076	60
Income tax expense (note 31)	(4,107,035)	(12)	(3,676,658)	(12)
Consolidated net income	15,112,125	47	15,196,418	48

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THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015	
	Amount	**%**	**Amount**	**%**
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	$ (101,487)	-	$ (46,423)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (note 31)	14,674	-	7,892	-
	(86,813)	-	(38,531)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(2,531,099)	(8)	2,844,186	9
Unrealized gain (loss) on available-for-sale financial assets	2,790,758	8	(47,535)	-
Share of the other comprehensive income of associates and joint ventures accounted for using the equity method	(67,649)	-	127,942	1
Income tax relating to items that may be reclassified subsequently to profit or loss (notes 4 and 31)	(448,899)	(1)	(220,963)	(1)
	(256,889)	(1)	2,703,630	9
Other comprehensive income for the period, net of income tax	(343,702)	(1)	2,665,099	9
Total comprehensive income for the period	$ 14,768,423	46	$ 17,861,517	57
Net profit attributable to:				
Owners of the Bank	$ 11,748,332	36	$ 11,897,992	38
Non-controlling interests	3,363,793	11	3,298,426	10
	$ 15,112,125	47	$ 15,196,418	48
Total comprehensive income attributable to:				
Owners of the Bank	$ 10,985,444	34	$ 13,120,690	42
Non-controlling interests	3,782,979	12	4,740,827	15
	$ 14,768,423	46	$ 17,861,517	57
Earnings per share (note 32)				
Basic	$2.89		$2.92	
Diluted	$2.89		$2.92	

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, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company (note 29)											
			Retained Earnings			Other Equity						
	Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Cash Flow Hedges	Treasury Stock	Total	Non-controlling Interests	Total Equity
Balance at January 1, 2015	$ 38,086,864	$ 4,632,533	$ 33,751,333	$ 7,480,146	$ 16,201,932	$ 2,122,663	$ 5,631,632	$ -	$ (83,144)	$ 107,823,959	$ 37,505,364	$ 145,329,323
Appropriation of 2014 earnings												
Legal reserve	-	-	3,272,195	-	(3,272,195)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(5,713,030)	-	-	-	-	(5,713,030)	-	(5,713,030)
Share dividends	1,904,343	-	-	-	(1,904,343)	-	-	-	-	-	-	-
Change in capital surplus from investments in associates and joint ventures accounted for by using equity method	-	7,377	-	-	-	-	-	-	-	7,377	-	7,377
Net profit for the year ended December 31, 2015	-	-	-	-	11,897,992	-	-	-	-	11,897,992	3,298,426	15,196,418
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	(38,531)	1,584,992	(323,763)	-	-	1,222,698	1,442,401	2,665,099
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	11,859,461	1,584,992	(323,763)	-	-	13,120,690	4,740,827	17,861,517
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	-	(1,588,808)	(1,588,808)
Balance at December 31, 2015	39,991,207	4,639,910	37,023,528	7,480,146	17,171,825	3,707,655	5,307,869	-	(83,144)	115,238,996	40,657,383	155,896,379
Appropriation of 2015 earnings												
Legal reserve	-	-	3,569,398	-	(3,569,398)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(5,998,681)	-	-	-	-	(5,998,681)	-	(5,998,681)
Share dividends	799,824	-	-	-	(799,824)	-	-	-	-	-	-	-
Change in capital surplus from investments in associates and joint ventures accounted for by using equity method	-	7,745	-	-	-	-	-	-	-	7,745	-	7,745
Net profit for the year ended December 31, 2016, net of income tax	-	-	-	-	11,748,332	-	-	-	-	11,748,332	3,363,793	15,112,125
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	(86,813)	(1,265,381)	589,306	-	-	(762,888)	419,186	(343,702)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	11,661,519	(1,265,381)	589,306	-	-	10,985,444	3,782,979	14,768,423
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	-	(1,651,436)	(1,651,436)
Balance at December 31, 2016	$ 40,791,031	$ 4,647,655	$ 40,592,926	$ 7,480,146	$ 18,465,441	$ 2,442,274	$ 5,897,175	$ -	$ (83,144)	$ 120,233,504	$ 42,788,926	$ 163,022,430

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, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016	2015
Cash flows used in operating activities		
Consolidated net profit before income tax	$ 19,219,160	$ 18,873,076
Adjustments to reconcile net profit to net cash provided by operating activities		
Depreciation expenses	646,030	560,177
Amortization expenses	274,056	258,456
Bad debt expenses	687,149	625,310
Losses on financial assets and liabilities at fair value through profit or loss	252,343	167,411
Interest expenses	9,808,954	11,501,203
Interest revenues	(31,774,881)	(32,605,159)
Dividend income	(222,929)	(426,707)
Share of profit of associates and joint ventures	(154,231)	(194,937)
Losses (gains) on disposal of properties and equipment, net	18,829	(100,332)
Other adjustments	225,820	67,640
Changes in operating assets and liabilities		
Increase in due from the central bank and call loans to banks	(49,401,946)	(5,135,037)
Decrease in financial assets at fair value through profit or loss	15,018,924	6,598,649
Decrease (increase) in receivables	(447,984)	3,696,302
Decrease (increase) in discounts and loans	(7,752,476)	13,253,768
Increase in available-for-sale financial assets	(50,080,411)	(97,339,967)
Decrease in held-to-maturity financial assets	19,861,303	7,410,182
Increase (decrease) in other financial assets	31,011	(18,383)
Decrease in due to the Central Bank and banks	(1,952,440)	(1,944,591)
Increase (decrease) in financial liabilities at fair value through profit or loss	(117,042)	658,476
(Decrease) increase in securities sold under repurchase agreements	3,865,536	(154,396)
(Decrease) increase in payables	3,699,824	(1,174,810)
Increase in deposits and remittances	22,346,149	56,023,820
Decrease in other financial liabilities	(699,586)	(1,650,543)
Increase in employee benefit provisions	113,680	70,106
Decrease (increase) in other liabilities	109,797	(144,698)
Cash used in operation	(46,425,361)	(21,124,984)
Interest received	31,993,216	31,732,025
Dividend received	206,933	412,644
Interest paid	(10,133,677)	(11,832,542)
Income tax paid	(3,952,444)	(3,162,565)
Net cash used in operating activities	(28,311,333)	(3,975,422)
Cash flows from investing activities		
Redemption of debt investments with no active market	-	200,000
Acquisition of subsidiaries	-	(2,905,548)

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THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016	2015
Capital returned by financial assets measured at cost	$ -	$ 6,608
Acquisition of properties	(703,949)	(1,993,698)
Proceeds from disposal of properties	853	145,798
Increase in refundable deposits	(257,813)	(187,992)
Decrease in refundable deposits	(210,017)	-
Decrease (increase) in other assets	(323,854)	156,647
Net cash used in investing activities	(1,494,780)	(4,578,185)
Cash flows from financing activities		
Issuance of bank debentures	-	5,150,000
Repayment of bank debentures	-	(5,000,000)
Decrease in guarantee deposit received	(328,022)	(83,483)
Change in non-controlling interest	(1,651,436)	(1,588,808)
Payment of cash dividend	(5,990,935)	(5,713,030)
Net cash used in financing activities	(7,970,393)	(7,235,321)
Effects of exchange rate changes on the balance of cash held in foreign currencies	(1,597,251)	7,481,210
Net decrease in cash and cash equivalents	(39,373,757)	(8,307,718)
Cash and cash equivalents at the beginning of the year	202,637,807	210,945,525
Cash and cash equivalents at the end of the year	$ 163,264,050	$ 202,637,807

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets at December 31, 2016 and 2015

	2016	2015
Cash and cash equivalents in consolidated balance sheets	$ 66,775,994	$ 96,923,788
Due from the Central Bank and call loans to banks fall in with the definition of cash and cash equivalents under IFRS 7	96,488,056	95,468,591
Securities purchased under resell agreements fall in with the definition of cash and cash equivalents under IFRS 7	-	10,245,428
Cash and cash equivalents in consolidated statements of cash flows	$ 163,264,050	$ 202,637,807

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

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

1. ORGANIZATION AND OPERATIONS

The Bank was incorporated in the Republic of China ("ROC") and engaged in various commercial banking businesses under related laws and regulations.

The Bank has a head office in Taipei, 68 domestic branches, three foreign branches located in Hong Kong, Dong Nai (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 consolidated financial statements are presented in the Bank's functional currency, New Taiwan dollar.

2. AUTHORIZATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 25, 2017.

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

a. International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC for application starting from 2017

Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC endorsed the following IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") for application starting January 1, 2017.

b. New IFRSs in issue but not yet endorsed by the FSC

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC. The FSC announced that the Group should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

(Concluded)

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

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Public Banks and the 2017 IFRSs version did not have any material impact on the Group’s accounting policies:

- Annual Improvements to IFRSs: 2010-2012 Cycle

  Several standards, including IFRS 8 “Operating Segments”, were amended in this annual improvement.

  The amended IFRS 8 requires the Group to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker. The judgements made in applying aggregation criteria should be disclosed retrospectively upon initial application of the amendment in 2017.

  Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that application of the aforementioned amendments will have on the Group’s financial position and financial performance, and will disclose these other impacts when the assessment is completed.

b. New IFRSs in issue but not yet endorsed by the FSC

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

The FSC announced that the Group should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

New IFRSs	**Effective Date Announced by IASB (Note 1)**
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
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 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendment to IAS 40 "Transfers of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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 amendment to IFRS 12 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2017; the amendment to IFRS 28 is effective for annual periods beginning on or after January 1, 2018.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group's accounting policies, except for the following:

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

a) For financial instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method;

b) For financial instruments, if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses.

Except for above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required.

Impairment of financial assets

IFRS 9 requires impairment loss on financial assets to be recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

Hedge accounting

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity's risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risks eligible for hedge accounting of non-financial items; (2) changing the way hedging derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

Transitional requirements

When IFRS 9 is effective, the asset under consideration for derecognition has been determined is not eligible for applications. The classification, measurement and impairment of financial instruments shall be subsequently eligible for adoption. But the entity may not elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application. Hedge accounting for options is applied prospectively to changes in a method of disposal that occur, but the hedge options are recognized as applicable.

2) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations from January 1, 2017.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 is effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

3) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

4) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendment clarifies that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Group expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Group should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses to deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendment also stipulates that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Group’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group will achieve this, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

Except for the above impact, 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 complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks and related regulations endorsed by the FSC.

Basis of Preparation

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

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

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

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

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

Classification of Current and Non-current Assets and Liabilities

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

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Bank. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Refer to Note 15 and attachment 4 for detailed accounts, stock holding and operating activities.

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. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess are recognized immediately in profit or loss as a bargain purchase gain.

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 Group'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).

Financial Instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

a. Financial assets

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

   1) Categories

      The Group owned financial assets which are classified into the following specified categories: Financial assets at fair value through profit or loss (FVTPL), held-to-maturity financial assets, available-for-sale (AFS) financial assets and loans and receivables.

a) Financial assets at FVTPL

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

A financial asset is designated as at FVTPL on initial recognition when:

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

- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is 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

- If a contract contains one or more embedded derivatives, the entire combined contract (asset or liability) can be designated as at fair value through profit or loss.

  Fair value is determined in the manner described in Note 37.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

b) Held-to-maturity financial assets

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

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

c) Available-for-sale financial assets (AFS financial assets)

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

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

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

d) Loans and receivables

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

For the consolidated statements of cash flows, cash and cash equivalents include cash and cash equivalent in the consolidated balance sheet, due from the central bank and call loans to banks and securities purchased under resell agreements which fall within the definition of cash and cash equivalents under IFRS No. 7 approved by FSC. Cash on hand and due from other banks are included in cash and cash equivalents on consolidated balance sheets.

2) Impairment of financial assets

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

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

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

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

The objective evidences of impairment of other financial assets includes significant financial difficulties or defaults of the issuer or debtor, increasing possibilities of debtors' bankruptcy or debt restructuring, and inactive market due to the issuer's financial difficulties.

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of financial assets that are carried at cost, where the carrying amount is reduced through the use of an allowance account. When financial assets are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Under the guidelines of “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans” issued by the Banking Bureau of the Financial Supervisory Commission, the credit accounts are categorized into five groups, Normal credit assets, require special mention assets, substandard assets, doubtful assets and full-amount loss based on the clients’ financial conditions. After assessing the value of the collaterals, the Bank 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), notice, warning, difficult and uncollectible at 1%, 2%, 10%, 50%, and 100%, respectively.

Rule No. 10300329440 issued by the FSC on December 4, 2014 stipulated that banks may maintain bad debt provision ratio at a minimum 1.5% for housing mortgage in order to improve banks’ risk cushion. The rule requires the 1.5% rate to be reached no later than the end of 2014.

Rule No. 10410001840 issued by the FSC on April 23, 2015 stipulated that banks may maintain minimum 1.5% bad debt provisions ratio for category one credit assets (including short-term trade financing) due from to the PRC businesses. This is again to improve banks’ risk cushion. Uncollectible assets could be written off after the board of directors’ approval.

3) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

b. Financial liabilities

1) Subsequent measurement of financial liabilities

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

a) Financial liabilities at FVTPL

Financial liabilities at FVTPL are all held for trading, and stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The method to determine fair value is stated in Note 37.

b) Financial guarantee contracts

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

2) Derecognition of financial liabilities

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

c. Derivative financial instruments

Derivatives are initially recognized at fair value at the date 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 hedge relationship. When the fair value of derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in non-derivative host contracts 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 contracts are not measured at fair value through profit or loss.

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 which includes 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.

Hedge Accounting

The Group designates certain hedging instruments, including derivatives as either fair value hedges or cash flow hedges.

a. Fair value hedges

   Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

   Hedge accounting is discontinued prospectively when the Group revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting.

b. Cash flow hedges:

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the other gains and losses line item.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed and are included in the initial cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued prospectively when the Group revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Nonperforming Loans

Under guidelines issued by the Banking Bureau of the Financial Supervisory Commission the balance of loans and other credits extended by the Bank and the related accrued interest thereon are classified as nonperforming.

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

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.

Properties and Equipment

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

Depreciation is provided on a straight-line basis over estimated useful lives and the critical components are identified and depreciated separately. Depreciation expense of the land and buildings held by SCB (HK) is computed using the straight-line method over the useful lives under 40 years. Other equipment is computed using declining balance method and the rate is 25% in the year of purchasing and 20% in the subsequent years. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period by the Group. Change in accounting estimate takes effect prospectively.

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

Investment Properties

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

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

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

Intangible Assets

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

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

Impairment of Tangible and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Collaterals Assumed

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

Provisions

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

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

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

Revenue Recognition

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

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

Dividend revenue is recognized when the right of shareholder to receive dividend is established.

Leasing

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

a. The Group as lessor

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

b. The Group as lessee

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

Employee Benefits

a. Short-term employee benefit

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

b. Retirement benefit costs

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

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

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

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

c. Employee preferential deposits

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

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

d. Other long-term employee benefit

The Bank provides death benefit to employees who die on the job other than occupational injuries. For employees with retirement eligibility, death benefits are considered as part of their pension benefits. For those without retirement eligibility, death benefits are determined based on the length of employment: If employment is less than 1 year, death benefit is equivalent to one month salary; if employment is about 1 year to 5 years, death benefit is equivalent to one month salary for each year of employment; if employment is more than 5 years, death benefit is determined in line with the employee's pension benefit based on years of service before the Labor Pension Act was enacted.

Taxation

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

a. Current tax

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

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

b. Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all [deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures] to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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 liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax of this period

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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 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.

a. Impairment of loans and receivables

The Group periodically reviews its loan portfolio for impairment. Recognition of impairment depends on whether any observable objective evidence of impairment exists. The evidence should contain observable data indicating the unfavorable changes in payment condition or the economic condition in related countries or territories. When analyzing the expected cash flow, the management’s estimates are based on past experiences of loss. The Group reviews regularly the method and assumptions in estimating expected cash flows in order to reduce the difference between the expected and actual losses.

b. Income tax

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

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	2015
Cash on hand and working fund	$ 10,832,370	$ 7,781,738
Notes and checks in clearing	3,148,468	1,226,221
Due from other banks	52,795,156	87,915,829
	$ 66,775,994	$ 96,923,788

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

	December 31	
	2016	2015
Call loans to banks	$ 224,222,791	$ 172,263,081
Deposit reserves - I	1,952,103	4,889,805
Deposit reserves - II	15,353,754	15,769,718
Deposit reserves - foreign	126,429	118,508
Due from foreign central banks	2,716,225	2,288,605
	$ 244,371,302	$ 195,329,717

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 to other deposit reserves.

Call loans to banks including allowance for doubtful debt $2,094 thousand on December 31, 2016 and $2,138 thousand on December 31, 2015.

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2016	**2015**
Financial assets at fair value through profit or loss		
Held-for-trading financial assets		
Commercial papers	$ 5,582,305	$ 23,421,182
Negotiable certificate of deposit	2,499,958	79,681
Corporate bonds	1,214,072	829,659
Forward contracts	1,136,996	1,187,681
Stocks	528,771	177,785
Government bonds	411,056	718,768
Currency swap contract	284,093	144,668
Option contracts	228,605	219,799
Others	90,960	163,613
	11,976,816	26,942,836
Financial assets designated at fair value through profit or loss		
Structured corporate bonds contracts	768,160	1,048,847
	$ 12,744,976	$ 27,991,683
Financial liabilities at fair value through profit or loss		
Held-for-trading financial liabilities		
Forward contracts	$ 1,143,935	$ 1,113,845
Option contracts	223,552	217,089
Others	10,283	106,336
	$ 1,377,770	$ 1,437,270

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 as of December 31, 2016 and 2015 were as follows:

	December 31	
	2016	**2015**
Forward contracts	$ 199,336,614	$ 250,875,972
Currency swap contracts	27,288,257	44,199,717
Option contracts	23,187,899	30,833,603
Interest rate swap contracts	1,439,847	2,539,818
Fixed rate commercial papers	-	300,000

9. SECURITIES PURCHASED UNDER RESELL AGREEMENTS (DECEMBER 31, 2016: NONE)

Securities purchase under resell agreements as of December 31, 2015 was $10,245,428 thousand. The aforementioned securities will be bought back one after another before February 18, 2016 at $10,248,335 thousand.

10. RECEIVABLES, NET

	December 31 2016	December 31 2015
Accrued interest	$ 4,824,328	$ 4,704,713
Acceptances	3,490,181	4,121,432
Credit cards receivable	2,875,810	3,066,438
Accounts receivable due from sales of securities	1,363,988	1,191,025
Accounts receivable - factoring	1,008,988	965,523
Others	2,143,656	1,447,006
	15,706,951	15,496,137
Allowance for credit losses	(380,777)	(377,426)
	$ 15,326,174	$ 15,118,711

Allowance for account receivable and other financial assets is categorized and assessed by credit risk as below:

Item	December 31, 2016 Total	December 31, 2016 Allowance
With objective evidence of impairment		
Individually assessed	$ 55,321	$ 49,928
Collectively assessed	183,883	124,966
With no objective evidence of impairment		
Collectively assessed	6,825,162	255,909
Grand total	$ 7,064,366	$ 430,803

Item	December 31, 2015 Total	December 31, 2015 Allowance
With objective evidence of impairment		
Individually assessed	$ 9,160	$ 2,806
Collectively assessed	101,850	72,917
With no objective evidence of impairment		
Collectively assessed	6,601,588	305,769
Grand total	$ 6,712,598	$ 381,492

The changes in allowance for receivables and other financial assets are listed below:

	For the Year Ended December 31 2016	For the Year Ended December 31 2015
Balance at January 1	$ 381,492	$ 363,319
Provisions	64,782	19,010
Write-offs	(52,161)	(54,328)
Recoveries	39,333	52,577
Effect of exchange rate changes	(2,643)	914
Balance at December 31	$ 430,803	$ 381,492

11. DISCOUNTS AND LOANS, NET

	December 31	
	2016	2015
Loans	$ 836,493,583	$ 827,062,785
Inward/outward documentary bills	20,248,785	28,164,343
Nonperforming loans	2,103,065	1,975,944
	858,845,433	857,203,072
Discount and premium adjustment	727,849	693,185
Allowance for credit losses	(10,242,623)	(10,289,808)
	$ 849,330,659	$ 847,606,449

The Bank discontinues accruing interests when loans are deemed nonperforming. For the years ended December 31, 2016 and 2015, the unrecognized interest revenues on the nonperforming loans amounted to $33,374 thousand and $26,304 thousand, respectively.

For the years ended December 31, 2016 and 2015, the Group only had written off certain credits after completing the required legal procedures.

Allowances for discounts and loans are categorized and assessed by credit risk as below:

	December 31, 2016	
Item	Total	Allowances
With objective evidence of impairment		
Individually assessed	$ 2,291,123	$ 491,091
Collectively assessed	7,105,251	2,113,035
With no objective evidence of impairment		
Collectively assessed	849,449,059	7,638,497
Grand total	$ 858,845,433	$ 10,242,623

	December 31, 2015	
Item	Total	Allowances
With objective evidence of impairment		
Individually assessed	$ 2,297,849	$ 822,780
Collectively assessed	12,945,173	2,874,777
With no objective evidence of impairment		
Collectively assessed	841,960,050	6,592,251
Grand total	$ 857,203,072	$ 10,289,808

The changes in allowance for discount and loans are summarized below:

	For the Year Ended December 31	
	2016	2015
Balance at January 1	$ 10,289,808	$ 10,058,437
Provisions	496,841	565,145
Write-offs	(949,629)	(651,856)
Recoveries	490,401	184,143
Effect of exchange rate changes	(84,798)	133,939
Balance at December 31	$ 10,242,623	$ 10,289,808

The details of bad debts expenses for the years ended December 31, 2016 and 2015 are listed as below:

	For the Year Ended December 31	
	2016	2015
Provisions of loans and discounts	$ 496,841	$ 565,145
Provisions of receivables	64,782	19,010
Provisions of reserve for possible losses on guarantees	125,526	41,000
Provisions of receivables - call loans to banks	-	155
	$ 687,149	$ 625,310

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2016	2015
Bank debentures	$ 95,012,778	$ 76,957,449
Negotiable certificate of deposit	79,180,202	78,255,735
Government bonds	66,688,093	50,867,076
Corporate bonds	59,028,111	59,011,065
Commercial papers	22,038,165	13,765,838
Stocks	20,838,979	16,846,304
Beneficiary certificates	7,928,479	8,189,300
Assets backed securities	423,756	587,300
	$ 351,138,563	$ 304,480,067

Part of aforementioned available-for-sale financial assets were sold under repurchase agreements as of December 31, 2016 and 2015. The par value of bonds and commercial papers sold under repurchase agreements were $9,493,600 thousand and $6,104,100 thousand.

Part of aforementioned assets backed securities were invested in Structured Investment Vehicles (SIV). The Group had recognized impairment losses in prior years which were partially realized due to the liquidation and disposal of SIV. As of December 31, 2016, the unrealized accumulated impairment losses related to its SIV investments were $96,666 thousand.

About the pledged assets, please see Note 35.

13. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31 2016	2015
Negotiable certificate of deposit	$ 61,944,440	$ 82,258,000
Government bonds	9,824,731	9,997,058
Corporate bonds	831,926	447,578
Bank debentures	65,609	68,765
	$ 72,666,706	$ 92,771,401

About the pledged assets, please see Note 35.

14. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

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

Investor	Investee	Nature of Activities	Proportion of Ownership December 31 2016	2015	Remark
Domestic subsidiaries					
The Bank	China Travel Service (Taiwan)	Traveling	99.99	99.99	
	SCSB Life Insurance Agency	Insurance agency	100.00	100.00	
	SCSB Property Insurance Agency	Insurance agency	100.00	100.00	
	SCSB Marketing Ltd.	Human resource services	100.00	100.00	
	SCSB Asset Management Ltd.	Purchase, evaluation, auction and management of creditor's right of financial institutions	100.00	100.00	
China Travel Service (Taiwan)	CTS Travel International Ltd.	Traveling	100.00	100.00	
Foreign subsidiaries					
The Bank	Shancom Reconstruction Inc.	Investment holding	100.00	100.00	
	Wresqueue Limitada	Investment holding	100.00	100.00	
	Paofoong Insurance Company Ltd.	Insurance	40.00	40.00	
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	
	Krinein Company	Investment holding	100.00	100.00	
	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 Trustee Ltd.	Trustee services	60.00	60.00	
	Shacom Futures Ltd.	Commodities trading	100.00	100.00	
	Shacom Investment Ltd.	Investment in exchange fund bills and notes	100.00	100.00	
	Shacom Property Holdings (BVI) Limited	Property holding	100.00	100.00	
	Shacom Property (NY) Inc.	Property holding	100.00	100.00	
	Shacom Property (CA) Inc.	Property holding	100.00	100.00	
	Shacom Assets Investment Ltd.	Investment in bonds	100.00	100.00	
	Infinite Financial Solutions Limited	I.T. application services provider	100.00	100.00	
	Shacom Insurance Brokers Ltd.	Insurance broker	100.00	100.00	
	Shacom Securities Ltd.	Securities brokerage services	100.00	100.00	
	Hai Kwang Property Management Co., Ltd.	Property management	100.00	100.00	
	Paofoong Insurance Company Ltd.	Insurance	60.00	60.00	

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership December 31 2016	2015	Remark
	Right Honour Investments Limited	Property holding	100.00	100.00	
	KCC 23F Limited	Property holding	100.00	100.00	2.
	KCC 25F Limited	Property holding	100.00	100.00	2.
	KCC 26F Limited	Property holding	100.00	100.00	2.
Right Honour Investments Limited	Glory Step Investments Limited	Property holding	100.00	100.00	
	Silver Wisdom Investments Limited	Property holding	100.00	100.00	

(Concluded)

Remarks:

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

2) Shanghai Commercial Bank (H.K.), subsidiary of the Bank, acquired KCC 23F Limited, KCC 25F Limited and KCC 26F Limited for HK$238,577 thousand, HK$240,913 thousand and HK$243,070 thousand, respectively, to expand its operating premise. Shanghai Commercial Bank (H.K.) acquired 100% of their interests as well as the property held.

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

Name of Subsidiary	Principal Place of Business	Proportion of Ownership and Voting Rights Held by Non-controlling Interests December 31 2016	2015
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 2016	2015	Accumulated Non-controlling Interests December 31 2016	2015
Shanghai Commercial Bank (H.K.) (excluding NCI in its subsidiaries)	$ 3,361,316	$ 3,301,390	$ 42,690,153	$ 40,479,071

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

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

	December 31 2016	2015
Assets	$ 704,726,783	$ 678,911,848
Liabilities	(603,746,320)	(583,153,016)
Non-controlling interests of Shanghai Commercial Bank (H.K.)	(296,140)	(289,324)
Equity	$ 100,684,323	$ 95,469,508

(Continued)

	December 31	
	2016	2015
Owners of Shanghai Commercial Bank (H.K.)	$ 57,994,171	$ 54,990,437
Non-controlling interests of Shanghai Commercial Bank (H.K.)	42,690,152	40,479,071
	$ 100,684,323	$ 95,469,508

(Concluded)

	For the Year Ended December 31	
	2016	2015
Revenue	$ 16,173,554	$ 15,119,904
Net profit for the period	$ 7,943,511	$ 7,801,677
Profit allocated to NCI in subsidiaries of Shanghai Commercial Bank (H.K.)	(15,878)	(15,379)
	7,927,633	7,786,298
Other comprehensive income for the period	3,185,818	(266,014)
Other comprehensive income allocated to NCI in subsidiaries of Shanghai Commercial Bank (H.K.)	(14,631)	(1,706)
Total comprehensive income for the period	$ 11,098,820	$ 7,518,578
Profit attributable to:		
Owners of Shanghai Commercial Bank (H.K.)	$ 4,566,317	$ 4,484,908
Non-controlling interests in Shanghai Commercial Bank (H.K.)	3,361,316	3,301,390
	$ 7,927,633	$ 7,786,298
Total comprehensive income attributable to:		
Owners of Shanghai Commercial Bank (H.K.)	$ 6,392,920	$ 4,330,701
Non-controlling interests of Shanghai Commercial Bank (H.K.)	4,705,900	3,187,877
	$ 11,098,820	$ 7,518,578
Net cash inflow (outflow) from:		
Operating activities	$ (75,390,520)	$ (8,075,258)
Investing activities	35,841,221	30,748,391
Financing activities	(4,215,120)	(3,979,459)
Net cash inflow	$ (43,764,419)	$ 18,693,674
Dividends paid to non-controlling interest Shanghai Commercial Bank (H.K.)	$ 1,651,436	$ 1,588,808

15. EQUITY INVESTMENTS UNDER THE EQUITY METHOD

	December 31	
	2016	2015
Investments in associates	$ 1,421,566	$ 1,361,088

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

The foreign investments of subsidiaries are all held by SCB HK with appropriate approvals by its board of directors.

Associates Information of business combinations were as follows:

	December 31	
	2016	2015
Profits from continuing operations	$ 154,231	$ 194,937
Other comprehensive income	(67,649)	127,942
The comprehensive income for the period	$ 86,582	$ 322,879

16. OTHER FINANCIAL ASSETS, NET

	December 31	
	2016	2015
Nonperforming receivables	$ 50,026	$ 3,066
Financial assets carried at cost	5,179	5,179
Bills purchased, net	1,570	32,269
	56,775	40,514
Allowance for nonperforming credit card receivables	(50,026)	(4,066)
	$ 6,749	$ 36,448

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

The balance of credit cards receivable reported as nonperforming were $2,939 thousand and $2,700 thousand as of December 31, 2016 and 2015, respectively. The unrecognized interest revenues on the receivable amounted to $32 thousand and $28 thousand for the years ended December 31, 2016 and 2015.

The Group collected the principle of its investment in preferred stock of Taiwan High Speed Rail Corporation's ("THSRC"), amounting to $200,000 thousand, recorded under debt investment with no active market in 2015. The Group further signed a settlement agreement with THSRC pursuant to THSRC's financial plan and the Bank received an indemnity amounted to $85,863 thousand in February 2016.

17. PROPERTIES, NET

	December 31	
	2016	2015
Land	$ 15, 619,473	$ 14,561,765
Building and improvement	5,656,624	4,770,318
Office equipment	296,292	321,334
Transportation equipment	28,263	32,166
Miscellaneous equipment	672,338	440,223
Construction-in-progress and prepayment	7,260	3,787,344
	$ 22,280,250	$ 23,913,150

	For the Year Ended December 31, 2016						
	Balance at January 1, 2016	Additions	Disposals	Business Combination	Internal Transfer	Effect of Exchange Rate Changes, Net	Balance at December 31, 2016
Cost							
Land	$ 15,008,837	$ -	$ -	$ -	$ 1,253,147	$ (110,870)	$ 16,151,114
Building and improvement	7,752,895	78,185	(14,639)	-	1,114,374	(80,408)	8,880,407
Office equipment	2,187,612	112,736	(198,793)	-	-	(24,807)	2,076,748
Transportation equipment	96,684	3,641	(6,230)	-	-	(1,017)	93,078
Miscellaneous equipment	2,220,516	394,499	(141,496)	-	-	(59,346)	2,414,173
Construction-in-progress and prepayment	3,813,932	114,888	-	-	(3,842,520)	(79,040)	7,260
	31,080,476	$ 703,949	$ (361,158)	$ -	$ (1,444,999)	$ (355,488)	29,622,780
Accumulated depreciation							
Land	447,072	$ 73,806	$ -	$ -	$ 20,180	$ (9,417)	531,641
Building and improvement	2,982,577	282,814	(14,639)	-	5,773	(32,742)	3,223,783
Office equipment	1,866,278	125,359	(189,019)	-	-	(22,162)	1,780,456
Transportation equipment	64,518	6,745	(5,901)	-	-	(547)	64,815
Miscellaneous equipment	1,780,293	127,374	(131,917)	-	-	(33,915)	1,741,835
Construction-in-progress and prepayment	26,588	812	-	-	(26,847)	(553)	-
	7,167,326	$ 616,910	$ (341,476)	$ -	$ (894)	$ (99,336)	7,342,530
Net amount	$ 23,913,150						$ 22,280,250

	For the Year Ended December 31, 2015						
	Balance at January 1, 2015	Additions	Disposals	Business Combination	Internal Transfer	Effect of Exchange Rate Changes, Net	Balance at December 31, 2015
Cost							
Land	$ 12,860,807	$ 406,672	$ (21,037)	$ 1,566,595	$ -	$ 195,800	$ 15,008,837
Building and improvement	6,173,561	147,125	(19,573)	1,331,880	-	119,902	7,752,895
Office equipment	2,179,248	98,034	(128,412)	-	37	38,705	2,187,612
Transportation equipment	101,714	2,713	(9,136)	-	-	1,393	96,684
Miscellaneous equipment	2,084,720	121,100	(42,510)	-	(63)	57,269	2,220,516
Construction-in-progress and prepayment	6,526,854	1,218,054	-	-	(4,084,016)	153,040	3,813,932
	29,926,904	$ 1,993,698	$ (220,668)	$ 2,898,475	$ (4,084,042)	$ 566,109	31,080,476
Accumulated depreciation							
Land	361,504	$ 70,280	$ -	$ -	$ -	$ 15,288	447,072
Building and improvement	2,760,849	186,174	(4,748)	-	-	40,302	2,982,577
Office equipment	1,792,856	158,132	(121,208)	-	-	36,498	1,866,278
Transportation equipment	65,570	7,150	(8,931)	-	-	729	64,518
Miscellaneous equipment	1,640,307	131,219	(40,315)	-	(2)	49,084	1,780,293
Construction-in-progress and prepayment	47,339	6,759	-	-	(28,586)	1,076	26,588
	6,668,425	$ 559,714	$ (175,202)	$ -	$ (28,588)	$ 142,977	7,167,326
Net amount	$ 23,258,479						$ 23,913,150

The Group did not recognize any impairment losses on the properties for the years ended December 31, 2016 and 2015.

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

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

Building and improvement	
Branch	43-55 years
Air conditioning and machine room	9 years
Office equipment	3-8 years
Transportation equipment	5-10 years
Miscellaneous equipment	5-20 years

The SCB (HK) main building built in 2016. Construction-in-progress and prepayment readjusted to land and building and improvement. The Group has been held in accordance with the purpose of accounting for properties and equipment and investing properties respectively.

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

18. INVESTMENT PROPERTIES, NET

	December 31	
	2016	**2015**
Land	$ 4,469,821	$ 12,488
Building and improvement	1,290,807	9,012
Construction in progress and prepayments for real estate investments	-	4,204,643
	$ 5,760,628	$ 4,226,143

	For the Year Ended December 31, 2016				
	Balance at January 1, 2016	**Additions**	**Internal Transfer**	**Effect of Exchange Rate Changes, Net**	**Balance at December 31, 2016**
Cost					
Land	$ 13,630	$ -	$ 4,499,002	$ (2,308)	$ 4,510,324
Building and improvement	14,510	82,281	1,219,913	(893)	1,315,811
Construction in progress and prepayments for real estate investments	4,234,281	127,736	(4,273,916)	(88,101)	-
	4,262,421	$ 210,017	$ 1,444,999	$ (91,302)	5,826,135
Less: Accumulated depreciation					
Land	1,142	$ 2,810	$ 36,593	$ (42)	40,503
Building and improvement	5,498	25,404	(5,772)	(126)	25,004
Construction in progress and prepayments for real estate investments	29,638	906	(29,927)	(617)	-
	36,278	$ 29,120	$ 894	$ (785)	65,507
Net amount	$ 4,226,143				$ 5,760,628

	For the Year Ended December 31, 2015				
	Balance at January 1, 2015	**Additions**	**Internal Transfer**	**Effect of Exchange Rate Changes, Net**	**Balance at December 31, 2015**
Cost					
Land	$ 13,110	$ -	$ -	$ 520	$ 13,630
Building and improvement	13,955	-	-	555	14,510
Construction in progress and prepayments for real estate investments	-	-	4,084,016	150,265	4,234,281
	27,065	$ -	$ 4,084,016	$ 151,340	4,262,421
Less: Accumulated depreciation					
Land	988	$ 111	$ -	$ 43	1,142
Building and improvement	4,937	352	-	209	5,498
Construction in progress and prepayments for real estate investments	-	-	28,586	1,052	29,638
	5,925	$ 463	$ 28,586	$ 1,304	36,278
Net amount	$ 21,140				$ 4,226,143

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

Land	Period of the lease term
Building and improvement	Years of leasing or 40 years, whichever is shorter

The fair value of investment properties has been measured mainly be independent appraiser, Cushman & Wakefield, on the balance sheet date. The valuation applies common level three input valuation models such as “direct comparison approach” and “income capitalization approach”. The applied unobservable inputs include sales proofs from market, potential market rents, and related costs such as building costs, consulting costs, and financing costs. The fair value stated as below:

	For the Year Ended December 31	
	2016	**2015**
Fair value	$ 13,818,183	$ 13,852,858

Rental income from investment properties stated as below:

	For the Year Ended December 31	
	2016	**2015**
Rental income from investment properties	$ 166,366	$ 3,611

19. OTHER ASSETS, NET

	December 31	
	2016	**2015**
Prepaid expenses	$ 2,208,384	$ 2,103,991
Deferred charges	375,013	527,569
Refundable deposits, net of $17,360 thousand impairment loss	1,020,366	767,590
Temporary payments and suspense	86,547	97,010
Computer software	140,658	97,692
Others	171,497	153,483
	$ 4,002,465	$ 3,747,335

20. DUE TO THE CENTRAL BANK AND BANKS

	December 31	
	2016	**2015**
Due to banks	$ 4,011,826	$ 2,119,914
Call loans from banks	26,138,638	29,850,471
Deposit transfer from Chunghwa Post Co., Ltd.	3,802,664	4,333,479
Overdraft on banks	1,475,538	1,615,886
	$ 35,428,666	$ 37,919,750

21. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Securities sold under repurchase agreements as of December 31, 2016 and 2015 were $10,186,212 thousand and $6,320,676 thousand, respectively. The aforementioned securities will be sold back by September 22, 2017 and September 23, 2016 at $10,193,351 thousand and $6,327,321 thousand, respectively.

22. PAYABLES

	December 31	
	2016	**2015**
Dividends payable	$ 10,995,694	$ 10,188,708
Accounts payable	7,032,472	3,917,379
Liabilities on bank acceptances	3,519,141	4,208,591
Accrued interests	1,938,508	2,212,798
Accrued expenses	1,416,195	1,351,934
Others	438,338	485,228
	$ 25,340,348	$ 22,364,638

23. DEPOSITS AND REMITTANCES

	December 31	
	2016	**2015**
Time deposits	$ 603,584,606	$ 645,110,688
Savings deposits	443,131,254	410,535,952
Demand deposits	293,242,685	274,961,422
Checking deposits	10,496,084	9,205,659
Negotiable certificates of deposits	2,884,200	3,463,000
Remittances	1,027,081	362,592
	$ 1,354,361,910	$ 1,343,639,313

24. BANK DEBENTURES

	December 31	
	2016	**2015**
The subordinate bank debenture - 7 year maturity; first issued in 2010; maturity date is on June 2017	$ 3,000,000	$ 3,000,000
The subordinate bank debenture - 7 year maturity; first issued in 2012; maturity date is on April 2019	4,000,000	4,000,000
The subordinate bank debenture - 7 year maturity; second issued in 2012; maturity date is on May 2019	1,000,000	1,000,000
The subordinate bank debenture - 7-10 year maturity, third issued in 2012; maturity date is from December 2019 to December 2022.	5,000,000	5,000,000
The subordinate bank debenture - 7-10 year maturity, fourth issued in 2012; maturity date is from December 2019 to December 2022.	10,000,000	10,000,000
The subordinate bank debenture - 7-10 year maturity, first issued in 2014; maturity date is on March 2021 to March 2024	6,700,000	6,700,000

(Continued)

	December 31	
	2016	2015
The subordinate bank debenture - 7 year maturity, second issued in 2014; maturity date is on November 2021	$ 3,300,000	$ 3,300,000
The subordinate bank debenture - 7 year maturity; first issued in 2015; maturity date is on June 2022	2,150,000	2,150,000
The subordinate bank debenture - 8.5 year maturity; second issued in 2015; maturity date is on June 2024	3,000,000	3,000,000
	$ 38,150,000	$ 38,150,000

(Concluded)

The first issuance of the 2010 subordinated bank debenture bears a fixed interest rate of 1.5% with interest paid annually and repayment of principal at maturity.

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

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

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

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

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

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

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

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

25. OTHER FINANCIAL LIABILITIES

	December 31	
	2016	2015
Appropriated loan funds	$ 2,810,902	$ 3,574,873
Principals of structured instruments	469,485	405,100
	$ 3,280,387	$ 3,979,973

26. PROVISIONS

	December 31	
	2016	2015
Reserve for employee benefits	$ 785,004	$ 679,656
Reserve for possible losses on guarantees	604,785	479,670
Reserve for other operating	403,186	371,992
Reserve for unexpected losses	3,564	3,564
	$ 1,796,539	$ 1,534,882

The movements of reserve for possible losses on guarantees were as follows:

	December 31	
	2016	2015
Opening balance	$ 479,670	$ 438,436
Reserve for possible losses on guarantees (Note 11)	125,527	41,000
Exchange differences	(412)	234
Closing balance	$ 604,785	$ 479,670

27. OTHER LIABILITIES

	December 31	
	2016	2015
Guarantee deposit received	$ 1,342,222	$ 1,696,051
Deferred revenues	485,343	353,678
Interest received in advance	39,708	92,406
Temporary credit	37,364	28,293
Others	341,584	344,780
	$ 2,246,221	$ 2,515,208

28. PENSION PLAN

The Bank

a. Defined contribution plan

The pension plan under the Labor Pension Act (the "LPA") is a defined contribution plan. Under the PA., the Bank makes monthly contributions of amounts equal to 6% of salaries and wages to a pension fund.

The Bank makes contributions to its pension fund at the predetermined rate specified in the defined contribution plan and immediately recognizes as pension expense. Contributions made to the defined contribution plan for the years ended December 31, 2016 and 2015 were $57,916 thousand and $53,050 thousand, respectively.

b. Defined benefit plan

The Bank adopted a defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the last six months before retirement. The Bank contributes amounts equal to 8% 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 Group 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 Group 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 Group has no right to influence the investment policy and strategy.

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

	December 31	
	2016	**2015**
Present value of defined benefit obligation	$ 2,543,556	$ 2,419,046
Fair value of plan assets	(2,439,424)	(2,390,026)
Net defined benefit liability	$ 104,132	$ 29,020

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liability (Asset)**
Balance at January 1, 2015	$ 2,348,805	$ (2,390,394)	$ (41,589)
Service cost			
Current service cost	195,318	-	195,318
Net interest expense (income)	43,306	(45,821)	(2,515)
Recognized in profit or loss	238,624	(45,821)	192,803

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	$ -	$ 571	$ 571
Actuarial loss - changes in demographic assumptions	16,599	-	16,599
Actuarial loss - experience adjustments	33,882	-	33,882
Recognized in other comprehensive income	50,481	571	51,052
Contributions from the employer	-	(173,246)	(173,246)
Benefits paid	(218,864)	218,864	-
Balance at December 31, 2015	$ 2,419,046	$ (2,390,026)	$ 29,020
Balance at January 1, 2016	$ 2,419,046	$ (2,390,026)	$ 29,020
Service cost			
Current service cost	193,809	-	193,809
Net interest expense (income)	43,825	(44,965)	(1,140)
Recognized in profit or loss	237,634	(44,965)	192,669
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	21,669	21,669
Actuarial loss - changes in demographic assumptions	11,906	-	11,906
Actuarial loss - experience adjustments	39,719	-	39,719
Recognized in other comprehensive income	51,625	21,669	73,294
Contributions from the employer	-	(190,851)	(190,851)
Benefits paid	(164,749)	164,749	-
Balance at December 31, 2016	$ 2,543,556	$ (2,439,424)	$ 104,132

(Concluded)

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

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

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

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

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

	December 31	
	2016	**2015**
Discount rates	1.90%	1.90%
Expected rates of salary increase	2.75%	2.75%

If possible reasonable change 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	
	2016	**2015**
Discount rate(s)		
0.25% increase	$ (72,724)	$ (71,445)
0.25% decrease	$ 75,677	$ 71,446
Expected rate(s) of salary increase		
0.25% increase	$ 73,677	$ 72,457
0.25% decrease	$ (71,169)	$ (69,897)

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

	December 31	
	2016	**2015**
The average duration of the defined benefit obligation	12.0 years	12.4 years
The expected contributions to the plan for the next year	$ 196,099	$ 178,010

c. Employee preferential interest deposits

According to the Bank’s employee preferential interest policy, the Bank pays preferential interests on certain deposits of presently active and retired employees. Under the Regulations Governing the Preparation of Financial Reports by Public Banks, only benefits representing the markups from market interest rate paid to retired employees should be actuarially determined and recognized.

The Bank performed actuarial valuation of preferential interest expenses for retired employees according to related actuarial assumptions under Rule No. 10110000850 issued by the FSC on March 15, 2012. The principal assumptions of the actuarial valuations were as follows:

	December 31	
	2016	**2015**
Discount rate	4.00%	4.00%
Expected return of deposit fund	2.00%	2.00%
Expected rates of account balance decrease	2.00%	2.00%
Expected probabilities of preferential interest deposits system change	50.00%	50.00%

The amounts included in the balance sheets in respect of the Bank’s obligation under the preferential interest deposit plan for retired employees were as follows:

	December 31	
	2016	**2015**
Present value of preferential interest deposit for retired employees	$ 282,279	$ 236,129

The Bank and subsidiaries recognized $62,337 thousand and $73,173 thousand in defined benefit plans, loss of $13,014 thousand and gain $4,629 thousand in defined other comprehensive income for the years ended December 31, 2016 and 2015.

d. Other long-term employee benefit liability

The Bank provides death benefit to employees who die on the job other than occupational injuries. For employees with retirement eligibility, death benefits are considered as part of their pension benefits. For those without retirement eligibility, death benefits are determined based on the length of employment: If employment is less than 1 year, death benefit is equivalent to one month salary; if employment is about 1 year to 5 years, death benefit is equivalent to one month salary for each year of employment; if employment is more than 5 years, death benefit is determined in line with the employee’s pension benefit based on years of service before the LPA was enacted.

The obligations for employee death benefit on the consolidated balance sheets were as follows:

	December 31	
	2016	**2015**
Other long-term employee benefit obligations	$ 5,227	$ 6,515

For the years ended December 31, 2016 and 2015, the Bank recognized the gains of $1,288 thousand and $2,089 thousand in the statements of comprehensive income in respect of the employee death benefit.

Subsidiaries

a. Defined contribution plan

Domestic subsidiaries of the Bank adopted the Labor Pension Act (the “LPA”), which is a defined contribution plan. Under the LPA., the Bank’s domestic subsidiaries makes monthly contributions of amounts equal to 6% of salaries and wages to a pension fund administered by the pension fund monitoring committee. Foreign subsidiaries also contribute pension funds to their defined contribution plans under local regulations. The plan assets of the different plans of domestic and foreign subsidiaries are independently administered funds.

Contributions made to the defined contribution plans for the years ended December 31, 2016 and 2015 were $241,828 thousand and $215,142 thousand, respectively. Income tax expense recognized in other comprehensive income

b. Defined benefit plan

Domestic and foreign subsidiaries recognized relevant expenses according to the calculation of qualified actuaries. The expenses recognized in the statements of comprehensive income for the defined benefit pension plans were $665 thousand and $1,092 thousand for the years ended December 31, 2016 and 2015, respectively. The expenses recognized in other comprehensive profit of 15,179 thousand for the year ended December 31, 2016.

Long-term employee benefit liability

	December 31	
	2016	2015
Defined benefit liability	$ 497,498	$ 437,012
Present value of preferential interest deposit for retired employees	282,279	236,129
Other long-term employee benefit obligations	5,227	6,515
	$ 785,004	$ 679,656

29. EQUITY

a. Share capital

	December 31	
	2016	2015
Common shares		
Authorized shares (in thousand)	6,000,000	6,000,000
Authorized capital	$ 60,000,000	$ 60,000,000
Issued and paid shares (in thousand)	4,079,103	3,999,121
Issued capital	$ 40,791,031	$ 39,991,207

Issued common shares with par value of $10 per share entitled the right to vote and to receive dividends.

In the shareholders' meeting dated on June 14, 2016, it was resolved to increase the Bank's authorized shares and authorized capital to 799,824 thousand shares and $79,982 thousand. The meeting also determined the dividend ratio at $0.2 per share. The registration of the new shares has been completed by September 2016.

b. Capital surplus

	December 31	
	2016	2015
Share premium	$ 2,647,583	$ 2,647,583
Treasury stock transaction	1,998,854	1,991,109
Proportionate share in equity-method investee's surplus from donated assets	1,218	1,218
	$ 4,647,655	$ 4,639,910

Under the Company Law, capital surplus can only be used to offset a deficit. However, the capital surplus from share issued in excess of par (including additional paid-in capital from issuance of common shares, conversion of bonds and treasury stock transactions) and donations may be capitalized, which however is limited to a certain percentage of the Bank's paid-in capital.

The capital surplus from investments using equity method may not be used for any purpose.

Since the shares held by subsidiaries were reclassified as treasury stocks, cash dividend distributed to subsidiaries was then recorded as "capital surplus - treasury stock". Cash dividend distributed to subsidiaries amounted to $7,745 thousand and $7,377 thousand for the years ended December 31, 2016 and 2015.

c. Retained earnings and dividend policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been adopted by resolution of the board in the directors' meeting held on March 14, 2016 and are subject to the resolution of the shareholders in their meeting to be held on June 14, 2016. For information about the employees' compensation and remuneration and the actual appropriations, please refer to Note 30 (d).

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."

Legal reserve should be appropriated at the amount equal to 30% of earnings after tax. Legal reserve shall be appropriated until it reaches the Bank's paid-in capital. If the Bank has no deficit and the legal reserve has exceeded 25% of the Bank's paid-in capital, the excess may be transferred to capital or distributed in cash. However, under the Banking Law, if the Bank's legal reserve is still less than its paid-in capital, the Bank may distribute cash earnings only up to 15% of the paid-in capital.

Except for non-ROC resident shareholders, all shareholders receiving the undistributed earnings generated after 1998 are allowed a tax credit equal to their proportionate share of the income tax paid by the Bank. However, earnings generated in 1997 and prior years, when distributed, are not entitled to imputation tax credit.

The appropriations of earnings for 2015 and 2014 had been approved in the shareholders' meetings on June 14, 2016 and June 5, 2015, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		**Dividends Per Share (Dollars)**	
	2015	**2014**	**2015**	**2014**
Legal reserve	$ 3,569,398	$ 3,272,195		
Cash dividends - common stock	5,998,681	5,713,030	$ 1.50	$ 1.50
Stock dividends - common stock	799,824	1,904,343	0.50	0.50
	$ 10,367,903	$ 10,889,568	$ 1.70	$ 2.00

The appropriations of earnings for 2016 had been proposed by the Bank's board of directors on March 25, 2017. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 3,524,499	
Special reserve	58,742	
Cash dividends	6,118,655	$1.5
	$ 9,701,896	

d. Special reserve

The Bank has made a special reserve $1,256,859 thousand due to transferring its cumulative translation adjustment reported in equity to retained earnings while first-time adopting. There was no change in the balance of special reserve for the period ended on December 31, 2016.

With Rule No. 10510001510 issued by the FSC on May 25, 2016, Public Banks should make a special reserve for 0.5% to 1.0% of net profit when making the appropriations of earnings of 2016 to 2018 to cope with the staff transformation of financial technology development. Public Banks may reverse the same amount of transfer or resettle the expenses since 2017. The Bank has made a special reserve $58,742 thousand from earnings of 2015 proposed by the Bank's board of directors on March 25, 2017.

e. Treasury stock

Purpose	Beginning Balance	Increase	Decrease	Ending Balance
Year ended December 31, 2016				
Shares held by subsidiaries	11,174	223	-	11,397
Year ended December 31, 2015				
Shares held by subsidiaries	10,642	532	-	11,174

The Bank reclassified its shares held by the subsidiaries as treasury stock with a carrying amount of $83,144 thousand (representing 7,698 thousand shares). The shares increased by 3,699 thousand shares over the years.

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

f. Non-controlling interest

	For the Year Ended December 31	
	2016	2015
Beginning balance	$ 40,657,383	$ 37,505,364
Attribution to non-controlling interest		
Net income	3,363,793	3,298,426
Translation adjustments for foreign operations	(1,509,177)	1,412,654
Unrealized gains on available-for-sale financial assets	2,234,832	29,947
Income tax effect	(306,460)	(200)
Cash dividend distribution	(1,651,436)	(1,588,808)
Ending balance	$ 42,788,926	$ 40,657,383

30. DETAILS OF COMPREHENSIVE INCOME STATEMENT ITEMS

a. Interest revenues, net

	For the Year Ended December 31	
	2016	2015
Interest revenue		
Discounts and loans	$ 21,835,809	$ 23,106,336
Securities investments	6,818,808	5,650,896
Due from banks	2,735,647	3,422,234
Others	384,617	425,693
	31,774,881	32,605,159
Interest expense		
Deposits	8,649,130	10,204,934
Bank debentures	622,440	623,679
Due to banks	416,385	581,422
Securities sold under repurchase agreements	62,157	37,488
Others	58,842	53,680
	9,808,954	11,501,203
	$ 21,965,927	$ 21,103,956

b. Service fee revenue, net

	For the Year Ended December 31	
	2016	2015
Service fee revenues		
Trusts	$ 1,348,557	$ 1,956,674
Nominee	869,812	750,029
Loans	749,791	723,373
Inward/outward business	438,795	522,966
Credit cards	417,989	440,783
Exchange	405,696	453,774
Guarantees	335,593	354,209
Others	714,231	689,982
	5,280,464	5,891,790
Service fee expenses		
Credit cards	114,197	98,960
Nominee	73,848	70,327
Finance	64,180	52,995
Custody	52,304	28,661
Factoring	9,266	13,113
Others	215,672	242,038
	529,467	506,094
	$ 4,750,997	$ 5,385,696

c. Gains (losses) on financial assets and liabilities at fair value through profit or loss

	For the Year Ended December 31, 2016		
	Realized (Loss) Gain	Unrealized Loss	Total
Financial asset at fair value through profit or loss	$ 9,487,008	$ (167,866)	$ 9,319,142
Financial liabilities at fair value through profit or loss	(8,644,272)	(84,477)	(8,728,749)
	$ 842,736	$ (252,343)	$ 590,393

	For the Year Ended December 31, 2015		
	Realized (Loss) Gain	Unrealized (Loss) Gain	Total
Financial asset at fair value through profit or loss	$ 13,325,620	$ (791,608)	$ 12,534,012
Financial liabilities at fair value through profit or loss	(12,451,180)	624,197	(11,826,983)
	$ 874,440	$ (167,411)	$ 707,029

d. Employee benefit expenses

	For the Year Ended December 31	
	2016	2015
Short-term employee benefits	$ 6,228,393	$ 5,862,913
Retirement benefits		
Defined contribution plan	299,744	268,192
Defined benefit plan	193,334	193,895
	493,078	462,087
Other employee benefits	590,355	652,112
	$ 7,311,826	$ 6,977,112

For the years ended December 31, 2016 and 2015, the numbers of employees of the Group were 4,217 and 4,452, respectively.

1) Bonus to employees and remuneration of directors for 2016 and 2015

In compliance with the Company Act as amended in May 2015, the shareholders held their meeting and resolved amendments to the Articles of Incorporation of the Bank; the amendments stipulate distribution of employees' compensation and remuneration to directors at the rates no less than 0.1‰ and no higher than 0.6‰, respectively, of net profit before income tax, employees' compensation, and remuneration to directors. For the ended December 31, 2016, the employees' compensation and the remuneration to directors were estimated within the aforementioned range respectively.

The bonus to employees and the remuneration to directors for 2016 and 2015 approved in the shareholders' meeting on March 25, 2017 and March 12, 2016, respectively, were as follows:

	For the Year Ended December 31			
	2016		2015	
	Cash	Share	Cash	Share
Employees' compensation	$ 34,000	$ -	$ 34,000	$ -
Remuneration of directors	52,000	-	55,000	-

If there is a change in the amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in the accounting estimate.

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 year ended December 31, 2015.

Information on the employees' compensation and remuneration to directors resolved by the Bank's board of directors in 2016 and bonus to employees and directors resolved by the shareholders' meeting in 2016 and 2015 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

2) Bonus to employees and Remuneration of directors and supervisors for 2014

The bonus to employees and remuneration of directors and supervisors for 2014 which have been approved in the shareholders' meeting on June 5, 2015 were as follows:

	For the Year Ended December 31, 2014	
	Cash	Share
Bonus to employees	$ 32,000	$ -
Remuneration of directors and supervisors	58,800	-

There was no difference between the amounts of the bonus to employees and the remuneration of directors and supervisors approved in the shareholders' meeting on June 5, 2015 and the amounts recognized in the consolidated financial statements for the year ended December 31, 2014.

e. Depreciation and amortization

	For the Year Ended December 31	
	2016	2015
Depreciation expense		
Properties	$ 616,910	$ 559,714
Investment properties	29,120	463
	646,030	560,177
Amortization expense		
Other assets	274,056	258,456
	$ 920,086	$ 818,633

31. INCOME TAX

a. Income tax expense recognized in profit or loss

The major components of tax expenses were as follows:

	For the Year Ended December 31	
	2016	2015
Current tax		
In respect of the current year	$ 3,693,628	$ 3,415,011
In respect of prior periods	(54,989)	(51,076)
	3,638,639	3,363,935
Deferred tax		
In respect of the current year	459,098	312,560
In respect of prior periods	9,298	163
	468,396	312,723
Income tax expense recognized in profit or loss	$ 4,107,035	$ 3,676,658

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

	For the Year Ended December 31	
	2016	2015
Profit before tax from continuing operations	$ 19,219,160	$ 18,873,076
Income tax expense calculated at the statutory rate	$ 4,549,561	$ 4,428,013
Add (deduct) tax effect of:		
Tax-exempt cash divided	(19,684)	(31,154)
Permanente difference - investment income	(22,938)	(27,326)
Tax-exempt gains on securities transactions	(144,926)	(78,243)
Tax-exempt income from subsidiaries	(852)	(119,741)
Tax-exempt income from offshore banking unit (OBU)	(529,158)	(563,906)
Tax-exempt gain on sale of land	-	(11,231)
Others	34,421	57,390
	3,866,424	3,653,802
Additional income tax on unappropriated earnings	149,156	836
Additional income tax under the Alternative Minimum Tax Act	137,146	72,933
Adjustments for prior years' tax	(45,691)	(50,913)
Income tax expense recognized in profit or loss	$ 4,107,035	$ 3,676,658

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rate used by other foreign entities in Hong Kong is 16.5%.

b. Income tax expense recognized in other comprehensive income

	For the Year Ended December 31	
	2016	**2015**
Deferred income tax expense		
Arising on income and expenses recognized in other comprehensive income		
Translation adjustments for foreign operations	$ 110,744	$ (319,749)
Unrealized gain or loss on available-for-sale financial assets	(559,643)	98,786
Gain from defined benefit plan	14,674	7,892
Income tax expense recognized in other comprehensive income	$ (434,225)	$ (213,071)

c. Current tax assets and liabilities

	December 31	
	2016	**2015**
Current tax assets		
Benefit of tax losses to be carried back to recover taxes paid in prior periods		
Tax refund receivable	$ 112,400	$ 154,683
Current tax liabilities		
Income tax payable	$ 873,972	$ 1,152,377

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2016

Deferred Tax Assets	**Opening Balance**	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Translation Differences**	**Closing Balance**
Temporary differences					
Doubtful debts	$ 762,077	$ 23,321	$ -	$ (13,441)	$ 771,957
Impairment loss on available-for-sale financial assets	18,737	-	-	-	18,737
Unrealized loss on financial instruments	2,983	(5,616)	20,875	-	18,242
Investment loss of domestic subsidiaries recognized under equity method	36,978	(3,836)	-	-	33,142
Other comprehensive income	-	-	(140,354)	-	(140,354)
Unrealized foreign exchange loss	4,721	(4,721)	-	-	-
Defined employee benefit plan	75,162	5,746	14,674	-	95,582
Impairment loss of financial assets carried at cost	1,445	-	-	-	1,445
Others	60,686	12,688	-	(1,605)	71,769
	$ 962,789	$ 27,582	$ (104,805)	$ (15,046)	$ 870,520

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Translation Differences	Closing Balance
Temporary differences					
Unrealized gain on financial instruments	$ (1,321,009)	$ (44,686)	$ (580,518)	$ 32,732	$ (1,913,481)
Investment income and exchange differences on translation of foreign subsidiaries recognized under equity method	(8,559,575)	(397,158)	251,098	-	(8,705,635)
Recognized deferred depreciation expenses	(77,421)	(41,602)	-	6,583	(112,440)
Unrealized foreign exchange gain	-	(12,549)	-	-	(12,549)
Others	(409)	17	-	-	(392)
	$ (9,958,414)	$ (495,978)	$ (329,420)	$ 39,315	$ (10,744,497)

For the year ended December 31, 2015

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Translation Differences	Closing Balance
Temporary differences					
Doubtful debts	$ 771,003	$ (18,183)	$ -	$ 9,257	$ 762,077
Impairment loss on available-for-sale financial assets	18,737	-	-	-	18,737
Unrealized loss on financial instruments	-	5,616	(2,633)	-	2,983
Investment loss of domestic subsidiaries recognized under equity method	47,872	(10,894)	-	-	36,978
Unrealized foreign exchange loss	1,289	3,432	-	-	4,721
Defined employee benefit plan	55,945	11,325	7,892	-	75,162
Impairment loss of financial assets carried at cost	1,445	-	-	-	1,445
Others	56,876	1,630	-	2,180	60,686
	$ 953,167	$ (7,074)	$ 5,259	$ 11,437	$ 962,789

Deferred Tax Liabilities	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Translation Differences	Closing Balance
Temporary differences					
Unrealized gain on financial instruments	$ (1,466,442)	$ 94,443	$ 101,419	$ (50,429)	$ (1,321,009)
Investment income and exchange differences on translation of foreign subsidiaries recognized under equity method	(7,844,974)	(394,852)	(319,749)	-	(8,559,575)
Recognized deferred depreciation expenses	(70,611)	(5,240)	-	(1,570)	(77,421)
Others	(409)	-	-	-	(409)
	$ (9,382,436)	$ (305,649)	$ (218,330)	$ (51,999)	$ (9,958,414)

e. Integrated income tax

	December 31	
	2016	2015
Unappropriated earnings		
Unappropriated earnings generated before December 31, 1997	$ 27,065	$ 27,065
Unappropriated earnings generated on and after January 1, 1998	18,438,376	17,144,760
	$ 18,465,441	$ 17,171,825
Imputation credits accounts	$ 2,301,334	$ 1,342,024

The creditable ratio for distribution of earnings of 2016 and 2015 was 12.48% (expected) and 12.74% (actual), respectively.

Under the Income Tax Law, imputation tax credits distributed to each shareholder are based on the ICA balance as of the date of dividend distribution. When the Bank pays dividend to its foreign shareholders, it should withhold income tax in accordance with related tax law, and therefore foreign shareholders are not entitled to the imputation tax credit. Only if earnings distributed included those which have been subjected to the 10% unappropriated earnings tax, then the foreign shareholders will be allowed a tax credit equal to their proportionate share of such additional 10% tax. The actual imputation credits allocated to the shareholders of the Bank are based on the balance of the Imputation Credits Accounts (ICA) as of the date of dividend distribution. Therefore, the expected creditable ratio for the 2016 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

f. Income tax assessments

The Bank's income tax returns through 2014 had been assessed by the tax authorities.

Income tax returns of the Bank's domestic subsidiary, SCSB Asset Management Ltd., SCSB Life Insurance Agency, and China Travel Service (Taiwan) through 2014 had been assessed by the tax authorities.

Income tax returns of other domestic subsidiaries of the Bank, including SCSB Property Insurance Agency, and SCSB Marketing through 2015 had been assessed by the tax authorities.

32. 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 30	
	2016	2015
Basic earnings per share	$ 2.89	$ 2.92
Diluted earnings per share	$ 2.89	$ 2.92

When calculating earnings per share, if the base date of allotment of stock grants is earlier than the release date of financial statements, the influence of allotment of stock grants should be adjusted retrospectively. The basic and diluted after-tax earnings per share for the year ended December 31, 2015 were adjusted retrospectively as follows:

Unit: NT$ Per Share

	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic earnings per share	$ 2.98	$ 2.92
Diluted earnings per share	$ 2.98	$ 2.92

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 30	
	2016	2015
Earnings used in the computation of basic and diluted earnings per share	$ 11,748,332	$ 11,897,992

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

	For the Year Ended December 31	
	2016	2015
Weighted average number of ordinary shares in computation of basic earnings per share	4,067,706	4,067,706
Effect of potentially dilutive ordinary shares:		
Employees' compensation	1,693	1,586
Weighted average number of ordinary shares used in the computation of diluted earnings per share	4,069,399	4,069,292

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

33. BUSINESS COMBINATIONS

a. Subsidiaries acquired

	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
KCC 23F Limited	Property investment	March 2015	100.00	$ 959,362
KCC 25F Limited	Property investment	March 2015	100.00	$ 968,756
KCC 26F Limited	Property investment	March 2015	100.00	$ 977.430

The Group acquired above-listed companies in March 2015 for $2,905,548 thousand in cash (HK$722,560 thousand) to use the property owned by of these companies for expanding operation facilities of the Group.

The related acquisition costs of $37,699 thousand (HK$9,375 thousand) were recognized in current operating expenses.

b. Assets acquired and liabilities assumed at the date of acquisition

	KCC 23F Limited	KCC 25F Limited	KCC 26F Limited
Current assets			
Refundable deposits	$ 3,386	$ 3,386	$ 3,382
Non-current assets			
Land and buildings	956,970	966,420	975,085
Current liabilities			
Accounts receivable and other receivables	-	(56)	(44)
	$ 960,356	$ 969,750	$ 978,423

c. Bargain purchase gain arising on acquisition

	KCC 23F Limited	KCC 25F Limited	KCC 26F Limited
Fair value of identifiable net assets acquired	$ 960,356	$ 969,750	$ 978,423
Less: Consideration transferred	959,362	968,756	977,430
Bargain purchase gain arising on acquisition	$ 994	$ 994	$ 993

34. RELATED-PARTY TRANSACTIONS

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

a. The Bank's related parties:

Related Party	Relationship with the Bank
The SCSB Cultural & Educational Foundation	Fund donated by the Bank which exceed 1/3 of total fund
The SCSB Charity Foundation	Fund donated by the Bank which exceed 1/3 of total fund
Silks Place Taroko	Investment under equity method held by subsidiary
BC Reinsurance Limited	Investment under equity method held by subsidiary
Joint Electronic Teller Services Limited (JETCO)	Investment under equity method held by subsidiary
Bank Consortium Holding Limited	Investment under equity method held by subsidiary
Hong Kong Life Insurance Limited	Investment under equity method held by subsidiary
i-Tech Solutions Limited	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
Gengroup Merchandise Corp.	The director of the Bank is the chairman of the company
GTM Development Co., Ltd.	The director of the Bank is the chairman of the company
GTM Electronics Co., Ltd.	The director of the Bank is the chairman of the company
GTM Textile Co., Ltd.	The director of the Bank is the chairman of the company
GTM Holdings Corporation	The director of the Bank is the chairman of the company
GTM Corporation	The director of the Bank is the chairman of the company
Chi-Li Investment Co., Ltd.	The director of the Bank is the director of the company
Chang Ho Hsing Co., Ltd.	The director of the Bank is the director of the company
Xing 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 (from June 5, 2015)
CX Technology Corporation	The director of the Bank is the director of the company (from June 16, 2015)
Nan Ya Plastics Corporation	The director of the Bank have resigned on the director of the company (from June 24, 2016)
Beacon Extender Limited	The director of the Bank is the director of the company
Nanyang Holdings Limited	The director of the Bank is the director of the company
Tai Ping Carpets International Limited	The director of the Bank is the director of the company

(Continued)

Related Party	Relationship with the Bank
Yong An Enterprise Ltd.	The director of the Bank is the director of the company
Great Malaysia Textile Investments Pte Ltd.	The director of the Bank is the director of the foreign company
Singapore Labour Foundation	The director of the Bank is the director of the foreign company
China National Petroleum Corporation	The director of the Bank is the director of the foreign company
Peninsular Inc.	The director of the Bank is the director of the foreign company
Merry Co Inc.	The director of the Bank is the chairman of the foreign company
Peninsular Yarn and Fabric Merchandising Ltd.	The director of the Bank is the chairman of the foreign company
Nanyang Industrial (China) Limited	The director of the Bank is the chairman of the foreign company
SIA Engineering	The director of the Bank is the director of the foreign company
NTUC INCOME	The director of the Bank is the chairman of the foreign company
Singapore Airlines	The director of the Bank is the chairman of the foreign 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
Zhen Xin International Ltd.	The Director and the Bank’s director are related by marriage
Dian Jin Tang International Ltd.	The Supervisor and the Bank’s director are related by marriage
Others	The Bank’s directors, supervisors, managers, and the relatives of the Bank’s directors, supervisors and managers (supervisors have resigned on June 5, 2015)

(Concluded)

b. Significant transactions between related partied:

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

1) Guarantees (December 31, 2016: Nil)

	Maximum Balance	Ending Balance	Reserve for Possible Losses on Guarantees	Interest Rate (%)	Collateral
December 31, 2015					
CX Technology	$ 7,491	$ -	$ -	0.00	-

2) Deposits

	December 31, 2016			Year Ended December 31, 2016
	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Expense
Supervisors and management related	$ 8,587,759	$ 8,517,097	0.00-3.50	$ 129,090
The SCSB Cultural & Educational Foundation	334,052	318,097	0.01-1.38	2,048
Employees	416,929	182,561	0.00-9.96	3,053
Others	228,544	127,784	0.00-1.17	417
	$ 9,567,284	$ 9,145,539		$ 134,608

	December 31, 2015			Year Ended December 31, 2015
	Maximum Balance	Ending Balance	Interest Rate (%)	Interest Expense
Supervisors and management related	$ 10,288,259	$ 10,200,367	0.00-4.00	$ 92,332
The SCSB Cultural & Educational Foundation	336,753	317,127	0.08-1.38	2,376
Employees	273,138	111,445	0.24-10.19	2,544
Others	258,273	78,294	0.00-1.31	569
	$ 11,156,423	$ 10,707,233		$ 97,821

3) Interest receivable (accounted for receivables, net)

	December 31	
	2016	2015
Supervisors and management related	$ 92	$ 129
Nan Ya Plastics Corporation	-	216
Goldsun Co., Ltd.	-	33
Silks Place Taroko	-	12
	$ 92	$ 390

4) Interest payable (accounted for payables)

	December 31	
	2016	2015
The SCSB Cultural & Educational Foundation	$ 167	$ 67
Supervisors and management related	159	259
The SCSB Charity Foundation	8	23
Hung Ta Investment Corporation	1	-
	$ 335	$ 349

5) Guarantee deposits received (accounted for other liabilities)

	December 31	
	2016	2015
The SCSB Cultural & Educational Foundation	$ 211	$ 211

6) Rental income (accounted for other net revenues)

	For the Year Ended December 31	
	2016	2015
The SCSB Cultural & Educational Foundation	$ 842	$ 842

For the rental contracts with related parties, the rent is determined in proportion to the area rented by reference to the rent in neighborhood and received on a monthly basis.

7) Loans

		December 31, 2016							For the Year Ended December 31, 2016
				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 mortgage	Supervisors and management related (6)	$ 95,891	$ 81,641	$ 81,641	-	Real estate	2.20-2.82	None	$ 1,786
Others	Supervisors and management related (2)	693,439	683,612	683,612	-	Real estate	2.20-2.82	None	28,511
	Goldsun Co., Ltd.	100,000	-	-	-	Real estate	1.10-1.10	None	190
	Silks Place Taroko	44,000	-	-	-	Syndicated loan	1.56-1.70	None	447
	CX Technology	37,739	-	-	-	Real estate	1.73-1.93	None	455
		$ 971,069	$ 765,253	$ 765,253					$ 31,389

		December 31, 2015							For the Year Ended December 31, 2015
				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 mortgage	Supervisors and management related (9)	$ 122,345	$ 107,482	$ 107,482	-	Real estate	1.44-2.87	None	$ 2,462
Others	Supervisors and management related (3)	689,901	662,966	662,966	-	Real estate	2.20-2.97	None	32,560
	Nan Ya Plastics Corporation	1,135,688	607,844	607,844	-	Real estate	1.45-1.65	None	3,453
	Goldsun Co., Ltd.	100,000	100,000	100,000	-	Credit	1.10-1.10	None	115
	CX Technology	75,759	32,938	32,938	-	Syndicated loan	1.85-2.04	None	335
	Silks Place Taroko	50,500	22,500	22,500	-	Real estate	1.70-1.84	None	504
		$ 2,174,193	$ 1,533,730	$ 1,533,730					$ 39,429

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 limit, and government loans. Secured loan to a related party should be fully guaranteed and its terms not superior to other similar credit client.

c. Compensation of directors, supervisors and management personnel:

	For the Year Ended December 31	
	2016	2015
Salaries and other short-term employee benefits	$ 433,365	$ 382,594
Remuneration to directors	79,798	78,030
Bonus to employees	74,456	75,827
Post-employment benefits	36,480	30,013
Others	762	704
	$ 624,861	$ 567,168

The remuneration of directors and key executives was determined having regard to the performance of individuals and market trends by the remuneration committee.

35. PLEDGED ASSETS

Under the Central Bank's clearing system of Real-Time Gross Settlement (RTGS), on December 31, 2016 and 2015, the assets listed below had been provided as collateral for day-term overdraft with the pledged amount adjustable anytime.

	December 31		
	2016	2015	Guaranty Purpose
Held-to-maturity financial assets	$ 15,000,000	$ 15,000,000	Day-term overdraft with the pledge

On December 31, 2016 and 2015, the assets listed below have been provided as refundable deposits for operating guarantee and for executing legal proceedings against defaulting borrowers as required by the court.

	December 31		
	2016	2015	Guaranty Purpose
Held-to-maturity financial assets	$ 45,510	$ 41,528	Operating guarantee
Available-for-sale financial assets	264,597	269,984	Operating guarantee

On December 31, 2016 and 2015, SCB HK and its overseas branch provided its held-to-maturity financial assets and discounts and loans listed below for overseas branch operating guarantee.

	December 31		
	2016	2015	Guaranty Purpose
Held-to-maturity financial assets	$ 9,738,377	$ 9,919,784	Overseas branch operating guarantee
Discounts and loans	420,456	-	Pledge to the California government under local law

36. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. In addition to those disclosed in other notes, significant commitments and contingencies of the Bank as of December 31, 2016 and 2015 were as follows:

	December 31	
	2016	2015
Receivables under custody	$ 30,169,577	$ 31,468,553
Consigned travelers' checks	266,872	260,864
Guarantee notes payable	112,196,753	120,611,060
Assets under trust	140,792,718	124,014,669
Securities in custody	215,934,735	204,172,028
Government bonds in brokerage accounts	56,237,500	50,149,000
Short-term bills in brokerage accounts	1,127,400	830,700
Commitments of forward contracts with customers	182,209,505	226,751,956

b. Operational risk and legal risk

Item	Reason and Amount For the Year Ended December 31	
	2016	2015
Chief director and staff indicted by prosecutor for breaking law in the conduct of operational activities in recent year	None	None
Violating the law and being punished by authorities in the recent year	None	None
Deficiency corrected by authorities in the recent year	None	None
Punished by authorities according to Bank law No. 61-1 in the recent year	The Bank has been corrected by the Banking Bureau's letter dated June 27, 2016 (Ref. No. 10500119770) due to the data of interested parties archived incompletely.	None
A single or whole security events due to fraudulence, accident or against "Outlines Governing the Security Maintenance and Administration of Financial Institutions" which caused losses amount to $50 million in the recent year.	None	None
Other	None	None

37. FINANCIAL INSTRUMENTS

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

1) Financial instruments not measured at fair value

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

	December 31			
	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Held-to-maturity financial assets	$ 72,666,706	$ 72,694,258	$ 92,771,401	$ 92,876,566
Financial liabilities				
Bank debentures	38,150,000	38,056,168	38,150,000	38,104,437

2) Fair value level

	December 31, 2016			
	Total	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity financial assets	$ 72,694,258	$ 10,632,419	$ 62,061,839	$ -
Financial liabilities				
Bank debentures	38,056,168	-	38,056,168	-

	December 31, 2015			
	Total	Level 1	Level 2	Level 3
Financial assets				
Held-to-maturity financial assets	$ 92,876,566	$ 10,474,839	$ 82,401,727	$ -
Financial liabilities				
Bank debentures	38,104,437	-	38,104,437	-

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

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

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

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

b. Fair value information - financial instruments measured at fair value

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, 2016 Total	Level 1	Level 2	Level 3
Non-derivative instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks	$ 528,772	$ 528,772	$ -	$ -
Commercial papers	5,582,305	-	5,582,305	-
Bonds	1,665,345	765,281	900,064	-
Other	2,517,424	17,466	2,499,958	-
Financial assets designated as at FVTPL	768,160	-	-	768,160
Available-for-sale financial assets				
Stocks	20,838,979	18,889,446	-	1,949,533
Bonds	221,152,738	82,950,215	137,539,011	663,512
Other	109,146,846	8,573,234	100,573,612	-
	$ 362,200,569	$ 111,724,414	$ 247,094,950	$ 3,381,205
Derivative instruments				
Assets				
Financial assets at fair value through profit or loss	$ 1,682,970	$ 26,717	$ 1,626,948	$ 29,305
Liabilities				
Financial liabilities at fair value through profit or loss	$ 1,377,770	$ -	$ 1,354,590	$ 23,180

Financial Instruments Measured at Fair Value	December 31, 2015 Total	Level 1	Level 2	Level 3
Non-derivative instruments				
Assets				
Financial assets at fair value through profit or loss				
Held-for-trading financial assets				
Stocks	$ 177,785	$ 177,785	$ -	$ -
Bonds	1,548,427	1,059,917	488,510	-
Commercial papers	23,421,182	-	23,421,182	-
Other	226,355	30,618	195,737	-
Financial assets designated as at FVTPL	1,048,847	-	-	1,048,847

(Continued)

Financial Instruments Measured at Fair Value	December 31, 2015 Total	Level 1	Level 2	Level 3
Available-for-sale financial assets				
Stocks	$ 16,846,304	$ 2,602,276	$ -	$ 14,244,028
Bonds	187,422,890	68,268,794	117,990,512	1,163,584
Other	100,210,873	8,860,970	91,021,232	328,671
	$ 330,902,663	$ 81,000,360	$ 233,117,173	$ 16,785,130
Derivative instruments				
Assets				
Financial assets at fair value through profit or loss	$ 1,569,087	$ 14,509	$ 1,550,245	$ 4,333
Liabilities				
Financial liabilities at fair value through profit or loss	$ 1,437,270	$ -	$ 1,435,367	$ 1,903

(Concluded)

There were no transfers of financial instruments between Level 1 and Level 2 fair value measurement for the years ended December 31, 2016 and 2015.

2) Reconciliation of Level 3 fair value measurement is as follows:

For the year ended December 31, 2016

Item	Beginning Balance	Amount of Valuation Gain or Loss		Addition		Reduction		Exchange	Ending Balance
		Included in Profit or Loss	Included in Other Comprehensive Income	Buy or Issue	Transferred In	Sell Out, Disposal or Settlement	Transferred Out from Third Level		
Assets									
Financial assets at FVTPL									
Held-for-trading financial assets	$ 4,333	$ 21,818	$ -	$ 15,001	$ -	$ (11,847)	$ -	$ -	$ 29,305
Financial assets designated as at fair value	1,048,847	(22,911)	-	386,664	-	(644,440)	-	-	768,160
Available-for-sale financial assets	15,736,283	-	1,572	337,212	-	(1,125,171)	(11,725,833)	(611,018)	2,613,045
Liabilities									
Financial liabilities at FVTPL									
Held-for-trading financial liabilities	1,903	(19,700)	-	7,500	-	(5,923)	-	-	23,180

For the year ended December 31, 2015

Item	Beginning Balance	Amount of Valuation Gain or Loss		Addition		Reduction		Exchange	Ending Balance
		Included in Profit or Loss	Included in Other Comprehensive Income	Buy or Issue	Transferred In	Sell Out, Disposal or Settlement	Transferred Out from Third Level		
Assets									
Financial assets at FVTPL									
Held-for-trading financial assets	$ 8,049	$ (3,716)	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,333
Financial assets designated as at fair value	1,343,900	50,397	-	625,100	-	(970,550)	-	-	1,048,847
Available-for-sale financial assets	13,157,639	-	58,091	2,178,586	-	(828,646)	-	1,170,613	15,736,283
Other financial assets									
Debt investments with no active markets	200,000	-	-	-	-	(200,000)	-	-	-
Liabilities									
Financial liabilities at FVTPL									
Held-for-trading financial liabilities	3,703	(1,800)	-	-	-	-	-	-	1,903

3) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

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

4) Valuation techniques and inputs applied for the purpose of measuring Level 3 fair value measurement

Fair value evaluation categorized as Level 3 included but not limited to FVTPL (Bond), derivatives, and AFS (equity security).

Most fair value categorized as Level 3 only possess single unobservable inputs. Non-active market debt instruments possess unobservable inputs. The non-active market equity instruments are independent and thus are irrelevant to each other. The tabled quantified information of significant unobservable inputs is tabled as follows.

	Fair Value December 31, 2016	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Notes
Non-derivative financial assets					
Financial assets at FVTPL					
Corporate bonds	$ 768,160	Bids from counterparties	Lack of market liquidity discount	0%-10%	The increase in discount from lack of market liquidity decreases fair value.
Available-for-sale financial assets					
Stocks	1,949,533	Net assets method	N/A	N/A	N/A
Bonds	663,512	1.Hybrid Model 2.Monte Carlo Simulation	1.Dividend rate 2.Stock price volatility 3.Correlation coefficient 4.Credit Spread 5.Default rate 6.Recovery rate	0%-10%	The increase in discount from lack of market liquidity decreases fair value.
Derivative financial assets					
Financial assets at FVTPL					
Interest rate swap	6,273	Discounted cash flow	Fluctuating	0%-10%	The increase in discount of marketability decreases fair value.
Option	23,032	Black-Scholes Model	Fluctuating	0%-15%	The increase in volatility decreases fair value.
Derivative financial liabilities					
Financial liability at FVTPL					
Option	23,180	Black-Scholes Model	Fluctuating	0%-15%	The increase in volatility decreases fair value.

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

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

December 31, 2016

	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 at FVTPL				
Held-for-trading financial assets	$ 18,931	$ (1,074)	$ -	$ -
Financial assets designated as at fair value	-	(1,206)	-	-
Available-for-sale financial assets	-	-	18,096	(3,300)
Liabilities				
Financial liabilities at FVTPL				
Held-for-trading financial liabilities	-	(18,931)	-	-

December 31, 2015

	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 at FVTPL				
Held-for-trading financial assets	$ -	$ (5,556)	$ -	$ -
Financial assets designated as at fair value	-	(1,565)	-	-
Available-for-sale financial assets	-	-	142,440	(4,635)
Liabilities				
Financial liabilities at FVTPL				
Held-for-trading financial liabilities	2,292	-	-	-

For financial instruments those were classified as the Level 3 if the parameters went down 1%, the influence of net income or other comprehensive income is as follows:

December 31, 2016

	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 at FVTPL				
Held-for-trading financial assets	$ 14,144	$ (2,599)	$ -	$ -
Financial assets designated as at fair value	1,206	-	-	-
Available-for-sale financial assets	-	-	4,280	(19,615)
Liabilities				
Financial liabilities at FVTPL				
Held-for-trading financial liabilities	1,663	(14,144)	-	-

December 31, 2015

	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 at FVTPL				
Held-for-trading financial assets	$ -	$ (8,592)	$ -	$ -
Financial assets designated as at fair value	1,565	-	-	-
Available-for-sale financial assets	-	-	4,801	(142,440)
Liabilities				
Financial liabilities at FVTPL				
Held-for-trading financial liabilities	5,325	-	-	-

c. Financial risk management

1) Risk management

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

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

2) Credit risks

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

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

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

a) Procedures of credit risk management

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

i. Credit business (including loan commitments and guarantees)

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

i) Classification of credit assets

Credit assets are divided into normal, notice, warning, difficult and uncollectible according to the conditions of the credit assets and the length of time the accounts were overdue. The Bank complies with the "Regulations Governing the Procedures 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 nonperforming loans.

ii) Credit quality rating

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

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

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

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

ii. Due from and call loans to bank

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

iii. Debt investment 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 investment 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 counterparty.

b) Policies of credit risk hedging or mitigation

i. Collaterals

The Group applies series of policies to decrease credit risks in its lending business. Among those policies is to request collaterals from creditors. To secure the creditor's rights, the Group has established procedures for pledge, valuation, management, and disposal of collaterals. 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 setoff. To further decrease credit risks, the contracts also proclaim that the Group may decrease the credit facilities at its discretion, accelerate the maturity of the borrowings, demand immediate payback, or offset borrowers' assets in the Group against the borrowings.

ii. Limitation of credit risk and credit concentration management

The credit policies of the Group regulate the credit limitations, as applied to 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 stock-pledge related loans.

iii. Other mechanism 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 collaterals held as security and other credit enhancements, and their financial effect in respect of the financial assets recognized in the Group's consolidated balance sheet:

December 31, 2016

	Maximum Exposure to Credit Risk Mitigated by			
	Collateral	**Master Netting Arrangement**	**Other Credit Enhancements (Describe)**	**Total**
Receivables	$ 1,046,328	$ -	$ 941,192	$ 1,987,520
Discount and loans abstract	650,265,829	-	66,866,024	717,131,853
Held-for-trading financial assets				
Short-term securities	-	-	2,520,772	2,520,772
Available-for-sale financial assets				
Debt investments	-	-	5,629,512	5,629,512

December 31, 2015

	Maximum Exposure to Credit Risk Mitigated by			
	Collateral	**Master Netting Arrangement**	**Other Credit Enhancements (Describe)**	**Total**
Receivables	$ 969,324	$ -	$ 594,256	$ 1,619,798
Discount and loans abstract	637,950,050	-	64,935,817	702,885,867
Available-for-sale financial assets				
Debt investments	-	-	1,888,663	1,888,663
Short-term securities	-	-	20,127,374	20,127,374
Held-to-maturity financial assets				
Debt investments	-	-	4,163,543	4,163,543

c) Credit risk exposures

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

	December 31	
	2016	**2015**
Developed and noncancelable loan commitments	$ 41,586,144	$ 33,212,793
Noncancelable credit card commitments	1,018,299	1,140,656
Issued but unused letters of credit	46,274,643	18,107,491
Other guarantees	49,507,750	44,601,074

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.

d) Information on concentration of credit risk

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

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

i. Counterparty

	December 31			
	2016		**2015**	
Counterparty	**Amount**	**% to Total**	**Amount**	**% to Total**
Private sector	$ 553,893,815	64	$ 539,692,751	63
Consumer	283,089,212	33	298,262,841	35
Financial institution	13,504,170	2	10,362,140	1
Others	8,358,236	1	8,885,340	1
	$ 858,845,433	100	$ 857,203,072	100

ii. Region

Region	December 31			
	2016		2015	
	Amount	% to Total	Amount	% to Total
ROC	$ 513,129,106	60	$ 506,430,546	59
Asia Pacific except ROC	265,139,629	31	280,633,893	33
Others	80,576,698	9	70,138,633	8
	$ 858,845,433	100	$ 857,203,072	100

iii. Collaterals assumed

Collaterals Assumed	December 31			
	2016		2015	
	Amount	% to Total	Amount	% to Total
Unsecured	$ 157,180,928	18	$ 148,849,843	17
Secured				
Properties	558,147,926	65	549,613,371	64
Guarantee	67,682,835	8	73,134,396	9
Financial collateral	40,300,297	5	42,548,357	5
Movable properties	5,471,724	1	7,621,532	1
Other collaterals	30,061,723	3	35,435,573	4
	$ 858,845,433	100	$ 857,203,072	100

e) Information on credit risk quality

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

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

i. Credit quality analysis of discounts and loans and receivables

i) The Bank and its domestic subsidiaries

December 31, 2016	Neither Past Due Nor Impaired				Overdue but Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Allowance for Impairment (D)		Net Amount (A)+(B)+(C)-(D)
	Strong	Moderate	Special Mention	Subtotal (A)				Objective Evidence of Impairment	No Objective Evidence of Impairment	
Receivables										
Credit card	$ 1,087,532	$ 605,495	$ 62,303	$ 1,755,330	$ 46,433	$ 69,544	$ 1,871,307	$ 58,509	$ 24,934	$ 1,787,864
Others	3,452,806	2,990,869	83,366	6,477,041	52,150	161,384	6,740,575	113,502	215,497	6,411,576
Discounts and loans	380,937,930	145,160,295	48,615,618	574,713,843	8,844,522	7,630,914	591,189,279	2,500,323	6,581,689	582,107,267

December 31, 2015	Neither Past Due Nor Impaired				Overdue but Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Allowance for Impairment (D)		Net Amount (A)+(B)+(C)-(D)
	Strong	Moderate	Special Mention	Subtotal (A)				Objective Evidence of Impairment	No Objective Evidence of Impairment	
Receivables										
Credit card	$ 1,180,748	$ 620,850	$ 63,117	$ 1,864,715	$ 44,582	$ 76,777	$ 1,986,074	$ 61,152	$ 144,133	$ 1,780,789
Others	3,500,252	2,826,576	103,921	6,430,749	50,370	28,573	6,509,692	11,765	142,778	6,355,149
Discounts and loans	366,370,487	158,686,404	43,116,809	568,173,700	4,233,253	13,150,614	585,557,567	3,617,913	5,522,700	576,416,954

ii) SCB (HK)

December 31, 2016	Neither Past Due Nor Impaired Amount						Past Due but Not Impaired Amount (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Allowance for Impairment (D)		Net Amount (A)+(B)+(C)-(D)
	Pass	Special Mentioned	Sub-Standard	Doubtful	Loss	Subtotal (A)				Objective Evidence of Impairment	No Objective Evidence of Impairment	
Receivables												
Credit card	$ 957,926	$ 27,218	$ -	$ -	$ -	$ 985,144	$ 13,286	$ 8,276	$ 1,006,706	$ 2,883	$ 15,478	$ 988,345
Others	6,138,389	-	-	-	-	6,138,389	-	-	6,138,389	-	-	6,138,389
Discounts and loans	230,944,513	25,451,401	-	-	-	256,395,914	8,551,390	2,708,850	267,656,154	105,252	1,055,359	266,495,543

December 31, 2015	Neither Past Due Nor Impaired Amount						Past Due but Not Impaired Amount (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Allowance for Impairment (D)		Net Amount (A)+(B)+(C)-(D)
	Pass	Special Mentioned	Sub-Standard	Doubtful	Loss	Subtotal (A)				Objective Evidence of Impairment	No Objective Evidence of Impairment	
Receivables												
Credit card	$ 1,025,968	$ 30,002	$ -	$ -	$ -	$ 1,055,970	$ 14,296	$ 9,160	$ 1,078,426	$ 2,806	$ 18,858	$ 1,057,762
Others	5,925,011	-	-	-	-	5,925,011	-	-	5,925,011	-	-	5,925,011
Discounts and loans	254,410,440	12,281,401	-	-	-	266,691,841	2,861,256	2,092,408	271,645,505	79,644	1,069,551	270,496,310

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

i) The Bank and its domestic subsidiaries

December 31, 2016	Neither Past Due Nor Impaired			
	Strong	Moderate	Special Mentioned	Total
Consumer banking				
Housing mortgage	$ 161,541,636	$ 5,508,781	$ 21,549	$ 167,071,966
Credit loans	1,099,315	59,865	21,770	1,180,950
Others	19,239,496	1,629,512	2,534	20,871,542
Corporate banking				
Secured	100,395,626	88,727,854	34,954,325	224,077,805
Unsecured	98,661,857	49,234,283	13,615,440	161,511,580
Total	380,937,930	145,160,295	48,615,618	574,713,843

December 31, 2015	Neither Past Due Nor Impaired			
	Strong	Moderate	Special Mentioned	Total
Consumer banking				
Housing mortgage	$ 155,191,160	$ 19,452,400	$ 1,071,825	$ 175,715,385
Credit loans	942,713	245,427	6,278	1,194,418
Others	16,419,302	3,788,254	230,630	20,438,186
Corporate banking				
Secured	94,216,232	87,312,102	28,680,098	210,208,432
Unsecured	99,601,080	47,888,221	13,127,978	160,617,279
Total	366,370,487	158,686,404	43,116,809	568,173,700

ii) SCB (HK)

December 31, 2016	Neither Past Due Not Impaired					
	Pass	Special Mentioned	Sub-Standard	Doubtful	Loss	Subtotal
Consumer banking						
Housing mortgage	$ 31,864,534	$ 3,140,915	$ -	$ -	$ -	$ 35,005,449
Credit loans	2,627,860	120,363	-	-	-	2,748,223
Others	18,877,533	1,688,873	-	-	-	20,566,406
Corporate banking						
Secured	131,818,356	11,760,624	-	-	-	143,578,980
Unsecured	24,158,870	2,289,381	-	-	-	26,448,251
Discounts	1,786	-	-	-	-	1,786
Overdrafts	10,639,216	4,024,855	-	-	-	14,664,071
Inward/outward documentary bills	10,956,358	2,426,390	-	-	-	13,382,748
Total	$ 230,944,513	$ 25,451,401	$ -	$ -	$ -	$ 256,395,914

December 31, 2015	Neither Past Due Not Impaired					
	Pass	Special Mentioned	Sub-Standard	Doubtful	Loss	Subtotal
Consumer banking						
Housing mortgage	$ 33,971,505	$ 1,782,726	$ -	$ -	$ -	$ 35,754,231
Credit loans	1,480,171	109,384	-	-	-	1,589,555
Others	24,272,086	556,132	-	-	-	24,828,218
Corporate banking						
Secured	144,821,876	6,682,592	-	-	-	151,504,468
Unsecured	23,824,219	402,426	-	-	-	24,226,645
Discounts	993	-	-	-	-	993
Overdrafts	11,837,722	1,855,668	-	-	-	13,693,390
Inward/outward documentary bills	14,201,868	892,473	-	-	-	15,094,341
Total	$ 254,410,440	$ 12,281,401	$ -	$ -	$ -	$ 266,691,841

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

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

Items	December 31, 2016			
	Past Due Up to a Month	Past Due One to Three Months	Past Due Over Three Months	Total
Receivables				
Credit card	$ 54,014	$ 5,705	$ -	$ 59,719
Others	45,060	7,090	-	52,150
Discounts and loans				
Consumer banking				
Housing mortgage	2,424,032	998,697	8,890	3,431,619
Credit loans	20,899	4,229	-	25,128
Others	326,093	96,546	-	422,639
Corporate banking				
Secured	7,335,265	1,274,832	154,181	8,764,278
Unsecured	4,235,823	302,531	-	4,538,354
Subtotal loans	14,342,112	2,676,835	163,071	17,182,018
Overdrafts	-	53,004	-	53,004
Inward/outward documentary bills	63,416	97,474	-	160,890
Total	$ 14,405,528	$ 2,827,313	$ 163,071	$ 17,395,912

Items	December 31, 2015			
	Past Due Up to a Month	Past Due One to Three Months	Past Due Over Three Months	Total
Receivables				
Credit card	$ 53,361	$ 5,517	$ -	$ 58,878
Others	44,580	5,790	-	50,370
Discounts and loans				
Consumer banking				
Housing mortgage	2,604,709	305,653	2,284	2,912,646
Credit loans	12,532	1,499	-	14,031
Others	387,863	807	1,235	389,905
Corporate banking				
Secured	2,591,792	187,207	21,224	2,800,223
Unsecured	732,267	-	-	732,267
Subtotal loans	6,329,163	495,166	24,743	6,849,072
Overdrafts	-	1,711	3,166	4,877
Inward/outward documentary bills	71,342	57,220	111,998	240,560
Total	$ 6,400,505	$ 554,097	$ 139,907	$ 7,094,509

iv. Credit quality analysis of security investment

i) The Bank

December 31, 2016	Neither Past Due Nor Impaired						Past Due but Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Allowance for Impairment (D)	Net Amount (A)+(B)+(C)-(D)
	Excellent	Good	Moderate	Normal	Unrated	Subtotal (A)					
Available-for-sale financial assets											
Bonds	$ 70,877,182	$ 19,060,910	$ 26,079,782	$ 13,742,674	$ 816,113	$ 130,576,659	$ -	$ 96,666	$ 130,673,325	$ 96,666	$ 130,576,659
Stocks	-	-	-	-	11,171,735	11,171,735	-	-	11,171,735	-	11,171,735
Bills	-	-	22,178,286	-	-	22,178,286	-	-	22,178,286	-	22,178,286
Held-to-maturity financial assets											
Bonds	93,735	714,668	117,258	-	-	925,661	-	-	925,661	-	925,661
Bills	61,300,000	-	-	-	-	61,300,000	-	-	61,300,000	-	61,300,000
Financial assets at FVTPL											
Bonds	-	161,110	155,942	-	451,108	768,160	-	-	768,160	-	768,160

December 31, 2015	Neither Past Due Nor Impaired						Past Due but Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Allowance for Impairment (D)	Net Amount (A)+(B)+(C)-(D)
	Excellent	Good	Moderate	Normal	Unrated	Subtotal (A)					
Available-for-sale financial assets											
Bonds	$ 58,296,075	$ 17,510,367	$ 26,727,806	$ 12,701,713	$ 500,000	$ 115,735,961	$ -	$ 98,700	$ 115,834,661	$ 98,700	$ 115,735,961
Stocks	-	-	-	-	11,839,684	11,839,684	-	-	11,839,684	-	11,839,684
Bills	-	-	14,766,178	-	-	14,766,178	-	-	14,766,178	-	14,766,178
Held-to-maturity financial assets											
Bonds	93,613	162,463	285,115	-	-	541,191	-	-	541,191	-	541,191
Bills	81,600,000	-	-	-	-	81,600,000	-	-	81,600,000	-	81,600,000
Financial assets at FVTPL											
Bonds	-	164,500	325,047	329,000	230,300	1,048,847	-	-	1,048,847	-	1,048,847

ii) SCB (HK)

December 31, 2016	Neither Past Due Nor Impaired						Past Due but Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Allowance for Impairment (D)	Net Amount (A)+(B)+(C)-(D)
	Pass	Special Mention	Sub-Standard	Doubtful	Loss	Subtotal (A)					
Available-for-sale financial assets											
Bonds	$ 90,576,077	$ -	$ -	$ -	$ -	$ 90,576,079	$ -	$ -	$ 90,576,079	$ -	$ 90,576,079
Stocks	17,595,723	-	-	-	-	17,595,723	-	4,171	17,599,894	4,171	17,595,723
Bills	79,040,081	-	-	-	-	79,040,081	-	-	79,040,081	-	79,040,081
Held-to-maturity financial assets											
Bonds	9,796,605	-	-	-	-	9,796,605	-	-	9,796,605	-	9,796,605
Bills	644,440	-	-	-	-	644,440	-	-	644,440	-	644,440

December 31, 2015	Neither Past Due Nor Impaired						Past Due but Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Allowance for Impairment (D)	Net Amount (A)+(B)+ (C)-(D)
	Pass	Special Mention	Sub-Standard	Doubtful	Loss	Subtotal (A)					
Available-for-sale financial assets											
Bonds	$ 71,686,929	$ -	$ -	$ -	$ -	$ 71,686,929	$ -	$ -	$ 71,686,929	$ -	$ 71,686,929
Stocks	13,195,920	-	-	-	-	13,195,920	-	-	13,195,920	-	13,195,920
Bills	77,255,395	-	-	-	-	77,255,395	-	-	77,255,395	-	77,255,395
Held-to-maturity financial assets											
Bonds	9,972,210	-	-	-	-	9,972,210	-	-	9,972,210	-	9,972,210
Bills	658,000	-	-	-	-	658,000	-	-	658,000	-	658,000

3) Market risk

a) The sources and definition of market risk

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

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

b) Market risk management policies

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

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

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

c) Market risk management process

i. Recognition and measurement

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

ii. Monitoring and reporting

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

d) Interest rate management policies

i. Definition of interest rate risk

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

ii. Purpose of interest risk management

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

iii. Procedures of interest risk management

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

The Group identifies re-pricing risk of interest rate and yield curve risk and measures possible effects on the Group's earnings and economic values of changes in interest rate. On a monthly basis, the Group reports the analysis and monitoring of limit on interest rate risk position and various interest rate management objectives to the Strategy Management Committee and the board of directors.

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

iv. Measurement methods

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

e) Foreign exchange rate risk management

i. Definition of foreign exchange risk

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

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

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

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

f) Equity securities price risk management

i. Definition of equity securities price risk

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

ii. Purpose of equity security price risk management

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

iii. Procedures of equity security price risk management

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

iv. Measurement method

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

g) Market valuation technique

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

i. Sensitivity analysis

i) Interest rate risk

The Group has assessed the possible impact on income if global yield curve moves between -100 to +100 base points simultaneously on December 31, 2016 and 2015.

ii) Foreign exchange rate risk

The Group assesses the possible impact on income when exchange rates of NTD against various currencies fluctuate between -3% and +3% while other factors remain unchanged.

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

iii) Equity securities price risk

The Group has assessed the possible impact on income when equity security prices on December 31, 2016 and 2015 rise or fall by 10% while other factors remain unchanged.

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

ii. Sensitivity analysis is summarized as follows:

December 31, 2016			
Major Risk	**Variation Range**	**Amount**	
		Equity	**Profit or Loss**
Foreign exchange risk	Various currencies/NTD increased 3%	$ 1,845,658	$ 25,281
Foreign exchange risk	Various currencies/NTD decreased 3%	(1,845,658)	(25,281)
Interest rate risk	Rate curve increased 100BPS	(5,144,093)	(92,690)
Interest rate risk	Rate curve decreased 100BPS	5,144,093	92,690
Price risk of equity securities	Price of equity securities increased 10%	2,232,095	48,942
Price risk of equity securities	Price of equity securities decreased 10%	(2,232,095)	(48,942)

December 31, 2015			
Major Risk	**Variation Range**	**Amount**	
		Equity	**Profit or Loss**
Foreign exchange risk	Various currencies/NTD increased 3%	$ 1,740,240	$ 25,324
Foreign exchange risk	Various currencies/NTD decreased 3%	(1,740,240)	(25,324)
Interest rate risk	Rate curve increased 100BPS	(5,007,264)	(40,063)
Interest rate risk	Rate curve decreased 100BPS	5,007,264	40,063
Price risk of equity securities	Price of equity securities increased 10%	1,888,583	14,098
Price risk of equity securities	Price of equity securities decreased 10%	(1,888,583)	(14,098)

4) Liquidity risk

a) The sources and definition of liquidity risk

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

b) The management policies are as follows:

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

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

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

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

iv. Managing the maturity date of debt instruments.

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

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

c) Maturity analysis

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

December 31, 2016	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Due to the Central Bank and banks	$ 29,217,338	$ 2,165,595	$ 2,416,371	$ 1,629,362	$ -	$ 35,428,666
Securities sold under repurchase agreements	8,313,896	1,229,764	137,377	505,175	-	10,186,212
Payables	23,405,127	1,080,246	552,242	301,656	1,077	25,340,348
Deposits and remittances	853,119,997	245,126,324	116,361,284	131,483,826	8,270,479	1,354,361,910
Bank debentures	-	-	-	3,000,000	35,150,000	38,150,000
Other financial liabilities	3,280,387	-	-	-	-	3,280,387

December 31, 2015	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Due to the Central Bank and banks	$ 31,404,207	$ 2,598,470	$ 1,747,015	$ 344,290	$ 1,825,768	$ 37,919,750
Securities sold under repurchase agreements	2,879,887	188,518	167,936	3,084,335	-	6,320,676
Payables	19,883,044	1,279,402	726,293	444,106	31,793	22,364,638
Deposits and remittances	817,370,343	230,108,381	130,728,012	154,297,445	11,135,132	1,343,639,313
Bank debentures	-	-	-	-	38,150,000	38,150,000
Other financial liabilities	699,566	612,840	338,317	1,074,867	1,254,383	3,979,973

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

i. Derivative financial liabilities in net settlement

December 31, 2016	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives	$ 46,225	$ 52,350	$ 53,213	$ 70,674	$ -	$ 222,462
Rate derivatives	-	-	-	474	31,587	32,061

December 31, 2015	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives	$ 54,878	$ 37,544	$ 52,485	$ 72,051	$ -	$ 216,958
Rate derivatives	-	143	290	-	21,397	21,830

ii. Derivative financial liabilities in total settlement

December 31, 2016	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	$ 131,647,760	$ 29,160,938	$ 15,522,526	$ 16,962,624	$ -	$ 193,293,848
Cash outflow	131,758,836	29,216,707	15,662,244	17,126,025	-	193,763,812

December 31, 2015	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Derivative financial liabilities at fair value through profit or loss						
Foreign exchange derivatives						
Cash inflow	$ 112,503,019	$ 94,720,152	$ 73,551,567	$ 122,100,340	$ 49,265	$ 402,924,343
Cash outflow	111,948,838	93,245,247	72,437,220	120,206,525	49,350	397,887,180

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, 2016	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Developed and noncancelable loan commitments	$ 727,737	$ 3,147,353	$ 1,823,228	$ 1,855,245	$ 34,032,581	$ 41,586,144
Noncancelable credit card commitments	96,738	193,477	290,215	437,869	-	1,018,299
Issued but unused letters of credit	39,984,892	4,755,948	1,154,772	153,552	225,479	46,274,643
Other guarantees	5,913,478	6,240,340	9,037,561	13,316,979	14,999,392	49,507,750

December 31, 2015	Due in One Month	Due Between One Month and Three Months	Due Between Three Months and Six Months	Due Between Six Months and One Year	Due After One Year	Total
Developed and noncancelable loan commitments	$ 441,669	$ 2,448,919	$ 2,193,799	$ 5,593,405	$ 22,535,001	$ 33,212,793
Noncancelable credit card commitments	98,553	197,105	295,658	549,340	-	1,140,656
Issued but unused letters of credit	12,618,738	3,902,171	1,025,115	337,671	223,796	18,107,491
Other guarantees	4,266,371	6,849,596	8,814,798	9,059,458	15,610,851	44,601,074

d. Transfer of financial assets

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

December 31, 2016

Type of Financial Assets	The Book Value of Financial Assets Transferred	The Book Value of Related Financial Liabilities	The Fair Value of Financial Assets Transferred	The Fair Value of Related Financial Liabilities	Net Amount
Available-for-sale financial assets - purchased call options	$ 9,522,319	$ 10,186,212	$ 9,522,319	$ 10,186,212	$ (663,893)

December 31, 2015

Type of Financial Assets	The Book Value of Financial Assets Transferred	The Book Value of Related Financial Liabilities	The Fair Value of Financial Assets Transferred	The Fair Value of Related Financial Liabilities	Net Amount
Available-for-sale financial assets - purchased call options	$ 6,453,944	$ 6,320,676	$ 6,453,944	$ 6,320,676	$ 133,268

e. Offsetting financial assets and financial liabilities

The Group is eligible to present certain derivative assets and derivative liabilities on a net basis on the balance sheet when the offsetting criteria are met. Cash collateral has also been received for the net amount of the derivative assets and derivative liabilities. The cash collateral does not meet the offsetting criteria, but it can be off set against the net amount of the derivative assets and derivative liabilities in the case of default and insolvency or bankruptcy, in accordance with an associated collateral arrangement.

The tables below present the quantitative information on financial assets and financial liabilities that have been offset in the balance sheet or that are covered by enforceable master netting arrangements or similar agreements.

December 31, 2016

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Set Off in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Received	
Derivative	$ 700,153	$ -	$ 700,153	$ (414,425)	$ -	$ 285,728
Reverse repurchase, securities borrowing and similar agreements	983,019	671,129	311,890	-	-	311,890
	$ 1,683,172	$ 671,129	$ 1,012,043	$ (414,425)	$ -	$ 597,618

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Set Off in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet: Financial Instruments	Related Amounts Not Set Off in the Balance Sheet: Cash Collateral Pledged	Net Amount
Derivative	$ 680,124	$ -	$ 680,124	$ (414,425)	$ 67,346	$ 333,045
Repurchase, securities borrowing and similar agreements	844,459	671,129	173,330	-	-	173,330
Repurchase	10,186,212	-	10,186,212	(9,522,319)	-	663,893
	$ 11,710,795	$ 671,129	$ 11,039,666	$ (9,936,744)	$ 67,346	$ 1,170,268

December 31, 2015

Financial Assets	Gross Amounts of Recognized Financial Assets	Gross Amounts of Recognized Financial Liabilities Set Off in the Balance Sheet	Net Amounts of Financial Assets Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet: Financial Instruments	Related Amounts Not Set Off in the Balance Sheet: Cash Collateral Received	Net Amount
Derivative	$ 702,311	$ -	$ 702,311	$ (396,479)	$ -	$ 305,832
Reverse repurchase, securities borrowing and similar agreements	702,121	643,903	58,218	-	-	58,218
Reverse repurchase	4,882,013	-	4,882,013	(4,882,013)	-	-
	$ 6,284,445	$ 643,903	$ 5,642,542	$ (5,278,492)	$ -	$ 364,050

Financial Liabilities	Gross Amounts of Recognized Financial Liabilities	Gross Amounts of Recognized Financial Assets Set Off in the Balance Sheet	Net Amounts of Financial Liabilities Presented in the Balance Sheet	Related Amounts Not Set Off in the Balance Sheet: Financial Instruments	Related Amounts Not Set Off in the Balance Sheet: Cash Collateral Pledged	Net Amount
Derivative	$ 806,032	$ -	$ 806,032	$ (396,479)	$ -	$ 409,553
Repurchase, securities borrowing and similar agreements	722,830	643,903	78,927	-	-	78,927
Repurchase	10,196,680	-	10,196,680	(10,196,680)	-	-
	$ 11,725,542	$ 643,903	$ 11,081,639	$ (10,593,159)	$ -	$ 488,480

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

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

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

a. The Bank

	For the Year Ended December 31, 2016	
	Average Balance	Average Rate (%)
Interest-earning assets		
Cash and cash equivalents - due from other banks	$ 14,640,128	0.54
Due from the Central Bank and call loans to banks	88,351,313	0.71
Financial assets at fair value through profit or loss	21,043,186	0.54
Securities purchased under agreement to resell	382,373	0.38
Credit card revolving balances	719,194	12.42
Discounts and loans (excluding nonperforming loans)	562,286,901	2.25
Available-for-sale financial assets	154,102,485	1.61
Held-to-maturity financial assets	73,094,455	0.66
Bills purchased	4,594	1.92
Interest-bearing liabilities		
Due to the Central Bank and banks	16,236,614	1.02
Securities sold under agreement to repurchase	19,198,075	0.32
Borrowings from the Central Bank and banks	3,140	0.67
Negotiable certificates of deposits	2,517,892	0.42
Demand deposits	229,441,952	0.09
Savings deposits	124,087,541	0.33
Time deposits	292,703,290	0.84
Time-savings	132,927,273	1.18
Bank debentures	38,150,000	1.63
Appropriated loan funds	3,167,527	0.00
Structured deposit instruments principal	3,292,668	0.37

	For the Year Ended December 31, 2015	
	Average Balance	Average Rate (%)
Interest-earning assets		
Cash and cash equivalents - due from other banks	$ 17,729,547	0.92
Due from the Central Bank and call loans to banks	59,818,570	0.80
Financial assets at fair value through profit or loss	31,453,911	0.72
Securities purchased under agreement to resell	9,173,748	0.51
Credit card revolving balances	753,087	14.00
Discounts and loans (excluding nonperforming loans)	576,409,485	2.41
Available-for-sale financial assets	107,731,084	1.73
Held-to-maturity financial assets	86,567,107	0.86
Bills purchased	20,034	1.10
Interest-bearing liabilities		
Due to the Central Bank and banks	17,899,145	1.29
Securities sold under agreement to repurchase	7,331,879	0.51

(Continued)

	For the Year Ended December 31, 2015	
	Average Balance	Average Rate (%)
Borrowings from the Central Bank and banks	$ 16,904	0.30
Negotiable certificates of deposits	12,013,682	0.68
Demand deposits	201,744,028	0.08
Savings deposits	119,145,282	0.38
Time deposits	327,278,332	1.07
Time-savings	120,529,106	1.33
Bank debentures	37,543,360	1.66
Appropriated loan funds	4,294,639	0.00
Structured deposit instruments principal	2,283,450	0.66

(Concluded)

b. SCB (HK)

	For the Year Ended December 31, 2016	
	Average Balance	Average Rate (%)
Interest-earning assets		
Due from other banks	$ 206,590,895	0.97
Discounts and loans (excluding nonperforming loans)	263,057,163	3.43
Credit card revolving balances	216,961	28.83
Debt instruments (including available-for-sale financial assets, and held-to-maturity financial assets	172,702,811	2.44
Interest-bearing liabilities		
Due to other banks	26,424,005	1.03
Demand deposits	224,317,921	0.03
Time deposits	324,065,853	1.25

	For the Year Ended December 31, 2015	
	Average Balance	Average Rate (%)
Interest-earning assets		
Due from other banks	$ 228,340,825	1.29
Discounts and loans (excluding nonperforming loans)	281,709,091	3.32
Credit card revolving balances	231,591	27.50
Debt instruments (including available-for-sale financial assets, and held-to-maturity financial assets	128,458,359	2.56
Interest-bearing liabilities		
Due to other banks	28,685,738	1.32
Demand deposits	208,239,202	0.03
Time deposits	332,198,247	1.40

39. 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.

According to the Banking Law and related regulations, the Group should maintain a capital adequacy ratio of at least 8% for a stable the financial position. If the capital adequacy ratio falls below 8%, the Central Regulator would restrict the distribution earnings.

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

The Group conformed to the regulation on capital management as of December 31, 2016 and 2015.

	December 31	
	2016	**2015**
Analysis items		
Eligible capital		
Common equity	$ 127,846,862	$ 122,838,942
Other Tier I capital	-	-
Tier II capital	31,804,087	36,778,099
Eligible capital	$ 159,650,949	$ 159,617,041
Risk-weighted assets		
Credit risk		
Standardized approach	$ 1,101,533,543	$ 1,037,050,143
Credit valuation adjustment	430,108	784,474
Internal rating based approach	N/A	N/A
Synthetic securitization	169,503	568,101
Operational risk		
Basic indicator approach	55,646,738	52,578,287
Standardized approach/alternative standardized approach	N/A	N/A
Advanced measurement approach	N/A	N/A
Market risk		
Standardized approach	48,245,112	46,681,168
Internal models approach	N/A	N/A
Total risk-weighted assets	$ 1,206,025,004	$ 1,137,662,173
Capital adequacy ratio	13.24%	14.03%
Ratio of common equity to risk-weighted assets	10.60%	10.80%
Ratio of Tier I capital to risk-weighted assets	10.60%	10.80%
Leverage ratio	7.27%	7.07%

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 = Common 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 common equity to risk-weighted assets = Common equity ÷ Total risk-weighted assets.

5) Ratio of Tier I capital to risk-weighted assets = (Common equity + Other Tier I capital) ÷ Total risk-weighted assets.

6) Leverage ratio = Net value of tier I capital ÷ Net value of exposure measurement

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

a. Assets quality: As stated in Table 1

b. Concentration of credit risks

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

Ranking (Note 1)	December 31, 2016					
	The Bank			SCB (HK)		
	Group Enterprise (Note 2)	Total Balances of Credit Extensions (Note 3)	Ratio of Credit Extensions to Net Worth (%)	Group Enterprise (Note 2)	Total Balances of Credit Extensions (Note 3)	Ratio of Credit Extensions to Net Worth (%) (Note 4)
1	A Group (smelting and refining of iron and steel)	$ 6,530,563	5.43	a Group (hotel and property development)	$ 7,123,439	6.86
2	B Group (real estate activities for sale and rental)	5,420,412	4.51	b Group (holding company and steel trading)	5,553,663	5.35
3	C Group (manufacture of wearing apparel)	4,093,952	3.41	c Group (hotels and property development)	5,250,959	5.06
4	D Group (television broadcasting and subscription programming)	3,729,000	3.10	d Group (import and export of garments and accessories)	4,989,091	4.80
5	E Group (manufacture of metallic furniture)	3,722,078	3.10	e Group (hotel industry)	3,503,391	3.37
6	F Group (manufacture of electric wires and cables)	3,669,314	3.05	f Group (property development)	3,438,393	3.31
7	G Group (manufacture of computers)	3,356,371	2.79	g Group (property investment)	3,010,353	2.90
8	H Group (head offices)	3,350,922	2.79	h Group (hotels and property holding)	2,749,237	2.65
9	I Group (activities of other holding companies)	3,110,233	2.59	I Group (automobile retailer)	2,712,951	2.61
10	J Group (smelting and refining of iron and steel)	3,056,246	2.54	j Group (import and export of garments and accessories)	2,620,926	2.52

Ranking (Note 1)	December 31, 2015					
	The Bank			SCB (HK)		
	Group Enterprise (Note 2)	Total Balances of Credit Extensions (Note 3)	Ratio of Credit Extensions to Net Worth (%)	Group Enterprise (Note 2)	Total Balances of Credit Extensions (Note 3)	Ratio of Credit Extensions to Net Worth (%) (Note 4)
1	B Group (real estate activities for sale and rental)	$ 5,404,621	4.69	d Group (import and export of garments and accessories)	$ 4,865,853	4.93
2	G Group (manufacture of computers)	4,236,880	3.68	e Group (hotel industry)	3,917,722	3.97
3	A Group (smelting and refining of iron and steel)	3,876,574	3.36	a Group (hotels and property development)	3,905,726	3.96
4	H Group (head offices)	3,718,069	3.23	c Group (hotels and property development)	3,866,241	3.92
5	C Group (manufacture of wearing apparel)	3,554,222	3.08	b Group (holding company and steel trading)	3,615,549	3.66
6	F Group (manufacture of electric wires and cables)	3,331,632	2.89	f Group (property development)	3,450,610	3.50
7	K Group (head offices)	3,290,000	2.85	k Group (property investment)	3,008,164	3.05
8	L Group (real estate rental)	3,202,983	2.78	l Group (property investment)	2,949,369	2.99
9	M Group (head offices)	2,912,020	2.53	m Group (hotel and property investment)	2,554,321	2.59
10	N Group (head offices)	2,870,145	2.49	h Group (hotel and property holding)	2,458,597	2.49

Note 1: The top 10 credit extensions ranking is made by total credit balance, which excluded government-owned or state-run enterprises. If the borrower is an affiliate of a group enterprise, the credit balance of the borrower is then aggregated to the Group enterprise's credit balance. The borrower is marked by specific codes as well as its major industry. The major industry of a borrower is determined by its maximum exposures by industries. The classification of industry should be in line with the Standard Industrial Classification System of the Republic of China published by the Directorate-general of Budget, Accounting and Statistics under the Executive Yuan.

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

Note 3: Credit balance includes each item of loan (included 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 nonperforming loans), exchange bills negotiated, accounts receivable - without recourse factoring, acceptances receivable and grantees issued.

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

c. Interest rate sensitivity information

1) The Bank

Interest Rate Sensitivity Analysis
December 31, 2016

(In NT$ Thousands)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to 1 Year (Included)	Over 1 Year	Total
Interest-sensitive assets	$ 560,103,327	$ 11,857,960	$ 3,062,876	$ 64,427,633	$ 639,451,796
Interest-sensitive liabilities	214,767,707	247,226,667	63,224,580	41,021,130	566,240,084
Interest sensitivity gap	345,335,620	(235,368,707)	(60,161,704)	23,406,503	73,211,712
Net equity					120,233,504
Ratio of interest-sensitive assets to liabilities					112.93%
Ratio of interest sensitivity gap to net equity					60.89%

Interest Rate Sensitivity Analysis
December 31, 2015

(In NT$ Thousands)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to 1 Year (Included)	Over 1 Year	Total
Interest-sensitive assets	$ 590,556,707	$ 9,090,970	$ 4,649,326	$ 45,380,833	$ 649,677,836
Interest-sensitive liabilities	207,103,677	254,975,644	70,256,181	43,245,314	575,580,816
Interest sensitivity gap	383,453,030	(245,884,674)	(65,606,855)	2,135,519	74,097,020
Net equity					115,238,996
Ratio of interest-sensitive assets to liabilities					112.87%
Ratio of interest sensitivity gap to net equity					64.30%

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

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

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

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

Interest Rate Sensitivity Analysis
December 31, 2016

(In US$ Thousands)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to 1 Year (Included)	Over 1 Year	Total
Interest-sensitive assets	$ 4,853,588	$ 126,861	$ 97,909	$ 1,041,959	$ 6,120,317
Interest-sensitive liabilities	1,692,839	4,350,788	579,813	15	6,623,455
Interest sensitivity gap	3,160,749	(4,223,927)	(481,904)	1,041,944	(503,138)
Net equity					3,731,410
Ratio of Interest-sensitive assets to liabilities					92.40%
Ratio of interest sensitivity gap to net equity					(13.48%)

Interest Rate Sensitivity Analysis
December 31, 2015

(In US$ Thousands)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to 1 Year (Included)	Over 1 Year	Total
Interest-sensitive assets	$ 4,748,609	$ 82,325	$ 60,514	$ 638,251	$ 5,529,699
Interest-sensitive liabilities	1,748,278	4,157,011	453,858	2,601	6,361,748
Interest sensitivity gap	3,000,331	(4,074,686)	(393,344)	635,650	(832,049)
Net equity					3,502,705
Ratio of Interest-sensitive assets to liabilities					86.92%
Ratio of interest sensitivity gap to net equity					(23.75%)

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

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

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

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

2) SCB (HK)

Interest Rate Sensitivity Analysis
December 31, 2016

(In US$ Thousands)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to 1 Year (Included)	Over 1 Year	Total
Interest-sensitive assets	$ 5,223,662	$ 575,193	$ 815,589	$ 584,816	$ 7,199,260
Interest-sensitive liabilities	5,123,455	835,068	433,391	103	6,392,017
Interest sensitivity gap	100,207	(259,875)	382,198	584,713	807,243
Net equity					3,101,391
Ratio of interest-sensitive assets to liabilities					112.63%
Ratio of interest sensitivity gap to net equity					26.03%

Interest Rate Sensitivity Analysis
December 31, 2015

(In US$ Thousands)

Items	1 to 90 Days (Included)	91 to 180 Days (Included)	181 Days to 1 Year (Included)	Over 1 Year	Total
Interest-sensitive assets	$ 5,052,545	$ 747,725	$ 43,675	$ 647,264	$ 6,491,209
Interest-sensitive liabilities	4,557,237	507,248	542,682	924	5,608,091
Interest sensitivity gap	495,308	240,477	(499,007)	646,340	883,118
Net equity					2,878,358
Ratio of interest-sensitive assets to liabilities					115.75%
Ratio of interest sensitivity gap to net equity					30.68%

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

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

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

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

d. Profitability

The Group

Items		December 31, 2016	December 31, 2015
Return on total assets	Before income tax	1.17%	1.19%
	After income tax	0.92%	0.96%
Return on equity	Before income tax	12.05%	12.53%
	After income tax	9.48%	10.09%
Profit margin		46.56%	48.34%

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 revenues.

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

e. Maturity analysis of assets and liabilities

1) The Bank

a) New Taiwan dollars (thousands)

	Total	December 31, 2016					
		By Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 680,962,416	$ 76,064,594	$ 69,462,987	$ 53,868,539	$ 64,411,077	$ 94,177,832	$ 322,977,387
Main capital outflow on maturity	893,408,029	67,350,246	79,933,262	139,107,477	111,852,470	187,990,772	307,173,802
Gap	(212,445,613)	8,714,348	(10,470,275)	(85,238,938)	(47,441,393)	(93,812,940)	15,803,585

	Total	December 31, 2015					
		By Remaining Period to Maturity					
		0 to 10 Days	11 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 696,079,974	$ 111,597,869	$ 87,194,564	$ 56,790,476	$ 61,760,480	$ 90,475,695	$ 288,260,890
Main capital outflow on maturity	884,658,006	50,928,529	81,299,425	124,664,998	123,707,854	200,621,120	303,436,080
Gap	(188,578,032)	60,669,340	5,895,139	(67,874,522)	(61,947,374)	(110,145,425)	(15,175,190)

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

b) U.S. dollars (thousands)

	Total	December 31, 2016				
		By Remaining Period to Maturity				
		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 7,448,927	$ 821,805	$ 806,221	$ 792,973	$ 887,450	$ 4,140,478
Main capital outflow on maturity	11,411,757	2,067,229	1,242,744	1,247,787	2,144,649	4,709,348
Gap	(3,962,830)	(1,245,424)	(436,523)	(454,814)	(1,257,199)	(568,870)

	Total	December 31, 2015				
		By Remaining Period to Maturity				
		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 6,947,224	$ 1,352,677	$ 665,343	$ 709,148	$ 799,172	$ 3,420,884
Main capital outflow on maturity	11,748,381	2,022,802	1,519,884	1,807,451	3,059,179	3,339,065
Gap	(4,801,157)	(670,125)	(854,541)	(1,098,303)	(2,260,007)	81,819

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

2) SCB (HK)

U.S. dollars (thousands)

	Total	December 31, 2016				
		By Remaining Period to Maturity				
		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 7,897,138	$ 1,696,262	$ 858,361	$ 872,781	$ 1,263,710	$ 3,206,024
Main capital outflow on maturity	6,801,237	4,161,367	1,323,051	875,459	441,244	116
Gap	1,095,901	(2,465,105)	(464,690)	(2,678)	822,466	3,205,908

	Total	December 31, 2015				
		By Remaining Period to Maturity				
		1 to 30 Days	31 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year
Main capital inflow on maturity	$ 7,028,743	$ 1,816,879	$ 828,683	$ 815,407	$ 443,852	$ 3,123,922
Main capital outflow on maturity	(25,964,523)	3,602,298	(30,685,362)	513,964	545,638	58,939
Gap	32,993,266	(1,785,419)	31,514,045	301,443	(101,786)	3,064,983

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

41. 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
December 31, 2016 and 2015

Trust Assets	2016	2015	Trust Liabilities	2016	2015
Bank deposit	$ 1,293,449	$ 1,683,612	Depository of security payable	$ 48,947,788	$ 40,167,441
Short-term investments	75,096,493	70,188,618	Trust capital	95,739,344	84,163,301
Net asset value of collective investment trust fund	3,533,700	4,457,498	Accumulated loss and equity	(4,118,900)	(559,008)
Account receivable	38,166	3,695			
Land	10,543,430	6,761,236			
Buildings and improvement, net	130,906	65,375			
Construction in progress	914,161	372,243			
Depository of security	48,947,788	40,167,441			
Other assets	70,139	72,016			
Total trust assets	$ 140,568,232	$ 123,771,734	Total trust liabilities	$ 140,568,232	$ 123,771,734

Trust Asset Lists

	December 31	
	2016	2015
Cash in banks	$ 1,293,449	$ 1,683,612
Short-term investment		
Funds	57,918,782	59,678,843
Bonds	14,334,858	7,476,633
Common stocks	2,366,254	2,312,473
Principals of structured instruments	476,599	720,669
Net asset value of collective trust accounts	3,533,700	4,457,498
Receivable	38,166	3,695
Land	10,543,430	6,761,236
Buildings and improvement, net	130,906	65,375
Construction in progress	914,161	372,243
Depository of securities	48,947,788	40,167,441
Other assets	70,139	72,016
Total	$ 140,568,232	$ 123,771,734

Income Statements of Trust Account

	For the Year Ended December 31	
	2016	2015
Trust income		
Cash dividends income	$ 83,717	$ 86,325
Interest revenue	9,338	9,590
Donation revenue	24	5,026
Realized investment gain	-	155
Realized capital gain	636	1,226
Unrealized capital gain	36,595	47,626
Other revenue	351	331
	130,661	150,279
Trust expenses		
Tax expenditures	469	3,067
Management fee	2,361	3,343
Service fee	2,961	22,107
Realized investment losses	269	-
Realized capital losses	3,356	1,182
Unrealized capital losses	129,275	159,896
Other expenses	49	387
	138,740	189,982
Loss before income tax	(8,079)	(39,703)
Income tax expense	-	-
Net loss	$ (8,079)	$ (39,703)

42. EXCHANGE RATE INFORMATION FOR FOREIGN FINANCIAL ASSETS AND LIABILITIES

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

a. The Bank

	December 31					
	2016			2015		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Finance assets						
Monetary items						
Cash and cash equivalents						
JPY	$ 17,729,142	0.2771	$ 4,912,745	$ 8,266,915	0.2732	$ 2,258,521
EUR	92,513	33.9797	3,143,564	12,344	35.9383	443,622
CNH	484,829	4.6254	2,242,528	1,036,194	4.9967	5,177,551
Due from the Central Bank and call loans to banks						
USD	1,075,599	32.2220	34,657,951	845,249	32.9000	27,808,692
HKD	745,000	4.1545	3,095,103	-	-	-
CNH	445,300	4.6254	2,059,691	583,560	4.9967	2,915,874
Receivables						
USD	92,925	32.2220	2,994,229	92,386	32.9000	3,039,499
JPY	1,302,432	0.2771	360,904	927,768	0.2732	253,466
EUR	3,296	33.9797	111,997	3,687	35.9383	132,505
Discounts and loans						
USD	3,690,173	32.2220	118,904,754	3,617,225	32.9000	119,006,703
CNH	3,963,219	4.6254	18,331,473	4,271,107	4.9967	21,341,440
HKD	1,402,806	4.1545	5,827,958	1,399,421	4.2448	5,940,262

(Continued)

	December 31					
	2016			2015		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Available-for-sale financial assets						
USD	$ 1,230,865	32.2220	$ 39,660,932	$ 858,916	32.9000	$ 28,258,336
CNH	972,269	4.62540	4,497,133	1,618,708	4.9967	8,088,198
AUD	185,297	23.3400	4,324,832	234,053	23.9923	5,615,470
Held-to-maturity financial assets						
USD	14,947	32.2220	481,622	9,934	32.9000	326,829
AUD	15,008	23.3400	350,287	5,033	23.9923	120,753
Financial assets at fair value through profit or loss						
USD	37,101	32.2220	1,195,648	45,232	32.9000	1,488,133
HKD	4,957	4.1545	20,594	2,011	4.2448	8,536
EUR	174	33.9797	5,912	8	35.9383	288
Nonmonetary items						
Structured corporate bonds contracts						
USD	23,840	32.2220	768,172	31,880	32.9000	1,048,852
Equity investments under the equity method						
USD	1,887,610	32.2220	60,822,569	1,753,788	32.9000	57,699,625
HKD	65,366	4.1545	271,563	62,143	4.2448	263,785
Financial liabilities						
Monetary items						
Payables						
USD	493,005	32.2220	15,885,607	81,431	32.9000	2,679,080
AUD	92,574	23.3400	2,160,677	13	23.9923	312
EUR	62,970	33.9797	2,139,702	3,516	35.9383	126,359
Due to the Central Bank and banks						
CNH	1,288,398	4.6254	5,959,356	1,029,221	4.9967	5,142,709
USD	127,737	32.2220	4,115,942	95,972	32.9000	3,157,479
HKD	200,000	4.1545	830,900	200,000	4.2448	848,960
Deposits and remittances						
USD	6,629,092	32.2220	213,602,602	6,344,403	32.9000	208,730,859
CNH	4,360,519	4.6254	20,169,145	5,775,637	4.9967	28,859,125
EUR	254,885	33.9797	8,660,916	170,719	35.9383	6,135,351
Deposits and remittances						
USD	6,629,092	32.2220	213,602,602	6,344,403	32.9000	208,730,859
CNH	4,360,519	4.6254	20,169,145	5,775,637	4.9967	28,859,125
EUR	254,885	33.9797	8,660,916	170,719	35.9383	6,135,351
Financial liabilities at fair value through profit or loss						
USD	12,642	32.2220	407,351	13,019	32.9000	428,325
HKD	4,937	4.1545	20,511	553	4.2448	2,347
EUR	183	33.9797	6,218	12	35.9383	431

(Concluded)

b. SCB (HK)

	December 31					
	2016			2015		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Finance assets						
Monetary items						
Cash and cash equivalents						
EUR	$ 1,216,866	33.9797	$ 41,348,742	$ 89,976	35.9383	$ 3,233,585
USD	353,507	32.2220	11,390,703	21,910	32.9000	720,839
CHF	138,711	31.6119	4,384,918	6,432	33.2659	213,966
Due from the Central Bank and call loans to banks						
USD	21,746,952	32.2220	700,730,287	2,344,360	32.9000	77,129,444
CNH	2,742,069	4.6254	12,683,167	5,176,392	4.9967	25,864,878
Receivables						
USD	296,363	32.2220	9,549,409	54,911	32.9000	1,806,572
CNH	25,794	4.6254	119,308	4,727	4.9667	23,619
Discounts and loans						
USD	23,950,888	32.2220	771,745,513	3,032,574	32.9000	99,771,685

(Continued)

	December 31					
	2016			2015		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Nonmonetary items						
Forward exchange contract						
CNH	$ 201,587	4.6254	$ 932,421	$ 132,375	4.9667	$ 661,438
AUD	12,489	23.3400	291,493	2,041	23.9923	48,968
Financial liabilities						
Monetary items						
Payables						
USD	413,312	32.2220	13,317,739	66,117	32.9000	2,175,249
CNH	45,621	4.6254	211,015	18,450	4.9967	92,189
Due to the Central Bank and banks						
USD	3,810,757	32.2220	122,790,212	455,657	32.9000	14,991,115
GBP	603,645	39.6024	23,905,791	25,377	48.7611	1,237,410
CNH	749,961	4.6254	3,468,870	1,607,918	4.9967	80,342,284
Deposits and remittances						
USD	48,709,073	32.2220	1,569,503,750	5,376,806	32.9000	176,896,917
CNH	11,772,673	4.6254	54,453,322	12,137,623	4.9967	60,648,061
Nonmonetary items						
Forward exchange contract						
CNH	189,809	4.6254	877,943	149,115	4.9967	745,083

(Concluded)

43. ADDITIONAL DISCLOSURES

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

1) Financing provided: The Bank - not applicable; investees - not applicable or none.

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

3) Marketable securities held: The Bank - not applicable; investees - Table 2.

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 3.

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

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

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

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

9) Sale of non-performing loans: None.

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

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

12) Names, locations, and other information of investees on which the Bank exercises significant influence: Table 4.

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

c. Investment in Mainland China:

1) Name of the investees in Mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in Mainland China: Table 5.

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

d. Significant transactions and the amount among the parent and its subsidiaries: Table 6.

44. SEGMENT INFORMATION

Information reported to the chief operating decision maker focuses on the principal geographical areas and profit or loss of the segments. The Group's main reportable segments were Taiwan, Hong Kong and others.

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, 2016				
	Taiwan	**Hong Kong**	**Others**	**Other Adjustments**	**Total**
Net interest	$ 10,915,718	$ 10,976,146	$ 74,063	$ -	$ 21,965,927
Net revenues other than interest	9,685,076	5,221,702	338,461	(4,760,890)	10,489,349
Net revenues	20,600,794	16,197,848	412,524	(4,760,890)	32,455,276
Provision for credit allowance	(599,988)	(84,921)	(2,240)	-	(687,149)
Operating expenses	(6,384,525)	(5,947,805)	(221,324)	4,687	(12,548,967)
Income before income tax	$ 13,616,281	$ 10,165,122	$ 193,960	$ (4,756,203)	$ 19,219,160

	For the Year Ended December 31, 2015				
	Taiwan	**Hong Kong**	**Others**	**Other Adjustments**	**Total**
Net interest	$ 10,861,030	$ 10,174,488	$ 68,438	$ -	$ 21,103,956
Net revenues other than interest	9,785,525	4,868,207	372,547	(4,691,211)	10,335,068
Net revenues	20,646,555	15,042,695	440,985	(4,691,211)	31,439,024
Provision for credit allowance	(599,984)	(19,734)	(5,592)	-	(625,310)
Operating expenses	(6,459,087)	(5,271,005)	(217,313)	6,767	(11,940,638)
Income before income tax	$ 13,587,484	$ 9,751,956	$ 218,080	$ (4,684,444)	$ 18,873,076

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

Main operating clients

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

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

OVERDUE LOANS AND RECEIVABLE
DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars, %)

Date			December 31, 2016					December 31, 2015				
Business			Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Loans (Note 1)	Loans	Ratio of Nonperforming Loans (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Corporate banking	Secured		$ 546,377	$ 208,815,874	0.26	$ 3,315,650	606.84	$ 399,177	$ 190,172,978	0.21	$ 3,043,790	762.52
	Unsecured		207,984	160,796,728	0.13	2,924,781	1,406.25	361,217	162,006,389	0.22	3,368,258	932.47
Consumer banking	Housing mortgage (Note 4)		644,354	109,126,753	0.59	1,649,988	256.07	511,648	119,748,569	0.43	1,552,863	303.50
	Cash card		-	-	-	-	-	-	-	-	-	-
	Small scale credit loans (Note 5)		9,167	473,433	1.94	16,207	176.80	8,914	442,820	2.01	16,959	190.25
	Other (Note 6)	Secured	253,830	104,587,353	0.24	1,097,716	432.46	260,178	106,398,932	0.24	1,091,542	419.54
		Unsecured	11,260	7,389,138	0.15	77,670	689.79	6,609	6,787,879	0.10	67,201	1,016.81
Total			1,672,972	591,189,279	0.28	9,082,012	542.87	1,547,743	585,557,567	0.26	9,140,613	590.58
			Nonperforming Receivables (Note 1)	Accounts Receivable	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)	Nonperforming Receivables (Note 1)	Accounts Receivable	Ratio of Nonperforming Receivables (Note 2)	Allowance for Possible Losses	Coverage Ratio (Note 3)
Credit card			13,797	1,869,747	0.74	82,304	596.54	11,699	2,064,558	0.57	203,451	1,739.05
Accounts receivable factored without recourse (Note 7)			-	1,008,988	-	10,342	-	-	965,523	-	9,907	-

Note 1: Nonperforming loans represent the amounts of nonperforming 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 Nonperforming/Non-accrued Loans."
Nonperforming credit card receivables represent the amounts of nonperforming 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 nonperforming loans: Nonperforming loans ÷ Outstanding loan balance.
Ratio of nonperforming credit cards receivables: Nonperforming credit cards receivables ÷ Outstanding credit cards receivables balance.

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

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

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

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

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

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD.

OVERDUE LOANS AND RECEIVABLE
DECEMBER 31, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	December 31, 2016		December 31, 2015	
	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)	-	40,580	-	45,112

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).

TABLE 2

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2016
(Amounts in Thousands of New Taiwan Dollars)

Holding Company Name	Name	Security Issuer's Relationship with Holding Company	Financial Statement Account	December 31, 2016				Note
				Shares (Thousands)	Carrying Value	Percentage of Ownership (%)	Market Value or Net Asset Value	
Shancom Reconstruction Inc.	Empresa Inversiones Generales, S.A.	Indirect subsidiary	Investments in subsidiaries	1	$ 1,785,180	100.00	$ 1,785,180	Note
	Krinein Company	Indirect subsidiary	Investments in subsidiaries	2	513,566	100.00	513,566	Note
	Safehaven Investment Corporation	Indirect subsidiary	Investments in subsidiaries	1	50,774	100.00	50,774	Note
Wresqueue Limitada	Prosperity Realty Inc.	Indirect subsidiary	Investments in subsidiaries	4	74,111	100.00	(8,078)	Note
China Travel Service (Taiwan)	Silks Place Taroko	-	Equity investments under the equity method	20,372	160,352	45.00	160,352	Note
	CTS Travel International Ltd.	Indirect subsidiary	Investments in subsidiaries	600	6,893	100.00	6,893	Note
	Joy Tour Service Co., Ltd.	-	Financial assets carried at cost	100	1,000	10.00	-	
	Shanghai Commercial & Savings Bank, Ltd.	The Bank	Financial assets carried at cost	28	859	-	-	
SCSB Life Insurance Agency	Geniron.Com.	-	Financial assets carried at cost	950	2,089	4.13	-	Note
	Prism Communication International Limited	-	Financial assets carried at cost	1,250	-	-	-	
SCSB Property Insurance Agency	Geniron.Com.	-	Financial assets carried at cost	950	2,089	4.13	-	Note
	Prism Communication International Limited	-	Financial assets carried at cost	1,250	-	-	-	
SCSB Asset Management Ltd.	SCSB Leasing (China) Co., Ltd.	Indirect subsidiary	Investments in subsidiaries	NA	887,490	100.00	887,490	Note
Krinein Company	Shanghai Commercial Bank (HK)	Indirect subsidiary	Investments in subsidiaries	1,920	9,695,194	9.60	9,695,194	Note
Empresa Inversiones Generales, S.A.	Shanghai Commercial Bank (HK)	Indirect subsidiary	Investments in subsidiaries	9,600	48,475,969	48.00	48,475,969	Note

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

TABLE 3

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED AT COSTS OR PRICES OF AT LEAST $300 MILLION OR 10% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Share in Thousands)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares	Amount	Shares	Amount (Notes 2 and 3)	Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount (Note 1)
Shanghai Commercial Bank (HK)	Preferred Bank	Equity method	-	-	650,936	$ 704,075 (HK$ 169,469)	-	$ - (HK$ -)	650,936	$ 614,614 (HK$ 147,936)	$ 163,816 (HK$ 39,430)	$ (89,461) (HK$ (21,533))	-	$ - (HK$ -)
Shanghai Commercial Bank (HK)	Tencent Holdings Ltd.	Available-for-sale financial assets	-	-		- (HK$ -)	541,000	456,561 (HK$ 109,893)	116,000	96,665 (HK$ 23,267)	95,003 (HK$ 22,867)	(24,940) (HK$ (6,003))	425,000	334,956 (HK$ 80,623)
Shanghai Commercial and Saving Bank	Mega Financial Holding Company Ltd.	Available-for-sale financial assets	-	-	35,491	223,231	-	-	35,491	839,445	223,231	616,214	-	-

Note 1: Calculated using the exchange rate on December 31, 2016.

TABLE 4

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

RELATED INFORMATION OF INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2016
(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.	Taipei City	Purchase and management of creditor's rights of financial institutions	100.00	$ 1,570,420	$ 12,323	160,000	-	160,000	100.00	
SCSB Life Insurance Agency	Taipei City	Insurance	100.00	197,996	87,932	5,000	-	5,000	100.00	
SCSB Property Insurance Agency	Taipei City	Insurance	100.00	58,519	2,529	5,000	-	5,000	100.00	
SCSB Marketing Ltd.	Taipei City	Marketing	100.00	7,500	1,341	500	-	500	100.00	
Paofoong Insurance Company Ltd.	Hong Kong	Insurance	40.00	271,562	14,637	500	-	500	100.00	
Shanghai Commercial Bank (HK)	Hong Kong	Banking and financial	57.60	58,341,739	4,579,900	11,520	-	11,520	57.60	
Non-financial business										
China Travel Service (Taiwan)	Taipei City	Travel services	99.99	291,620	22,566	38,943	-	38,943	99.99	
Kuo Hai Real Estate Management	Taipei City	Building material distribution	34.69	-	-	3,000	-	3,000	34.69	
Shancom Reconstruction Inc.	Liberia	Securities investment	100.00	60,493,276	4,572,029	5	-	5	100.00	
Wresqueue Limitada	Liberia	Securities investment	100.00	329,303	7,655	176	-	176	100.00	
Empresa Inversiones Generales, S.A.	Panama	Securities investment	100.00	1,785,180	1,887,055	1	-	1	100.00	
Krinein Company	Cayman Islands	Securities investment	100.00	513,566	378,155	2	-	2	100.00	
Safehaven Investment Corporation	Liberia	Securities investment	100.00	50,774	321	1	-	1	100.00	
Prosperity Realty Inc.	America	Real estate services	100.00	74,111	6,322	4	-	4	100.00	
Silks Place Taroko	Hualien	Travel services	45.00	160,352	13,079	20,372	-	20,372	45.00	
CTS Travel International Ltd.	Taipei City	Travel services	100.00	6,893	31	600	-	600	100.00	
SCSB Leasing (China) Co., Ltd.	China	Leasing operation	100.00	887,490	27,413	N/A	-	N/A	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 stock of investee companies invested by related parties which comply with corporation law are considered.

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
DECEMBER 31, 2016
(Amounts in Thousands of New Taiwan Dollars and Foreign Currency)

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 value as of December 31, 2013 and inward remittance of earnings:

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (Note 1)	Accumulated Outflow of Investment as of December 31, 2015	Investment Flows		Accumulated Outflow of Investment as of December 31, 2016	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Value as of December 31, 2016 (Note 3)	Accumulated Inward Remittance of Earnings as of December 31, 2016
					Outflow	Inflow					
SCSB Leasing (China) Co., Ltd.	Leasing operation	US$ 30,000	c	US$ 30,000	US$ -	US$ -	US$ 30,000	100.00	$ 27,413 (US$ 850)	$ 887,490 (US$ 27,543)	$ -
Bank of Shanghai	Approved by local government	US$ 861,926	Note 4	US$ 73,848	US$ -	US$ -	US$ 73,848	2.70	- (US$ -)	10,054,515 (US$ 312,039)	-
Shanghai Commercial Bank Ltd. - Shenzhen Branch	Approved by local government	US$ 57,532	Note 4	US$ 36,339	US$ -	US$ -	US$ 36,339	57.60	114,049 (US$ 3,535)	963,101 (US$ 29,890)	-
Shanghai Commercial Bank Ltd. - Shanghai Branch	Approved by local government	US$ 109,174	Note 4	US$ 64,717	US$ -	US$ -	US$ 64,717	57.60	62,417 (US$ 1,935)	2,084,643 (US$ 64,696)	-

2. Upper limit on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2016 (Note 3)	Investment Amounts Authorized by Investment Commission, MOEA (Note 3)	Upper Limit on Investment Authorized by Investment Commission MOEA
$6,602,417 (US$204,904)	$6,636,121 (US$205,950)	$97,813,458

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

a. To directly invest.
b. To invest via third place company.
c. Others.

Note 2: In the column of "Investment Gain (Loss)"

a. It should be specified if it is preparing for establishment and no investment gain (loss).

b. It should be specified if the investment gain (loss) is divided into the following three categories:

1) Financial report audited by international accounting firm associated with accounting firm in R.O.C.
2) Financial report audited by the accounting firm associated with the parent company in R.O.C.
3) Others.

Note 3: Calculated using the exchange rate on December 31, 2016.

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

TABLE 6-1

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Amounts in Thousands of New Taiwan Dollars)

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transaction			
				Financial Statements Item	Amount	Term	Percentage of Consolidated Total Gross Sales or Total Assets (Note 3)
0	The Shanghai Commercial & Savings Bank, Ltd.	SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Accounts receivables	$ 35,434	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Accounts payables	101	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Deposits and remittances	232,750	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Other liabilities	197	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Interest expenses	1,970	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Service fee incomes, net	415,763	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Net revenues other than interest	790	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Accounts receivables	274	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Accounts payables	17	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Deposits and remittances	56,899	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Other liabilities	197	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Interest expenses	577	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Service fee incomes, net	11,320	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Net revenues other than interest	790	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Accounts payables	135	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Deposits and remittances	320,977	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Other liabilities	47	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Interest expenses	5,811	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Net revenues other than interest	170	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Other general and administrative	33	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Accounts payables	5,780	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Deposits and remittances	10,612	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Other liabilities	20	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Interest expenses	79	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Net revenues other than interest	78	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Other general and administrative	68,231	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Accounts payables	15	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Deposits and remittances	90,833	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Interest revenues	180	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Interest expenses	333	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Net revenues other than interest	720	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Other general and administrative	2,140	Note 4	-

(Continued)

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transaction			
				Financial Statements Item	Amount	Term	Percentage of Consolidated Total Gross Sales or Total Assets (Note 3)
		CTS Travel International Ltd.	Represents the transactions from parent company to subsidiary	Accounts payables	$ 23	Note 4	-
		CTS Travel International Ltd.	Represents the transactions from parent company to subsidiary	Deposits and remittances	7,515	Note 4	-
		CTS Travel International Ltd.	Represents the transactions from parent company to subsidiary	Interest expenses	70	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from parent company to subsidiary	Cash and cash equivalents	286,710	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from parent company to subsidiary	Due from the Central Bank and call loans to banks	152	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from parent company to subsidiary	Call loans from banks	1,850,160	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from parent company to subsidiary	Accounts payables	1,931	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from parent company to subsidiary	Deposits and remittances	1,468,677	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from parent company to subsidiary	Interest expenses	14,416	Note 4	-
1	SCSB Life Insurance Agency	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	232,750	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts receivables	101	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other liabilities	197	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts payables	35,434	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenues	1,970	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	790	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other general and administrative expense	415,763	Note 4	-
2	SCSB Property Insurance Agency	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	56,899	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts receivables	17	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other liabilities	197	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts Payables	274	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenues	577	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	790	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other general and administrative expense	11,320	Note 4	-
3	SCSB Asset Management Ltd.	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	320,977	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts receivables	135	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other assets	47	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenues	5,811	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	170	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	33	Note 4	-
4	SCSB Marketing	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	10,612	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts receivables	5,780	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other assets	20	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenues	79	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	68,231	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	78	Note 4	-
5	China Travel Service (Taiwan)	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts receivables	15	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	90,833	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other assets	180	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenues	333	Note 4	-

(Continued)

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transaction			
				Financial Statements Item	Amount	Term	Percentage of Consolidated Total Gross Sales or Total Assets (Note 3)
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	$ 720	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	2,140	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from subsidiary to subsidiary	Cash and cash equivalents	3,037	Note 4	-
		CTS Travel International Ltd.	Represents the transactions from subsidiary to subsidiary	Net revenues other than interest	120	Note 4	-
		CTS Travel International Ltd.	Represents the transactions from subsidiary to subsidiary	Other general and administrative expense	2,606	Note 4	-
6	CTS Travel International Ltd.	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	7,515	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interests revenues	70	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts receivables	23	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from subsidiary to subsidiary	Net revenues other than interest	2,606	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from subsidiary to subsidiary	Net revenues other than interest	120	Note 4	-
7	Shancom Reconstruction Inc.	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	152	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Due from other banks	1,468,677	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Due from the Central Bank and call loans to banks	1,850,160	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts receivables	1,931	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Due to the Central Bank and banks	286,710	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenue	14,416	Note 4	
		China Travel Service (Taiwan)	Represents the transactions from subsidiary to subsidiary	Deposits and remittances	3,037	Note 4	-

Note 1: The transactions between parent company and subsidiaries should indicate the number filled in the column like follows:

a. Parent company fill in 0.
b. Subsidiaries in accordance with the company are numbered sequentially from 1.

Note 2: There are three types of relations in companies and only have to mark their type in nature of relationship column:

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

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

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

(Concluded)

THE SHANGHAI COMMERCIAL & SAVINGS BANK, LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Amounts in Thousands of New Taiwan Dollars)

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transaction			
				Financial Statements Item	Amount	Term	Percentage of Consolidated Total Gross Sales or Total Assets (Note 3)
0	The Shanghai Commercial & Savings Bank, Ltd.	SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Accounts receivables	$ 33,358	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Accounts payables	138	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Deposits and remittances	268,872	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Other liabilities	197	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Interest expenses	2,602	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Service fee incomes, net	322,459	Note 4	-
		SCSB Life Insurance Agency	Represents the transactions from parent company to subsidiary	Net revenues other than interest	790	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Accounts receivables	245	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Accounts payables	31	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Deposits and remittances	59,199	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Other liabilities	197	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Interest expenses	944	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Service fee incomes, net	11,891	Note 4	-
		SCSB Property Insurance Agency	Represents the transactions from parent company to subsidiary	Net revenues other than interest	790	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Accounts payables	678	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Deposits and remittances	523,622	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Other liabilities	47	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Interest expenses	10,557	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Net revenues other than interest	170	Note 4	-
		SCSB Asset Management Ltd.	Represents the transactions from parent company to subsidiary	Other general and administrative	110	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Accounts payables	4	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Deposits and remittances	9,869	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Other liabilities	20	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Interest expenses	99	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Net revenues other than interest	79	Note 4	-
		SCSB Marketing	Represents the transactions from parent company to subsidiary	Other general and administrative	63,465	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Accounts payables	32	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Deposits and remittances	69,826	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Other liabilities	180	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Interest revenues	36	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Interest expenses	235	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Net revenues other than interest	720	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from parent company to subsidiary	Other general and administrative	1,510	Note 4	-

(Continued)

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transaction: Financial Statements Item	Amount	Term	Percentage of Consolidated Total Gross Sales or Total Assets (Note 3)
		CTS Travel International Ltd.	Represents the transactions from parent company to subsidiary	Deposits and remittances	$ 7,514	Note 4	-
		CTS Travel International Ltd.	Represents the transactions from parent company to subsidiary	Interest expenses	36	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from parent company to subsidiary	Cash and cash equivalents	326,985	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from parent company to subsidiary	Due from the Central Bank and call loans to banks	348	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from parent company to subsidiary	Accounts payables	2,065	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from parent company to subsidiary	Deposits and remittances	1,490,809	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from parent company to subsidiary	Interest expenses	9,553	Note 4	-
1	SCSB Life Insurance Agency	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	268,872	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts receivables	138	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other liabilities	197	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts payables	33,358	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenues	2,602	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	790	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other general and administrative expense	322,459	Note 4	-
2	SCSB Property Insurance Agency	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	59,199	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts receivables	31	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other liabilities	197	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts Payables	245	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenues	994	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	790	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other general and administrative expense	11,891	Note 4	-
3	SCSB Asset Management Ltd.	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	523,622	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts receivables	678	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other assets	47	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenues	10,557	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	170	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	110	Note 4	-
4	SCSB Marketing	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	9,869	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts receivables	4	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other assets	20	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenues	99	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	79	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	63,465	Note 4	-
5	China Travel Service (Taiwan)	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts receivables	32	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	69,826	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Other assets	180	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenues	235	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest expenses	36	Note 4	-

(Continued)

No.	Company Name	Counterparty	Nature of Relationship	Intercompany Transaction			
				Financial Statements Item	Amount	Term	Percentage of Consolidated Total Gross Sales or Total Assets (Note 3)
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	$ 720	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Net revenues other than interest	1,510	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from subsidiary to subsidiary	Cash and cash equivalents	853	Note 4	-
		Shancom Reconstruction Inc.	Represents the transactions from subsidiary to subsidiary	Interests revenues	54	Note 4	-
		CTS Travel International Ltd.	Represents the transactions from subsidiary to subsidiary	Other liabilities	230	Note 4	-
		CTS Travel International Ltd.	Represents the transactions from subsidiary to subsidiary	Net revenues other than interest	114	Note 4	-
		CTS Travel International Ltd.	Represents the transactions from subsidiary to subsidiary	Other general and administrative expense	2,713	Note 4	-
6	CTS Travel International Ltd.	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	7,514	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interests revenues	36	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from subsidiary to subsidiary	Accounts receivables	230	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from subsidiary to subsidiary	Net revenues other than interest	114	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from subsidiary to subsidiary	Net revenues other than interest	2,713	Note 4	-
7	Shancom Reconstruction Inc.	The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Cash and cash equivalents	348	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Due from the Central Bank and call loans to banks	334,068	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Accounts receivables	2,065	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Due to the Central Bank and banks	1,490,809	Note 4	-
		The Shanghai Commercial & Savings Bank, Ltd.	Represents the transactions from subsidiary to parent company	Interest revenue	9,553	Note 4	-
		China Travel Service (Taiwan)	Represents the transactions from subsidiary to subsidiary	Deposits and remittances	853	Note 4	
		China Travel Service (Taiwan)	Represents the transactions from subsidiary to subsidiary	Interest expense	54	Note 4	-
							-

Note 1: The transactions between parent company and subsidiaries should indicate the number filled in the column like follows:

a. Parent company fill in 0.
b. Subsidiaries in accordance with the company are numbered sequentially from 1.

Note 2: There are three types of relations in companies and only have to mark their type in nature of relationship column:

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

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

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

(Concluded)