



NOTICE TO READERS

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and the Chinese version, the Chinese version shall prevail.



彰化銀行

SINCE 1905

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MOPS : <http://mops.twse.com.tw>

CHANG HWA BANK

ANNUAL REPORT 2017

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- Taiwan Ratings Corporation
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- Standard & Poor's Hong Kong Limited
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Names of Exchanges Where Overseas Securities Are Listed and Methods of Inquiry :

None.

Website : [https : //www.bankchb.com](https://www.bankchb.com)

Our Glories

- ◆ The Global TOP 500 Banks (For years 2010 ~ 2013 and 2015 ~ 2018)
~ The Banker Magazine
- ◆ Top 5% Listed Company in Corporate Governance (Session 3)
~ Taiwan Stock Exchange Corporation
- ◆ 2017 Annual Best Service Innovation of Electronic Cash Flow Business Award & Best Stable System Award
~ Financial Information Service Co., Ltd
- ◆ 2017 Sustainability Excellence Award
~ British Standards Institution (BSI)
- ◆ 2017 The Excellent Green Procurement Enterprise Award
~ Department of Environmental Protection, Taipei City Government
- ◆ Futures Diamond Award (Session 3) - The Excellence Market Maker for Futures of RMB Exchange Rate Award
~ Taiwan Futures Exchange
- ◆ 2017 Securities Broker ETF Trading Competition - Improvement Step by Step Award in March
~ Taiwan Stock Exchange Corporation
- ◆ Futures Diamond Award (Session 2) - The Excellence Market Maker for Futures of RMB Exchange Rate Award
~ Taiwan Futures Exchange
- ◆ 2016 Excellent Credit Guarantee Partner Award
~ Ministry of Economic Affairs (MOEA)
- ◆ 2016 Annual Best Operation System of Electronic Cash Flow Business Award & Best Innovation Excellence Award
~ Financial Information Service Co., Ltd
- ◆ 2015 Excellent Credit Guarantee Partner Award & Guaranteed Financing Growth Award
~ Ministry of Economic Affairs (MOEA)
- ◆ 2015 Top-Performing Bank in SME Lending (Session 10)
~ Financial Supervisory Commission
- ◆ 2015 Annual Best Innovation of Mobile Pay and Mobile ATM Business Excellence Award
~ Financial Information Service Co., Ltd
- ◆ 2015 Annual Best Business Development of Electronic Finance Award - Credit Card Business and Visa Financial Card Business
~ Financial Information Service Co., Ltd
- ◆ 2015 ITeS Award - Outstanding Technology Service Management Project Award
~ IT-enabled Services Management Association
- ◆ 2015 The Market Risk Technology Implementation of the Year
~ The Asian Banker Magazine
- ◆ Futures Diamond Award - 2015 Annual Contribution Award (The Excellence Market Maker for Futures of RMB Exchange Rate Award)
~ Taiwan Futures Exchange
- ◆ 2014 Excellent Credit Guarantee Partner Award
~ Ministry of Economic Affairs (MOEA)
- ◆ 2014 Top-performing Bank in SME Lending/Special Award in E-business Lending (Session 9)
~ Financial Supervisory Commission
- ◆ 2014 Electronic Banking Excellence Award- Issuing Credit Card (through Financial Information Service) with Interbank Business
~ Financial Information Service Co., Ltd.
- ◆ 2014 Electronic Banking Business Innovation Excellence Award
~ Financial Information Service Co., Ltd.
- ◆ 2014 Securities Broker ETF Trading Competition - Transaction Improvement Award in April
~ Taiwan Stock Exchange Corporation
- ◆ 2013 Electronic Banking Excellence Award - Correspondent Banking/Interbank Business
~ Financial Information Service Co., Ltd.
- ◆ 2013 Outstanding Government Bond Market Maker (for the First Half of 2013)
~ Taipei Exchange (TPEX)
- ◆ 2013 Young Entrepreneur Assistance Award
~ Ministry of Economic Affairs (MOEA)
- ◆ 2013 Phoenix Collection Incentive Reward Program-Debt Collection Growth Award
~ Small and Medium Enterprise Credit Guarantee Fund (SMEG)
- ◆ 2012 Security Award
~ Joint Credit Information Corporation (JCIC)
- ◆ 2012 Excellent Credit Guarantee Partner Award
~ Ministry of Economic Affairs (MOEA)



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I | Letter to Shareholders



Chairman *Ming-Daw Chang*

In 2017, the global economy continued to rebound showing fast recovery in major economies such as the United States, the Eurozone and Japan. The gradual shift in monetary policy orientation of central banks in major countries demonstrated optimistic world economic outlook, contributing to simultaneous positive growth for domestic economy following the global boom. Meanwhile, the expansion of foreign demand fueled domestic export trade performance. However, domestic internal demand was affected by backward industry transformation, a lack of innovation and technological development, limited private investment progress, and frozen salary increase, resulting in very different atmospheres between external and internal economy. Although business environment has improved, domestic banking industry still faces many severe challenges consist of rapidly changing movement in international supervision, erosion of bank's niche by the rise of FinTech, and continuous compressed interest rate spread on deposit and loans, which make business environment more difficult for the banking industry.

The Bank managed to deliver exceptional results in 2017, owing to the contribution of all employees, with cumulative pre-tax earnings reaching TWD 14.184 billion, making 2017 the 8th consecutive year in which the Bank has earned more than TWD 10 billion in earnings, living up to shareholders' expectations. In terms of asset quality, the Bank managed to maintain its non-performing loan ratio at 0.3% and loan loss coverage ratio at 390.41%. The Bank has been selected as part of the TWSE Corporate Governance 100 Index by Taiwan Stock Exchange for the past two years which represented an acknowledgment to the Bank's sound management practices in a number of aspects including corporate governance, finance, business growth, and solid operation. We would like to thank all our shareholders for their long-term support and encouragement. In the future, the Bank will continue to strive for excellence.

A. 2017 Results of Operations

a. Organization changes

Information Security Section was set up to be a dedicated unit under Risk Management Division to monitor and control the implementation of the Bank's information security policies and programs. AML/CFT Section was set up under Legal Affairs and Compliance Division and is responsible for anti-money laundering and countering terrorism financing operations.

b. Accomplishments

1. Lending:

Launched green energy project loan cooperated with Taoyuan City Government, small and medium enterprises credit guarantee financing loan and batch guarantee for the year of 2017. Launched adjustable rate mortgage (ARM) and agriculture and fishing products wholesaling/retailing loan. A total of 66 syndicated loan cases were completed by domestic business units in 2017.

2. Deposit:

Launched digital savings. Provided new services of pre-authorized transfers to checking account, accounts in the Bank that are mutually predesignated for ATM card and interbank cardless withdrawals.

3. Foreign Exchange:

Launched gold passbook denominated in foreign currency and foreign currency collection/payment business.

4. Credit card:

Launched mPOS (mobile Point-of-Sale) service for authorized stores and provided QR code acquiring service for authorized stores.

5. Trust:

In 2017, the Bank added 94 new domestic funds, 131 new offshore funds, 10 foreign bonds and 28 overseas ETF to the product portfolio. As of the end of 2017, the Bank had a total of 838 domestic funds, 1,250 offshore funds, 49 foreign bonds and 59 overseas ETF, distributed to the market, giving investors a broad range of selections to choose from.

6. Wealth management:

Eight investment seminars of distinctive themes were organized in 2017 to raise customers' satisfaction towards the Bank.

7. E-banking:

Launched cloud-based service (i.e. Taiwan Pay Virtual Card) to facilitate customers' spending, transfer, withdrawal, fee payable and tax payment transactions by mobile payment; used Taiwan Pay QR Code common payment specification standards to develop QR Code collection and payment service.

8. New Overseas Branches:

Opened Yangon Representative Office in Myanmar on August 8, 2017; prepared for establishment of a Manila branch in Philippines, a subsidiary of Chang Hwa Bank (China) Ltd. and a Nanjing branch in China.

c. Budget Execution

1. The total deposit volume (excluding the deposit transferred from postal savings) reached NT\$1,630,870,949 thousand or 101.91% of the original budget target.
2. The total loans volume was NT\$1,354,104,927 thousand or 98.41% of the original budget target.
3. The total investment business (securities) volume was NT\$322,270,060 thousand or 97.13% of the original budget target.
4. The foreign exchange transactions totaled US\$134,717,469 thousand amounting to 113.43% of the original budget target.
5. The securities brokerage transactions totaled NT\$92,103,189 thousand or 143.80% of the original budget target.
6. The wealth management business volume was NT\$77,832,630 thousand or 105.00% of the original budget target.
7. The assets under custody totaled NT\$147,246,671 thousand or 109.48% of the original budget target.
8. The total card transaction volume (retail spend) reached NT\$16,346,012 thousand representing 92.35% of the original target.

d. Financial Highlights

1. Net interest income: NT\$22,656,870 thousand
2. Net income other than net interest income: NT\$8,139,849 thousand
3. Net revenue and gains: NT\$30,796,719 thousand
4. Provisions for bad debts expenses and guarantee liability: NT\$791,185 thousand
5. Total operating expenses: NT\$15,821,315 thousand
6. Income before income tax: NT\$14,184,219 thousand
7. Income tax expenses: NT\$2,091,113 thousand
8. Net income after income tax: NT\$12,093,106 thousand
9. Other comprehensive income (loss), net of tax: NT\$-903,865 thousand
10. Total comprehensive income: NT\$11,189,241 thousand
11. After tax EPS: NT\$1.28
12. Return on Assets (ROA): 0.60%
13. Return on Equity (ROE): 8.56%

e. Research and Development

1. Active development of digital finance service with patent registration: In 2017, the Bank has taken pro-active steps to develop FinTech: (1) In terms of patented proprietary, applications of 23 utility model patents and 5 invention patents were filed, of which 20 utility model patents have been approved. (2) In respect of banking services, the Bank collaborated on overseas electronic payment with Alipay, and launched mobile payment and Taiwan Pay QR Code common payment services. (3) As for mobile communications, the Bank applied mobile communication technology to support the APP revision of personal mobile banking and mobile payments (cloud-based) as business promotions.
2. Business research with the idea of innovation:
In order to encourage the innovation and development of the Bank's business, the Bank identified subjects on the current business operations and financial related issues, studied by all employees. In 2017, a total of 29 business research reports were completed as reference for units' business operation.



President

Hong-Chi Chang

B. 2018 Highlights of Business Plans

a. Business Directions and Operational Policies

1. Deposits:
Expand the Bank's foreign currency deposit pool in line with market trends for popular currencies such as USD, CNY, EUR, JPY, etc. Actively in planning digital finance services to smoothen customer's cash management with a simplified electronic process.
2. Lending:
Increase the proportion of small and medium enterprises loan and provide multiple integration services. Take control of New Southbound business opportunities and promote cross-border financial services.

3. Investment:
Develop a multitude of financial products; assist enterprises' financial operation and promote financial products.
 4. Foreign exchange:
Provide cross-border RMB settlements and remittance business to strengthen the service to Taiwanese businessmen.
 5. Securities brokerage:
Explore opportunities in the securities market by increasing market share of the Bank's online securities trading service. Guide branches in exploring customers for underwriting services.
 6. Trust:
Provide customers with broader variety of trust services including real estate trust, real estate transaction trust, senior nursing trust and disability trust.
 7. Wealth Management:
Expand investment product variety for higher penetration of wealth management customers.
 8. Insurance agency business:
Intensify promotional efforts on business of long-term insurance by installments; introduce innovative life insurance products to different target groups; promote business of insurance taken out via internet and mobile device.
 9. Cards:
Identify customer attributes to focus on segmented marketing; expand the card base, strengthen customer loyalty, and improve cardholders' willingness to use cards.
 10. E-commerce/Online Banking:
Deliver new financial trading experiences for customers with AI (Artificial Intelligence), intelligent robot systems and biometrics.
- b. Business Operational Targets
1. Deposit Volume: NT\$1,701,123,371 thousand
 2. Loans Volume: NT\$1,407,412,957 thousand
 3. Investment Business (Securities): NT\$352,907,370 thousand
 4. Foreign Exchange Transactions: US\$137,588,884 thousand
 5. Securities Brokerage Transactions: NT\$90,900,000 thousand
 6. Trust Fund Application Transactions: NT\$48,861,000 thousand
 7. Assets under Custody: NT\$146,955,000 thousand
 8. Insurance Agency Transactions: NT\$23,000,000 thousand
 9. Credit Card (Transaction Amount): NT\$17,000,000 thousand

C. Future Development Strategy

- a. Concentrate on customer service
- Cooperate with the government to develop new venture key industrial policies, actively in planning financing projects to effectively enhance the promotion to the five-plus-two innovative industries. Continue to support small and medium enterprises and provide the active financing channels. In addition, the Bank will invest in FinTech research and development, import technologies such as big data, blockchain and artificial intelligence into financial services and introduce cross-device and mobile device development technologies to expand the social platform to attract younger customers that eventually enhance digital finance competitiveness.
- b. Steady financial investment
- In accordance with the national industrial strategy and economic development policies, the Bank will increase the relevant investment in pursuit of long-term return. Meanwhile, the Bank will coordinate with the interest rate rising cycle to increase the investment position of bonds to earn the interest margin with liquidity and stability.

c. Accelerate overseas layout

Expand overseas operations in line with the government's New Southbound Policy. Despite setting up offices, local branches and subsidiaries in potential ASEAN countries, the Bank also searches for suitable merger targets or investees to quickly enter to local financial markets.

d. Ensure sustainable development

Strengthen FinTech risk management and information security protection mechanism; implement anti-money laundering and countering terrorism financing internal control plan to effectively reduce risks and enhance the regulatory compliance system and functions to support establishing legal compliance culture; develop digital finance and international finance talent and improve the quality of employees' core training so as to meet the digital finance development trend; promote corporate social responsibility, actively participate in various social welfare activities, and care for vulnerable groups; take pragmatic steps toward corporate governance and conduct various business activities under robust supervision to secure shareholder interests.

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

a. External Competitive Environment

1. Lately banks eagerly issue financial bonds with supplementary capital function at the timing of low interest rates to raise funds for future loans and increase capital adequacy ratio. The Bank also issues subordinate financial debentures to strengthen capital structure and enhance risk-taking ability so as to promote the long-term business development.
2. In recent years, the banking industry has been strategically deployed globally stating that the talent is the key to success. Each year, the Bank vigorously recruits elites to join the management team, continuously strengthens human resource development, conducts diversified training, develops financial professionals with a macro perspective, and provides comprehensive welfare and remuneration policies to retain talents and enhance overall competitiveness for the Bank.
3. Domestic interest rate level has been on the low side for a long time, and interest rate spread on deposit and loans has been decreasing yearly, which squeezes the profitability of the banking industry. The Bank's business model is not limited to the deposit and lending but aims to integrate with information technology, innovating financial commodities and wealth management in order to diversify products and create new niches.

b. Regulatory Environment

1. In line with the implementation of the Money Laundering Control Act and requirements of other relevant regulations, the banking industry should enhance the risk evaluation mechanism of anti-money laundering and countering terrorism financing. Besides, the supervision for compliance and anti-money laundering is becoming stricter among countries, the banking industry needs to pour resources establishing related systems and cultivate compliance and internal control talents, which increase compliance and operating cost.
2. To cooperate with Ministry of Finance's Regulations Governing the Implementation of the Common Standard on Reporting and Due Diligence for Financial Institutions, the banking industry should perform due diligence for Financial Account information, and report Reportable Persons' Financial Account information in tax matters to the tax authorities in order to follow the law and strengthen collaboration on tax administration between nations.
3. On March 22, 2017, the Financial Supervisory Commission amended Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries. Apart from the implementation of the three lines of defense for internal control, the banking industry should pay attention to relevant matters of the compliance system and introduction, construction and implementation of significant internal mechanisms in order to ensure internal control system effectiveness.
4. The Financial Technology Development and Innovative Experimentation Act was published by the President in January 2018. In response to the development of FinTech, the banking industry must actively join the FinTech ecosystem, start cooperation with third-party platforms, and be brave about financial innovation to enhance market competitiveness.

c. Macroeconomic Environment

An outlook for the world's economy in 2018:

The major central banks are gradually taking a further step toward the normalization of their monetary policies showing the United States has entered a cycle of interest rate hike. The Euro Zone and Japan are actively planning the exit timing of easing monetary policy as well. With the rising tightening speed and strength of global monetary policy, financial market volatility may also intensify sharply. In addition, the conflicts between two major trading nations, China and the United States, continue to arise. If each country adopts protectionism that triggers a global trade war, there will be a great impact on international trade and cross-border investment activities causing difficulties in the global economic recovery. As market demand continues to push up prices of crude oil and raw materials in addition to fast wage growth, the upward pressure on prices will increase the possibility of imported inflation that leads to the market's worries about inflation further. Additionally, the debt problem in China, political risks of North Korea, Iran and Syria, IoT security, etc. will trigger financial market volatility. The Bank will continue to monitor the above developments and respond with caution, deeply engage in operations at Taiwan and expand overseas locations while maintaining a sound business philosophy, and become one of the best trusted banks with providing customers more innovative and diversified financial services.

E. Latest Credit Ratings

Rating Agency	Release Date	Global Rating		National Rating		Outlook
		Long-term	Short-term	Long-term	Short-term	
Taiwan Ratings	2017/12	-	-	twAA	twA-1+	Stable
S&P	2017/12	BBB+	A-2	-	-	Stable
Moody's	2017/12	A2	P-1	-	-	Stable

Chairman

Ming Hsiao Chang

President

Liung Hong Chi

II | Bank Overview

A. Registered Date

Registered Date: July 1950

ID: 51811609

B. The Bank's Development History

The origin of Chang Hwa Bank (the Bank) dates back to the colonial period under Japan's governance when Wu Ju-Hsiang founded the Kabushiki Kaisha Shoka Ginko in Chang Hwa on June 5, 1905, with an initial capital of 220,000 Japanese yen raised from local businessmen and landlords. In 2005, CHB celebrated its centennial anniversary. Kabushiki Kaisha Shoka Ginko relocated its head office from Chang Hwa to Taichung in 1910 to better coordinate its expansion efforts of setting up branches and offices in all major cities in Taiwan.

After Taiwan was restored to the ROC government on October 25, 1945, the Bank's predecessor established a preparatory office to reorganize as today's Chang Hwa Bank. After the Taiwan provincial government took control of Japanese shareholdings in Kabushiki Kaisha Shoka Ginko, the preparatory office conducted the Bank's first shareholders' meeting in February 1947, which elected Chang Hwa Bank's first directors and supervisors under a new government. The new board elected the preparatory office's head Ling Hsien-Tang as the Bank's first chairman. Chang Hwa Bank was formally re-incorporated under ROC Law on March 1, 1947, with an initial capital of 15 million Taiwanese yuan and acquired a corporation registration certificate from Ministry of Economic Affairs in July 1950.

The Bank adjusted its registered capital accordingly to NT\$2.4 million in December 1950. In December 1997, the Taiwan provincial government made public its shareholdings in the Bank in line with the government's policy of financial privatization. The Bank was officially privatized on January 1, 1998.

In response to the trend of the financial industry venturing into other business sectors to raise competitiveness, the Bank established "CHB Life Insurance Agency Co., Ltd." and "CHB Insurance Brokerage Co., Ltd." via joint ventures following the resolutions passed at the 2nd session of the 19th Board of Directors meeting and at the 80th session of the 19th Managing Directors' meeting held on January 12, 2001 and November 14, 2002, respectively, in order to meet the market demand for "consumer finance, combination products and a full range of financial services" and to provide customers with comprehensive financial and insurance advisory and sales services under the objective of creating a "one-stop shopping" environment. However, in an attempt to reduce business tax burden, support government policy and offer better protection for consumers, the Bank undertook a short form merger on April 1, 2016 to acquire the abovementioned subsidiaries followed by the establishment of an Insurance Agency Division. Under this arrangement, the Bank assumed all rights and obligations of the respective companies, and added life and non-life insurance agency services as part of its business activities.

In 2005, the Bank carried out a 1.4 billion Type-B preferred shares cash capital increase via private placement. Taishin Financial Holdings Co., Ltd. (TSFHC) won the bidding in the competition, with the cash capital increase date of record set for October 3, 2005. After the capital increase, the Bank had registered capital of NT\$63,594,756,000 and TSFHC became the Bank's largest shareholder with a 22.01% stake.

At the end of 2017, the Bank's authorized capital stood at NT\$110,000,000,000, and the Bank's registered capital stood at NT\$94,130,007,180. The Bank is one of the leading banks in Taiwan in terms of paid-in capital and sound financial structure.

III | Corporate Governance Report

A. Organization

a. Organization Chart



Note 1: Equivalent rank as Executive Vice President.

Note 2: Quorum will be decided by the Board of Directors depends on business necessity.

Management Team of CHB



A Chairman | Ming-Daw Chang

C EVP | Horng-Yao Tu

E EVP | Carol Sun

G EVP & Chief Compliance Officer | Jih-Cheng Yang

H EVP & Chief Auditor | Ya-Ling Lin

B President | Hong-Chi Chang

D EVP | Hom-Gang Wang

F EVP | Bin Chen



b. Major Business of Each Division

Division	Major Business
Internal Auditing Division	Managing internal control systems of all business and evaluating their implementation.
Legal Affairs and Compliance Division	Responsible for the Bank's legal affairs; Responsible for planning, managing the Bank's compliance, anti-money laundering and countering terrorism financing; Assisting board of directors, and Audit Committee in meeting-related affairs.
Secretariat Division	Responsible for corporate governance, maintaining documentation, public relations and the Bank's shareholders' service.
Human Resources Division	Responsible for human resource strategies, administrative affairs on human resources, employee training programs with defining performance standards as well as employee compensation and welfare policies.
Product Management Division	Managing the operation of lending, deposits, remittance services, foreign currencies, and card business including market research, product development and marketing strategy formulation.
Treasury Division	Managing fund scheduling, conducting financial transaction operations with providing customers transaction services/consulting, and managing long-term equity investments.
Trust Division	Managing trust and its affiliated businesses.
Domestic Banking Division	Responsible for operation management, domestic syndicated loans, and location evaluation of business operations units and the securities brokerages. Establishing and promoting marketing strategies.
International Banking Division	Responsible for overseas branches' development strategy and business planning, maintaining a correspondent banking network, the back-end management and operations of foreign currency business.
E-Business Division	Responsible for the planning, development, marketing, management assessment, social media management and customer consulting service of electronic finance business.
Credit Management Division	Supervising, supporting, and governing all the Bank's loan approvals and follow-up reviews.
Risk Management Division	Drawing up and revising risk management policies, planning and monitoring risk management mechanisms, and formulating and integrating risk management rules.
Loan Asset Management Division	Overseeing the planning, execution and management of non-performing loans, overdue receivables and collection of bad debts.
Financial Management Division	Administering issues including financial accounting, tax planning management, MIS performance management analysis, asset and liability planning management, and account auditing.
IT Division	In charge of research, analysis, scheduling and implementation of information business, and development, construction and maintenance of information systems.
Operations Division	Managing and planning NTD deposit/remittance service; business inclusive of centralized operations of notes, remittance, payment collection, judicial attachment, and ATMs outside branches.
General Affairs Division	Mastering general affairs, cashiers, procurement of goods, premises management, real estate activation management, leasing and security maintenance, and occupational safety and health.
Insurance Agency Division	Planning, promotion and execution of insurance agency business.
Wealth Management Division	Planning, promotion and execution of wealth management business.
Commercial Regional Centers	Guiding, assisting and supporting various business operations and centralized processes of business operation units within the supervised area.
Business Operation Units	Performing the business activities stated on the license or in the Articles of Incorporation.

B. Directors and Major Managers

a. Board of Directors

1. Board of Directors (1):

Title	Nationality/ Domicile	Name	Male/ Femal	Date Elected (yy/mm)	Term (YY)	Date of First Appointment (YY/MM) Representative of Juristic Person Shareholder/Juristic Person Shareholder	Shareholding on Election		Current Shareholding		
							Shares	(%)	Shares	(%)	
Chairman	The Republic of China (R.O.C.)	Ming-Daw Chang (Delegate of Ministry of Finance (MOF))	M	Jun. 2017	3	Sep. 2013 Feb.1947	1,093,072,201	12.19	1,147,725,811	12.19	
Managing Director	The Republic of China (R.O.C.)	Cheng-Ching Wu (Delegate of Taishin Financial Holding Co., Ltd. (TSFHC))	M	Jun. 2017	3	Nov. 2005 Nov. 2005	2,021,212,165	22.55	2,122,272,773	22.55	
Managing Director (Independent Director)	The Republic of China (R.O.C.)	Kuo-Yuan Liang	M	Jun. 2017	3	Nov. 2008	0	0	0	0	
Director	The Republic of China (R.O.C.)	Julius Chen (Delegate of TSFHC)	M	Jun. 2017	3	Mar. 2006 Nov. 2005	2,021,212,165	22.55	2,122,272,773	22.55	
Director	The Republic of China (R.O.C.)	Ching-Hwa Juan (Delegate of MOF)	M	Jun. 2017	3	Mar. 2013 Feb.1947	1,093,072,201	12.19	1,147,725,811	12.19	
Director	The Republic of China (R.O.C.)	Chih-Hsien Lin (Delegate of National Development Fund, Executive Yuan)	M	Jun. 2017	3	Aug. 2016 Nov. 2008 (Note)	246,494,217	2.75	258,818,927	2.75	
Director	The Republic of China (R.O.C.)	Shih-Tsung Lee (Delegate of Lee Investment Co., Ltd.)	M	Jun. 2017	3	Jun. 2017 Jun. 2017	88,402,140	0.99	92,822,247	0.99	
Director (Independent Director)	The Republic of China (R.O.C.)	Jung-Chun Pan	M	Jun. 2017	3	Dec. 2014	0	0	0	0	
Director (Independent Director)	The Republic of China (R.O.C.)	Chi-Chang Yu	M	Jun. 2017	3	Jun. 2017	0	0	0	0	

Note : The previous term of Delegate of National Development Fund, Executive Yuan who served as the supervisor of the Bank was from Nov. 2008 to Dec. 2014.

Jan. 31, 2018

	Shareholding by Self, Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Current Positions in the Bank and Other Companies	Being the Spouse or Relative within 2 Tiers of Other Managers, Directors or Supervisors		
	Shares	(%)	Shares	(%)			Title	Name	Relationship
	269,450	0	0	0	LL.M Chinese Culture University President of CHB President, Taiwan Financial Holdings and Bank of Taiwan Director-General, Banking Bureau, Financial Supervisory Commission Deputy Director-General, Financial Examination Bureau, Financial Supervisory Commission Deputy Director-General, Bureau of Monetary Affairs, MOF	None	None	None	None
	834,981	0	0	0	Ph. D, The University of Tokyo President of Tasco Chemical Corporation	President of Tasco Chemical Corporation Chairman of Safeway Gas Co., Ltd. Chairman of Excel Chemical Co., Ltd. Chairman of Chan Fong Auto Carrier Co., Ltd. Chairman of Tuntex Petrochemicals Inc. Chairman of Excel Chemical Corporation Chairman of TNS Logistics International Corp. Chairman of Ming-Xing Chemical Co.,Ltd. Director of Global Financial Services Co., Ltd Director of China Investment & Development Co., Ltd Director of TSFHC	None	None	None
	0	0	0	0	Ph.D., Economics, Duke University, U.S.A Honorary Professor, College of Technology Management, National Tsing Hua University Professor, Department of Economics, National Tsing Hua University Adjunct Professor, Department of Economics, National Taiwan University Commissioner, Fair Trade Commission, Executive Yuan	Chairman, Yuanta-Polaris Research Institute Director, San Fu Chemical Co., Ltd	None	None	None
	151,588	0	0	0	EMSF, Baruch College The City University of New York Chairman of CHB President of TSFHC Vice Chairman of Taishin International Bank Chairman of Taishin Bills Finance Corporation CFO of Taiwan High Speed Rail Corporation President of Taishin International Bank VP & GM of Bank of America	None	None	None	None
	0	0	0	0	Bachelor of Law, National Taiwan University Bachelor of Business Administration, National Chengchi University Director-General, National Taxation Bureau of the Central Area, MOF Chief Secretary, MOF Executive Secretary, Petitions and Appeals Committee, MOF Executive Secretary, Legal Affairs Committee, MOF Section Chief, Senior Specialist, Taxation Agency, MOF	Director-General, National Treasury Administration, MOF Supervisor of BankTaiwan Insurance Brokers	None	None	None
	0	0	0	0	Bachelor of Law, Tunghai University Counselor, Mainland Affairs Council, Executive Yuan Deputy Director, Senior Specialist, MOE Deputy Director, Senior Specialist, Insurance Bureau, Financial Supervisory Commission, Executive Yuan Section Chief, Legal Affairs Committee, Executive Yuan	Counselor & Executive Director, National Development Council (and Director, Regulatory Reform Center)	None	None	None
	0	0	0	0	Shunde Senior family Business Vocational School Chairman of Lungyen Life Service Corp. President, Rifu Electronic Co., Ltd.	Group President of Lungyen Life Service Corp.	None	None	None
	0	0	0	0	Bachelor of Bank & Insurance, Feng Chia University Supervisor of Key Ware Electronics Co., Ltd. Director & COO of Concord ASIA Finance Ltd. Director & President of Mega Asset Management Co.	None	None	None	None
	0	0	0	0	J.S.D, J.S.M, Stanford University LL.M., LL.B., National ChengChi University Managing Director (Independent Director), Agricultural Bank of Taiwan Members of the Board of Examiners for Bar Examination, Examination Yuan Commissioner, Complaint Review Board for Government Procurement of Public Construction Commission, Executive Yuan Partner of Lee and Li, Attorneys-at-Law Judge of Taiwan Banqiao District Court, Taiwan Ilan District Court, Taiwan Hualien District Court	Adjunct Associate Professor, Department of Industrial and Business Management, Chang Gung University Adjunct Associate Professor, Department of Accounting, National Taiwan University Adjunct Associate Professor, School of Law, Soochow University	None	None	None

2. Major Shareholders of Juristic Person Shareholders:

April 10, 2018

Juristic Person Shareholder	Major Shareholders of Juristic Person Shareholders
Taishin Financial Holding Co., Ltd.	Pau Jar Asset Management Co., Ltd. (7.11%) Taishin Leasing & Financing Co., Ltd. (2.9%) Tasco Chemical Co., Ltd. (2.37%) Yuan Tong Investment Co., Ltd. (1.97%) Cathay Life Insurance Co., Ltd. (1.71%) Dedicated investment Account of Vanguard Emerging Markets Stock Index Fund which managing by Vanguard Group in custody by Standard Chartered Bank (1.53%) JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds (1.21%) Shinkong Synthetic Fibers Corporation (1.19%) Tung Hsien Invest Co., Ltd. (1.18%) CitiBank Taiwan was commissioned and management investor account of Norway Central Bank (1.16%)
Ministry of Finance	N/A
National Development Fund, Executive Yuan	N/A
Lee Investment Co., Ltd.	Cheng Chang Investment Co., Ltd. (98.92%) Shih-Tsung Lee (1.08%)

3. Major Shareholders of Major Juristic Person Shareholders of the Bank:

April 10, 2018

Juristic Person Shareholder	Major Shareholders of Juristic Person Shareholders	
Pau Jar Asset management Co., Ltd.	Ho Yang Consultant Co., Ltd. (94.95%)	Ho Tsu Investment Ltd. (5.05%)
Taishin Leasing & Financing Co., Ltd.	Yun Ten Co., Ltd. (40.60%) Pan Asian Plastics Corp. (22.20%) Ruey-Shiang Invest Co., Ltd. (4.07%)	Tung Hsien Invest Co., Ltd. (26.00%) Ruey-Shin Enterprise Co., Ltd. (7.06%) Jau-Heng Co., Ltd. (0.07%)
Tasco Chemical Co., Ltd.	Tai-He Enterprise Invest Co., Ltd. (58.20%) Fong-He Development Co., Ltd. (9.24%) He-Fong Invest Co., Ltd. (1.07%) Cheng-Ching Wu (0.99%) Pei-Jyuan Wu (0.95%)	He-Cheng Invest Co., Ltd. (19.55%) Da-Jan Invest Development Co., Ltd. (1.61%) Fong-He Invest Co., Ltd. (0.99%) Shang-Bin Wu (0.99%) Pei-Rong Wu (0.93%)
Yuan Tong Investment Co., Ltd.	He Fa International Co., Ltd. (83.33%)	Pau Jar Asset Management Co., Ltd. (16.67%)
Cathay Life Insurance Co., Ltd.	Cathay Financial Holdings (100.00%)	
Dedicated investment Account of Vanguard Emerging Markets Stock Index Fund which managing by Vanguard Group in custody by Standard Chartered Bank	N/A	
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	N/A	
Shinkong Synthetic Fibers Corporation	Shin Kong Life Insurance Co., Ltd. (5.81%) Shin Sheng invest Co., Ltd. (4.99%) Shin Kong Spinning Co., Ltd. (3.47%) Julian invest Co., Ltd. (2.37%) Yuan-Bau Co., Ltd. (2.18%)	Shin Kong Company Ltd. (5.22%) Trust property account managed by HwaTai Bank (4.66%) Shin Kong Fire & Marine Insurance Co., Ltd. (3.04%) Toray Industries, Inc. (2.20%) Ruey-Shin Enterprise Co., Ltd. (1.98%)
Tung Hsien Invest Co., Ltd.	Ruey-Shin Enterprise Co., Ltd. (78.75%) Eugene Wu (3.125%) Thomas T.L. Wu (3.125%) Ruo-Nan Sun (2.50%) Eric Wu (1.875%)	Guei-lan Wu (3.125%) (Note) Anthony Wu (3.125%) Hsien Hsien Hsu (2.50%) Hsing Hua Ho (1.875%)
CitiBank Taiwan was commissioned and management investor account of Norway Central Bank	N/A	
Cheng Chang Investment Co., Ltd.	Fuho Investment Co., Ltd. (94.65%) Yong-Ting Chen (2.5%)	Shih-Tsung Lee (2.85%)

Note : Guei-lan Wu died on Mar. 30, 2016.

4. Board of Directors (2):

Jan. 31, 2018

Qualifications Name	Qualifications (Note 1)			Independent Status (Note 2)										Number of Serving as an Independent Director of Other Public Companies
	A	B	C	1	2	3	4	5	6	7	8	9	10	
Ming-Daw Chang			✓		✓	✓	✓	✓	✓	✓	✓	✓		0
Cheng-Ching Wu			✓	✓	✓	✓	✓			✓	✓	✓		0
Kuo-Yuan Liang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Julius Chen			✓	✓	✓	✓	✓	✓		✓	✓	✓		0
Ching-Hwa Juan			✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Chih-Hsien Lin			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Shih-Tsung Lee			✓	✓	✓	✓	✓			✓	✓	✓		0
Jung-Chun Pan			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chi-Chang Yu	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note 1: Directors and Supervisors shall meet one of the following professional requirements, together with at least five-year work experience:

- An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to the banking business in a public/private junior college, college, or university.
- A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and has been awarded a certificate in a professional necessary for the banking business.
- With work experience in the fields of commerce, law, finance, accounting, or other profession necessary for the banking business.

Note 2: During the two years before being elected or during the term of office, members shall meet the following terms with "✓" mark.

- Neither employees of the bank nor its affiliates.
- Neither a director or a supervisor of the bank nor its affiliates. (This restriction does not apply to independent director positions in the bank, its parent company or subsidiary, which have been appointed in accordance with Securities and Exchange Act or laws of the registered country.)
- Individual shareholder who holds shares, together with those held by his/her spouse, minor children, or held under others' names, in an aggregate amount of 1% or more of the total outstanding shares of the bank or natural persons who rank among the top 10 shareholders in terms of the share volume held are excluded.
- The spouse or relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs are excluded.
- Directors, supervisors, or employees of a juristic person shareholder that directly hold 5% or more of the total outstanding shares of the bank or ranks among the top 5 juristic person shareholders in the terms of share volume held are excluded.
- Directors, supervisors, the managerial officer, or the shareholder holding 5% or more shares of a specific company or institution that also have financial or business dealings with the bank are excluded.
- A professional, owner, partner, director, supervisor, or the managerial officer and his/her spouse of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting or consulting services to the bank or its affiliates is excluded. However, members of the Remuneration Committee that implement the authority according to the Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter are included without the abovementioned limitation.
- A spouse or relative within the second degree of kinship among directors is excluded.
- Any of the circumstances in the subparagraphs of Article 30 of the Company Act doesn't happen.
- It isn't in the capacity of a government agency, a juristic person or its representative, as provided in the Article 27 of the Company Act, that has been elected.

b. Major Managers

Based on: March 31, 2018

Name of Unit	Title	Name	Gender	Nationality	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers		
						Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relationship
Head Office	President	Hong-Chi Chang	Male	R.O.C.	20180323	0	0%	0	0%	0	0%	Master of Agricultural Economics, National Chung Hsing University	None	None	None	None
Head Office	Executive Vice President, adjunct SVP & Division Head of Insurance Agency Division	Hong-Yao Tu	Male	R.O.C.	20150201 (Note 1)	83,385	0%	0	0%	0	0%	IMBA International Business, Tamkang University	Director of MasterLink Securities Corp. Managing Director of Trust Association of R.O.C.	None	None	None
Head Office	Executive Vice President	Hong-Gang Wang	Male	R.O.C.	20151101	106,290	0%	0	0%	0	0%	Cooperative Economics, Tamkang University	Director of Taiwan Asset Management Corporation Director of Taiwan Financial Joint Urban Renewal Service Co., Ltd	None	None	None
Head Office	Executive Vice President	Carol Sun	Female	R.O.C.	20160201	30,500	0%	0	0%	0	0%	Accounting, Fu Jen University	Taipei Forex Inc. Director	None	None	None
Head Office	Executive Vice President	Bin Chen	Male	R.O.C.	20170301	100,000	0%	0	0%	0	0%	Institute of Information Management, National Central University Institute of Computer Science and Information Engineering, National Chiao Tung University	Director of Taiwan Mobile Payment Co., Ltd. Supervisor of Financial eSolution Co., Ltd.	None	None	None
Legal Affairs and Compliance Division	EVP & Chief Compliance Officer	Jih-Cheng Yang	Male	R.O.C.	20150201	14,865	0%	0	0%	0	0%	Economics, National Taiwan University	Director of Lien-An Service Corp.	None	None	None
Head Office	EVP & Chief Auditor	Ya-Ling Lin	Female	R.O.C.	20160726	1,338	0%	0	0%	0	0%	EMBA, National Chengchi University	None	None	None	None
Internal Auditing Division	SVP & Division Head	Chang-Hua Cheng	Female	R.O.C.	20151001	98,003	0%	0	0%	0	0%	Cooperative Economics, National Chung Shing University	None	None	None	None
Secretariat Division	SVP & Division Head	Shiou-Yu Chang	Female	R.O.C.	20111101	46,439	0%	0	0%	0	0%	Master of Finance, College of Management, National Taiwan University	None	None	None	None
Human Resources Division	Acting SVP & Division Head	Yu-Hsueh Liu	Female	R.O.C.	20180301 (Note 2)	25,197	0%	0	0%	0	0%	Master of Business Administration (MBA), National Sun Yat-sen University	None	None	None	None
Product Management Division	SVP & Division Head	Chiou-Yueh Chen	Female	R.O.C.	20160523	21,430	0%	0	0%	0	0%	EMBA, National Chengchi University	None	None	None	None
Treasury Division	SVP & Division Head	Chih-Chen Hsu	Male	R.O.C.	20150416	0	0%	0	0%	0	0%	Department of Economics, National Taiwan University	None	None	None	None
Trust Division	SVP & Division Head	Rueih-Hwa Cheng	Female	R.O.C.	20161121	203,462	0%	0	0%	0	0%	Computer Science, PACE University	None	None	None	None
Domestic Banking Division	SVP & Division Head	Hsiu-Luan Hsieh	Female	R.O.C.	20160901	12,834	0%	0	0%	0	0%	Master of Banking & Finance, Tamkang University	None	None	None	None
International Banking Division	SVP & Division Head	Chen-Yu Chen	Male	R.O.C.	20091208	142,884	0%	2,026	0%	0	0%	MBA, University of Texas, USA	None	None	None	None
E-Business Division	Acting SVP & Division Head	Hsiu-Hsia Tsai	Female	R.O.C.	20171101 (Note 3)	13,498	0%	1,800	0%	0	0%	Master of Banking & Finance, Tamkang University	None	None	None	None
Credit Management Division	SVP & Division Head	Shwu-Fang Wang	Female	R.O.C.	20160726	168,402	0%	0	0%	0	0%	Department of Business Administration, Soochow University	None	None	None	None
Risk Management Division	SVP & Division Head	Nell H. Tseng	Female	R.O.C.	20130201	0	0%	0	0%	0	0%	Business Administration, National Chengchi University	None	None	None	None
Loan Asset Management Division	SVP & Division Head	Mei-Fang Wu	Female	R.O.C.	20171101	0	0%	0	0%	0	0%	Law, Fu Jen Catholic University	None	None	None	None
Financial Management Division	SVP & Division Head	Tsai-Feng Lin	Female	R.O.C.	20070801	25,777	0%	2,030	0%	0	0%	Business, National Taiwan University	Supervisor of Taiwan Financial Asset Service Corporation	None	None	None
IT Division	SVP & Division Head	Hsien-Lung Chen	Male	R.O.C.	20171201	0	0%	0	0%	0	0%	Department of Physics, Chung Yuan Christian University	None	None	None	None
Operations Division	SVP & Division Head	Shyi-Neng Chen	Male	R.O.C.	20171002	4,467	0%	0	0%	0	0%	Public Finance & Taxation, National Chung Hsing University	None	None	None	None
General Affairs Division	SVP & Division Head	Hsiang-Chun Wu	Female	R.O.C.	20161201	0	0%	0	0%	0	0%	Department of Law, National Chengchi University	None	None	None	None
Wealth Management Division	SVP & Division Head	Hui-Yu Chen	Female	R.O.C.	20160401	0	0%	0	0%	0	0%	MBA, Tulane University	None	None	None	None
Offshore Banking Branch	VP & GM	Yu-Shan Chen	Female	R.O.C.	20130719	49,883	0%	0	0%	0	0%	MS Banking & Finance, Tamkang University	None	None	None	None

Based on: March 31, 2018

Name of Unit	Title	Name	Gender	Nationality	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers		
						Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relationship
Commercial Regional Center 1	SVP & Division Head	Chaur-Chyan Lin	Male	R.O.C.	20160901	71,334	0%	213	0%	0	0%	Business Administration, Open Business College Affiliated with National Taipei College of Business	None	None	None	None
Commercial Regional Center 2	SVP & Division Head	Yi-Jung Chan	Male	R.O.C.	20170901	200	0%	0	0%	0	0%	Science of Insurance, Tamkang University	None	None	None	None
Commercial Regional Center 3	SVP & Division Head	Pao-Sen Yu	Male	R.O.C.	20160901	0	0%	0	0%	0	0%	Accounting, Chinese Culture University	None	None	None	None
Commercial Regional Center 4	SVP & Division Head	Hsiu-Ching Hsu	Female	R.O.C.	20171101	0	0%	449,179	0%	0	0%	Master of Science in Business Administration, Chung Hua University	None	None	None	None
Commercial Regional Center 5	SVP & Division Head	Kuo-Hsiang Lin	Male	R.O.C.	20171201	0	0%	0	0%	0	0%	Statistics, National Cheng Kong University	None	None	None	None
Commercial Regional Center 6	SVP & Division Head	Lien-Ching Chen	Male	R.O.C.	20121101	0	0%	0	0%	0	0%	Administration, Open Junior College of Commerce Affiliated with National Chengchi University	None	None	None	None
Business Department	VP & GM	Tse-Tsang Tso	Male	R.O.C.	20160401	105,214	0%	74,237	0%	0	0%	Economics, National Chung Hsing University	None	None	None	None
Tzungbu Branch	VP & GM	Fang-Yuan Wu	Female	R.O.C.	20180301	41,107	0%	0	0%	0	0%	Department of Cooperative Economics, Tamkang University	None	None	None	None
Taipei Securities Broker	VP & GM	Shun-Hung Huang	Male	R.O.C.	20160501	106,820	0%	0	0%	0	0%	EMBA, National Chengchi University	None	None	None	None
Taichung Securities Broker	VP & GM	Shuo-Hung Huang	Male	R.O.C.	20160501	40,731	0%	0	0%	0	0%	Department of Food and Nutrition, Chinese Culture University	None	None	None	None
Chi-Hsien Securities Broker	VP & GM	Fu-Rong Chen	Male	R.O.C.	20140210	4,738	0%	0	0%	0	0%	Cooperative Economics, Tamkang College	None	None	None	None
Taichung Branch	VP & GM	Yen-Chun Chen	Female	R.O.C.	20160901	25,889	0%	0	0%	0	0%	Department of Foreign Languages and Literature, Providence University	None	None	None	None
Pei-Taichung Branch	VP & GM	Chi-Tsung Shih	Male	R.O.C.	20161121	0	0%	0	0%	0	0%	Agricultural Economics, National Taiwan University	None	None	None	None
Nan-Taichung Branch	VP & GM	Cheng-Fu Yang	Male	R.O.C.	20160401	13,905	0%	0	0%	0	0%	Master of Finance, Chaoyang University of Technology	None	None	None	None
Peitun Branch	VP & GM	Yuan-Fen Chen	Female	R.O.C.	20140401	12,722	0%	0	0%	0	0%	Master of Finance, Chaoyang University of Technology	None	None	None	None
Chung-Kang Branch	VP & GM	Mei-Ling Chiu	Female	R.O.C.	20171101	11,386	0%	0	0%	0	0%	Executive Master's Program of Business Administration School of Management Development, Feng Chia University	None	None	None	None
Shuinan Branch	VP & GM	Ching-Hsiang Liu	Female	R.O.C.	20170901	22,820	0%	0	0%	0	0%	Department of Accounting EMBA, National Changhua University	None	None	None	None
Nantun Branch	VP & GM	Shiu-Hwa Chang	Female	R.O.C.	20160101	13,639	0%	0	0%	0	0%	Department of Applied Business, National Open College of Continuing Education Affiliated to Taichung University of Science and Technology	None	None	None	None
Hsitun Branch	VP & GM	Lin-Ling Chen	Female	R.O.C.	20161121	18,581	0%	0	0%	0	0%	Master of Science in Finance, Ming Chuan University	None	None	None	None
Keelung Branch	VP & GM	Der-Ho Chen	Male	R.O.C.	20150608	1,340	0%	0	0%	0	0%	Department of Shipping and Transportation Management, National Taiwan College of Marine Science and Technology	None	None	None	None
Jenai Branch	VP & GM	Shan-Shin Shen	Male	R.O.C.	20170501	52,846	0%	142,443	0%	0	0%	Finance & Banking, Chihlee Institute of Technology	None	None	None	None
Dung-Keelung Branch	VP & GM	Su-Jane Lin	Female	R.O.C.	20170601	0	0%	0	0%	0	0%	Master of Business and Management, Lughwa University of Science and Technology	None	None	None	None



Based on: March 31, 2018

Name of Unit	Title	Name	Gender	Nationality	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers		
						Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relationship
Yilan Branch	VP & GM	Hsi-lung Wu	Male	R.O.C.	20170901	420	0%	0	0%	0	0%	Accounting, Open Junior College Affiliated with Taipei Municipal Junior College of Business	None	None	None	None
Lotung Branch	VP & GM	Kao-Jung Hsu	Male	R.O.C.	20170901	9,731	0%	930	0%	0	0%	Master of Institute of Law, Chinese Culture University	None	None	None	None
Suao Branch	VP & GM	Don-Y.T. Wang	Male	R.O.C.	20170601	323	0%	0	0%	0	0%	Economics, National Chung Hsing University	None	None	None	None
Taipei Branch	VP & GM	Mel-Li Chiu	Female	R.O.C.	20150608	6,222	0%	0	0%	0	0%	Taipei Municipal Commercial School	None	None	None	None
Chengnei Branch	VP & GM	Yu-Hui Lin	Female	R.O.C.	20160901	13,319	0%	868	0%	0	0%	EMBA Business Management, National Taipei University of Technology	None	VP & GM	Sheng-Tung Chen	Spouse
Dunhua Branch	VP & GM	Shyr-Chiou Chen	Male	R.O.C.	20160901	28,078	0%	0	0%	0	0%	Taipei Municipal Shilin High School of Commercial	None	None	None	None
Wanhua Branch	VP & GM	Cheng-I Huang	Male	R.O.C.	20180301	0	0%	0	0%	0	0%	Department of Electronic and Computer Engineering, National Taiwan University of Science and Technology	None	None	None	None
Shuangyuan Branch	VP & GM	Mei-Ching Chang	Female	R.O.C.	20170901	76,307	0%	0	0%	0	0%	Master Program of Business Administration in Practicing, Chinese Culture University	None	None	None	None
Ximen Branch	VP & GM	Feng-Tsung Chang	Male	R.O.C.	20160901	1,294	0%	0	0%	0	0%	Agricultural Economics, National Taiwan University	None	None	None	None
Beimen Branch	VP & GM	Jin-Kuei Chen	Male	R.O.C.	20170313	22,975	0%	0	0%	0	0%	International Trade, Open Junior College Affiliated with Taipei Municipal Junior College of Business	None	None	None	None
Yungle Branch	VP & GM	Mei-Hsing Lin	Female	R.O.C.	20150316	15,393	0%	0	0%	0	0%	Institute of Finance, National Taiwan University of Science and Technology	None	None	None	None
Jiancheng Branch	VP & GM	Shey-Lin Chang	Female	R.O.C.	20180301	190	0%	0	0%	0	0%	International Trading, National Taichung College of Business	None	None	None	None
Datung Branch	VP & GM	Chi-Min Chung	Male	R.O.C.	20170801	5,000	0%	0	0%	0	0%	Business & Applied Commerce, Open Junior College Affiliated with National Taipei College of Business	None	None	None	None
Mingsheng Branch	VP & GM	Jung-Chien Hu	Male	R.O.C.	20161121	1,747	0%	0	0%	0	0%	EMBA, National Chengchi University	None	None	None	None
Zhongshan N. Rd. Branch	VP & GM	Li-Ling Lan	Female	R.O.C.	20170901	38,473	0%	0	0%	0	0%	Department of Statistics, Tamkang University	None	None	None	None
Jingguang Branch	VP & GM	Lih-Lan Yang	Female	R.O.C.	20160901	174	0%	1,345	0%	0	0%	Business & Applied Commerce, Open Junior College Affiliated with National Taipei College of Business	None	None	None	None
Jianguo Branch	VP & GM	Hsiao-Hua Yin	Female	R.O.C.	20160901	10,717	0%	0	0%	0	0%	International Trade, Ming Chuan Commercial College for Girls	None	None	None	None
Jilin Branch	VP & GM	Yu-Yeh Lin	Female	R.O.C.	20160901	237	0%	0	0%	0	0%	Economics, National Chengchi University	None	None	None	None
Changan E. Road Branch	VP & GM	Kang Yang	Male	R.O.C.	20161201	14,530	0%	0	0%	0	0%	International Trade Department, Fu Jen Catholic University	None	None	None	None
Dongmen Branch	VP & GM	Yi-Hwang Tzeng	Male	R.O.C.	20160201	99,584	0%	0	0%	0	0%	Accounting & Statistics, Open Junior College Affiliated with Taipei Municipal Junior College of Business	None	None	None	None
Zhongzheng Branch	VP & GM	Ming-Hua Huang	Male	R.O.C.	20160401	57	0%	42,977	0%	0	0%	Business & Applied Commerce, Open Junior College Affiliated with National Taipei College of Business	None	VP & GM	Lin-Li Ku	Spouse
Guting Branch	VP & GM	Szu-Yen Lin	Female	R.O.C.	20171101	98,830	0%	1,919	0%	0	0%	Department of Accounting, Takming University of Science and Technology	None	None	None	None
Zhongxiao road Branch	VP & GM	Ruei-Jan Chen	Female	R.O.C.	20180301	70,186	0%	0	0%	0	0%	Master of Finance & Banking, Fu Jen Catholic University	None	None	None	None
Yongchun Branch	VP & GM	Mei-Fen Shieh	Female	R.O.C.	20160901	874	0%	193	0%	0	0%	EMBA, National Taipei University	None	None	None	None

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Name of Unit	Title	Name	Gender	Nationality	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers		
						Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relationship
Wufenpu Branch	VP & GM	Su-Man Hsueh	Female	R.O.C.	20170313	13,191	0%	0	0%	0	0%	Department of Applied Business, National Taichung University of Science and Technology	None	None	None	None
Daan Branch	VP & GM	Chung-Long Tsai	Male	R.O.C.	20160901	13,189	0%	0	0%	0	0%	Department Business Administration, Chinese Culture College	None	None	None	None
Xinyi Branch	VP & GM	Chien-Mei Yu	Female	R.O.C.	20160201	15,721	0%	0	0%	0	0%	EMBA in International Business, Tamkang University	None	None	None	None
Renhe Branch	VP & GM	Kui-Min Hsiao	Female	R.O.C.	20171101	1,063	0%	0	0%	0	0%	Business & Applied Commerce, Open Junior College Affiliated with National Taipei College of Business	None	None	None	None
Taipei world trade center Branch	VP & GM	Hui-Jen Wu	Female	R.O.C.	20150501	54,501	0%	0	0%	0	0%	International Trade, Soochow University	None	None	None	None
Guanglong Branch	VP & GM	Ying-Hui Hung	Female	R.O.C.	20160401	58,104	0%	0	0%	0	0%	International Trade, TamKang University	None	None	None	None
Chengdong Branch	VP & GM	Kuei-Mei Hsu	Female	R.O.C.	20150316	14,696	0%	0	0%	0	0%	Accounting, Fu Jen Catholic University	None	None	None	None
Zhonglun Branch	VP & GM	Hui-Ling Lee	Female	R.O.C.	20150316	0	0%	411	0%	0	0%	Master of Business Administration, Tamkang University	None	None	None	None
Fuxing Branch	VP & GM	Yu-Shu Chen	Male	R.O.C.	20161121	119,967	0%	0	0%	0	0%	Department of Economics, Soochow University	None	None	None	None
Songjiang Branch	VP & GM	Shu-Chung Chen	Female	R.O.C.	20180301	11,123	0%	0	0%	0	0%	International Trading Dept., Fu Jen Catholic University	None	None	None	None
Chende Branch	VP & GM	Chia-Chen Shen	Female	R.O.C.	20171101	11,000	0%	0	0%	0	0%	Department of Banking and Finance, Tamkang University	None	None	None	None
Shihlin Branch	VP & GM	Alec-Lin Hsiang-Ta	Male	R.O.C.	20171121	119,091	0%	6,951	0%	0	0%	Department International Trade, Feng Chia College of Engineering & Business	None	None	None	None
Beitou Branch	VP & GM	Chin-Li Lin	Female	R.O.C.	20180301	3,150	0%	0	0%	0	0%	Financial Management, Ming Chuan University	None	None	None	None
Tianmu Branch	VP & GM	Lin-Li Ku	Female	R.O.C.	20171101	21,977	0%	21,057	0%	0	0%	EMBA in Department of Finance, Ming Chuan University	None	VP & GM	Ming-Hua Huang	Spouse
Songshan Branch	VP & GM	Chin-Hsuan Lee	Male	R.O.C.	20170313	3,882	0%	0	0%	0	0%	Master of Business Administration in Department of Finance, Ming Chuan University	None	None	None	None
Xisung Branch	VP & GM	Li-Hsien Huang	Female	R.O.C.	20170103	5,603	0%	0	0%	0	0%	Msc in International Banking and Finance, London Guildhall University	None	None	None	None
Dong-Taipei Branch	VP & GM	Pi-Chin Shao	Female	R.O.C.	20170801	3,029	0%	0	0%	0	0%	Shipping & Transportation Management, National Taiwan Ocean University	None	None	None	None
Dongsing Branch	VP & GM	Hueih-Rur Shy	Female	R.O.C.	20170313	2	0%	0	0%	0	0%	Economics, Chinese Culture University	None	None	None	None
Hsi-Neihu Branch	VP & GM	Li-Feng Shen	Female	R.O.C.	20160901	22,735	0%	0	0%	0	0%	Department of Shipping & Transportation Management, National Taiwan College of Marine Science and Technology	None	None	None	None
Dazhi Branch	VP & GM	Cheng-Chi Chuang	Male	R.O.C.	20161121	675	0%	0	0%	0	0%	Institute of Economics, Feng Chia University	None	None	None	None
Neihu Branch	VP & GM	Chien-Fa Chen	Male	R.O.C.	20160901	35	0%	0	0%	0	0%	Economics, Chinese Culture University	None	None	None	None
Tunghu Branch	VP & GM	Shu-Fen Liu	Female	R.O.C.	20160901	12,124	0%	0	0%	0	0%	College of Management, National Taipei University of Business Department of Business Administration	None	None	None	None
Xinhu Branch	VP & GM	Kuen-Shan Wang	Male	R.O.C.	20160711	3,167	0%	0	0%	0	0%	Department of International Trade, Tunghai University	None	None	None	None
Nankang Branch	VP & GM	Shu-Hua Tsai	Female	R.O.C.	20161201	46,994	0%	0	0%	0	0%	Department of Cooperative Economics, Feng Chia University	Director of Chen Chung & Chen Ye Ruei Culture and Education Foundation	None	None	None
Muzha Branch	VP & GM	Lan-Zu Lin	Female	R.O.C.	20180101	13,952	0%	0	0%	0	0%	Banking & Insurance, Taiwan Provincial Taichung Institute Commerce	None	None	None	None
Nankang software park Branch	VP & GM	Huei-Jin Lin	Female	R.O.C.	20170313	6,000	0%	0	0%	0	0%	Master of Business Administration for Executive, National Taipei University	None	None	None	None



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Name of Unit	Title	Name	Gender	Nationality	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers		
						Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relationship
Hoping Branch	VP & GM	Ai-Ling Wang	Female	R.O.C.	20160523	36,281	0%	0	0%	0	0%	Department of International Trade, National Taipei University of Business	None	None	None	None
Sijih Branch	VP & GM	Jui-Hui Hsu	Female	R.O.C.	20160901	12,055	0%	7,116	0%	0	0%	Public Finance, China University of Technology	None	None	None	None
Xike Branch	VP & GM	Yao-Shen Hsieh	Male	R.O.C.	20180301	0	0%	0	0%	0	0%	Print And Photography, Shih Hsin University	None	None	None	None
Danshui Branch	VP & GM	Chun-Feng Lee	Female	R.O.C.	20171101	10,500	0%	0	0%	0	0%	Department of Finance, Jinwen University of Science and Technology	None	None	None	None
Ruifang Branch	VP & GM	Chun-Yuan Chen	Male	R.O.C.	20170901	727	0%	0	0%	0	0%	Business Administration Department, Fu Jen Catholic University	None	None	None	None
Sanchungpu Branch	VP & GM	Pao-Hua Hsu	Female	R.O.C.	20160711	2,200	0%	63,871	0%	0	0%	Business, National Taiwan University	None	None	None	None
Bai-Sanchongpu Branch	VP & GM	Ming-Shung Lin	Male	R.O.C.	20161121	13,598	0%	0	0%	0	0%	Master of Business Administration, Tamkang University	None	None	None	None
Dong-Sanchongpu Branch	VP & GM	Ching-Fu Lin	Male	R.O.C.	20160901	0	0%	0	0%	0	0%	Administration, Open Junior College of Commerce Affiliated with National Chengchi University	None	None	None	None
Hsi-Sanchung Branch	VP & GM	Tzy-Yun Chen	Female	R.O.C.	20160401	405	0%	0	0%	0	0%	Department of Banking, Tankang University	None	None	None	None
Nan-Sanchongpu Branch	VP & GM	Mei-Hwa Huang	Female	R.O.C.	20170313	0	0%	0	0%	0	0%	Associate of Business Administration, Open Business College Affiliated with Cheng Kung University	None	None	None	None
Sanhe Road Branch	VP & GM	Chi-Hsiang Chen	Male	R.O.C.	20150608	998	0%	808	0%	0	0%	Master of Management & Sciences, Aletheica University	None	None	None	None
Luchou Branch	VP & GM	Li-Min Cheng	Female	R.O.C.	20160901	3,420	0%	0	0%	0	0%	Master of Science in Finance, Ming Chuan University	None	None	None	None
Xindian Branch	VP & GM	Shu-Chuan Lin	Female	R.O.C.	20171101	1,009	0%	0	0%	0	0%	Department of Business Administration, National Cheng Kung University	None	None	None	None
Baixin Branch	VP & GM	Shu-Fen Cheng	Female	R.O.C.	20180101	5	0%	0	0%	0	0%	Master of Science in Finance, Ming Chuan University	None	None	None	None
Jicheng Branch	VP & GM	Ai-Hsiu Lai	Female	R.O.C.	20160501	3,050	0%	0	0%	0	0%	Department of Shipping & Transportation Management, National Taiwan Ocean College	None	None	None	None
Yonghe Branch	VP & GM	Mei-Chun Tsou	Female	R.O.C.	20171101	0	0%	0	0%	0	0%	Master of Business Administration, Soochow University	None	None	None	None
Fuhe Branch	VP & GM	Su-Chen Cheng	Female	R.O.C.	20161201	353	0%	0	0%	0	0%	Banking & Insurance, National Taichung Institute of Commerce	None	None	None	None
Zhonghe Branch	VP & GM	Chun-Jen Tsai	Male	R.O.C.	20170113	15,212	0%	0	0%	0	0%	Department of International Trade, Soochow University	None	None	None	None
Shuangho Branch	VP & GM	Wei-Shuo Luo	Male	R.O.C.	20160401	25,892	0%	0	0%	0	0%	Department of International Trade, Chung Yuan Christian University	None	None	None	None
Leede Branch	VP & GM	Shu-Chen Shih	Female	R.O.C.	20171101	12,585	0%	0	0%	0	0%	Department of International Trade, Chinese Culture University	None	None	None	None
Xinzhuan Branch	VP & GM	I-Hsin Weng	Male	R.O.C.	20160101	466	0%	0	0%	0	0%	Department of Republic Administration, National Chung Hsing University	None	None	None	None
Xinshu Branch	VP & GM	Ruey-Hong Weng	Male	R.O.C.	20160101	5,000	0%	0	0%	0	0%	Department of Finance, Chaoyang University of Technology	None	None	None	None
Wugu Industrial Park Branch	VP & GM	Chang-Cheng Chu	Male	R.O.C.	20160901	94,254	0%	0	0%	0	0%	Department of International Trade, Chinese Culture University	None	None	None	None
Nan-Hsinchuang Branch	VP & GM	Sheng-Tung Chen	Male	R.O.C.	20160401	868	0%	13,319	0%	0	0%	International Trade, Tamsui Institute of Business	None	VP & GM	Yu-Hui Lin	Spouse

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						Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relationship
Siuyan Branch	VP & GM	Chyi-Ying Yeh	Female	R.O.C.	20140701	28,357	0%	0	0%	0	0%	Economics, Fu Jen Catholic University	None	None	None	None
Taishan Branch	VP & GM	Hui-Fang Chen	Female	R.O.C.	20180301	0	0%	0	0%	0	0%	Department of Public Finance, Feng Chia University	None	None	None	None
Linkou Branch	VP & GM	Jiin-Chour Liu	Male	R.O.C.	20160901	29,154	0%	0	0%	0	0%	Business Administration, Fu Jen Catholic University	None	None	None	None
New Linkou Branch	VP & GM	Hsiu-O Hsieh	Female	R.O.C.	20170313	525	0%	10,500	0%	0	0%	Economics, National Chung Hsing University	None	None	None	None
Shulin Branch	VP & GM	Shu-Ju Tsai	Female	R.O.C.	20160401	38,930	0%	0	0%	0	0%	Master of Business Management, Yuan Ze University	None	None	None	None
Banqiao Branch	VP & GM	Kui-Fang Tsai	Male	R.O.C.	20160901	8,927	0%	12,124	0%	0	0%	Business Administration, Chung Yuan Christian University	None	None	None	None
Guangfu Branch	VP & GM	Kuei-Mei Wu	Female	R.O.C.	20170313 (Note 4)	29,913	0%	0	0%	0	0%	Public Finance & Taxation, Feng Chia University	None	None	None	None
Jiangcui Branch	VP & GM	Ming-Thur Chen	Male	R.O.C.	20180301	26,907	0%	15,720	0%	0	0%	Master's Program in Department of Business Administration, Lunghwa University of Science and Technology	None	None	None	None
Tucheng Branch	VP & GM	Yeong-Shyang Shyu	Male	R.O.C.	20170313	1,188	0%	0	0%	0	0%	International Trade, Chih Lee Commercial Junior College	None	None	None	None
Sanxia Branch	VP & GM	Yu-Ling Tang	Female	R.O.C.	20170313	651	0%	0	0%	0	0%	International Trade, Tunghai University	None	None	None	None
Taoyuan Branch	VP & GM	Jia-Jen Hou	Male	R.O.C.	20160307	67,585	0%	0	0%	0	0%	Department of Finance, China University of Science and Technology	None	None	None	None
Bai-Taoyuan Branch	VP & GM	Yueh-Chiu Lai	Female	R.O.C.	20160401	38,990	0%	0	0%	0	0%	Department Accounting, Tunghai University	None	None	None	None
Bade Branch	VP & GM	Shiow-Ling Kao	Female	R.O.C.	20180301	1,069	0%	0	0%	0	0%	Department of Banking, TamKang University	None	None	None	None
Longtan Branch	VP & GM	Tzu-Chiung Huang	Female	R.O.C.	20160101	122,949	0%	0	0%	0	0%	Business Administration, National Cheng Kong University	None	None	None	None
Nankan Branch	VP & GM	Shu-Chen Yang	Female	R.O.C.	20171218	1,311	0%	0	0%	0	0%	Executive Master's Program of Business Administration (EMBA) Department of Business Administration, TamKang University	None	None	None	None
Dong-Linkou Branch	VP & GM	Pei-Fen Hsieh	Female	R.O.C.	20150608	160,930	0%	428	0%	0	0%	Business & Applied Commerce, Open Junior College Affiliated with National Taipei College of Business	None	None	None	None
Zhongli Branch	VP & GM	Shun-Feng Lo	Male	R.O.C.	20170901	13,286	0%	26,059	0%	0	0%	MS in Logistics, National Defense University	None	None	None	None
Bai-Zhongli Branch	VP & GM	Ting-Feng Cho	Female	R.O.C.	20150316	21,595	0%	0	0%	0	0%	Department of International Trade, Chihlee Institute of Technology	None	None	None	None
Xinming Branch	VP & GM	Hsueh-Wen Wang	Male	R.O.C.	20170502	1,345	0%	0	0%	0	0%	Department of Financial & Economic Law, Chung Yuan Christian University	None	None	None	None
Yangmei Branch	VP & GM	Fu-Jinn Chiou	Male	R.O.C.	20170901	432	0%	0	0%	0	0%	Business Administration, Chinese Culture University	None	None	None	None
Pushin Branch	VP & GM	Su-Ming Cheng	Female	R.O.C.	20171101	17,097	0%	0	0%	0	0%	Master of Finance, Chang Gung University	None	None	None	None
Xinzhu Branch	VP & GM	Chin-Huang Chuang	Male	R.O.C.	20170901	98,282	0%	3,029	0%	0	0%	Accounting & Statistics, Open Junior College Affiliated with Taipei Municipal Junior College of Business	None	None	None	None
Bai-Xinzhu Branch	VP & GM	Feng-Fuh Chang	Male	R.O.C.	20180301	897	0%	0	0%	0	0%	Department of Electronic Data Processing, National Taichung College of Business	None	None	None	None
Hsinshu Science Park Branch	VP & GM	Yu-Chin Fan	Female	R.O.C.	20151001	8,941	0%	0	0%	0	0%	Institute of Management, National Taiwan University of Science and Technology	None	None	None	None
Zhubai Branch	VP & GM	Chia-Yu Chang	Female	R.O.C.	20171101	43,057	0%	0	0%	0	0%	Department of Foreign Languages and Literature, Providence University	None	None	None	None
Zhudong Branch	VP & GM	Jui-Yueh Wu	Male	R.O.C.	20170313	0	0%	0	0%	0	0%	Department of Construction Management, Chung Hua University	None	None	None	None



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						Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relationship
Jhunan Branch	VP & GM	Chiu-Min Shen	Female	R.O.C.	20180301	1,839	0%	0	0%	0	0%	Master of Business Administration, Providence University	None	None	None	None
Miaoli Branch	VP & GM	Shao-Mao Wang	Male	R.O.C.	20161121	89,710	0%	52,925	0%	0	0%	EMBA Business Management Group, National Chung Hsing University	None	None	None	None
Yuanli Branch	VP & GM	Shu-Lin Liu	Female	R.O.C.	20160101	41,395	0%	0	0%	0	0%	Executive Master of Business Administration, National Changhua University	None	None	None	None
Dachia Branch	VP & GM	Pei-Chung Yang	Male	R.O.C.	20171101	43,765	0%	0	0%	0	0%	Accounting, National Chung Hsing University	None	None	None	None
Shimizu Branch	VP & GM	Ji-Ming Huang	Male	R.O.C.	20141101	1,321	0%	0	0%	0	0%	Department of Business, National Open University	None	None	None	None
Shalu Branch	VP & GM	You-Chen Lee	Male	R.O.C.	20150901	19,780	0%	0	0%	0	0%	IMBA, National Changhua University of Education	None	None	None	None
Tatu Branch	VP & GM	Chih-Hao Lo	Male	R.O.C.	20160523	898	0%	1,387	0%	0	0%	EMBA, Feng Chia University	None	None	None	None
Taiping Branch	VP & GM	Li-Fen Tseng	Female	R.O.C.	20160401	20,000	0%	0	0%	0	0%	Republic of Finance, National Chung Hsing University	None	None	None	None
Fengyuan Branch	VP & GM	Jin-Yu Yeh	Female	R.O.C.	20161121	107,961	0%	0	0%	0	0%	EMBA, Feng Chia University	None	None	None	None
Daya Branch	VP & GM	Li-Mei Chang	Female	R.O.C.	20170601	22,349	0%	0	0%	0	0%	Business & Applied Commerce, Open Junior College of Continuing Education Affiliated with National Taichung Institute of Technology	None	None	None	None
Tanzi Branch	VP & GM	Chiung-Hsiao Hung	Female	R.O.C.	20160401	67,282	0%	0	0%	0	0%	International Trade, National Taichung Institute of Commerce	None	None	None	None
Dongshi Branch	VP & GM	Tain-Maw Chang	Male	R.O.C.	20170801	5,565	0%	0	0%	0	0%	Business Administration, Open Junior College Affiliated with National Taichung Institute of Technology	None	None	None	None
Wufeng Branch	VP & GM	Feng-Hsien Tseng	Male	R.O.C.	20140210	967	0%	0	0%	0	0%	International Trade, Open Junior College of Commerce Affiliated with National Taichung Institute of Commerce	None	None	None	None
Dali Branch	VP & GM	Rong-Hong Way	Male	R.O.C.	20160501	17,723	0%	0	0%	0	0%	Institute of Business and Management, Asia University	None	None	None	None
Caotun Branch	VP & GM	Tsai-Fu Lin	Male	R.O.C.	20160401	14,479	0%	0	0%	0	0%	Administration, Open Junior College of Commerce Affiliated with National Chengchi University	None	None	None	None
Nantou Branch	VP & GM	Li-Hwa Lee	Female	R.O.C.	20160201	99,708	0%	0	0%	0	0%	Education Executive Master of Business Administration, National Changhua University	None	None	None	None
Puli Branch	VP & GM	Ching-Yuan Wu	Male	R.O.C.	20160201	21,561	0%	0	0%	0	0%	Administration, Open Junior College of Commerce Affiliated with National Chengchi University	None	None	None	None
Shuilikeng Branch	VP & GM	Ming-Chuan Lin	Female	R.O.C.	20170801	91,045	0%	5,104	0%	0	0%	Department of Business, National Open University	None	None	None	None
Changhua Branch	VP & GM	Chun-Hong Yeh	Male	R.O.C.	20170901	485	0%	0	0%	0	0%	Banking & Insurance, Feng Chia University	None	None	None	None
Lukang Branch	VP & GM	Su-Min Hsin	Female	R.O.C.	20161121	11,590	0%	22,262	0%	0	0%	Exeutive Master of Business Administration, Tunghai University	None	None	None	None
Homei Branch	VP & GM	Kuo-Heng Hsu	Male	R.O.C.	20180301	10,251	0%	0	0%	0	0%	Exeutive Master of Business Administration, Feng Chia University	None	None	None	None
Yuanlin Branch	VP & GM	A-R Liu	Female	R.O.C.	20150401	50,498	0%	11,239	0%	0	0%	Executive Master of Business Administration, National Changhua University of Education	None	None	None	None

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						Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relationship
Hsiuhu Branch	VP & GM	Ber-Lin Yeh	Male	R.O.C.	20130701	117,130	0%	0	0%	0	0%	International Business Management, Chien Kuo Technology University	None	None	None	None
Beidou Branch	VP & GM	Chin-Ping Lai	Female	R.O.C.	20160901	68,923	0%	0	0%	0	0%	IMBA, National Changhua University of Education	None	None	None	None
Erlin Branch	VP & GM	Weng-Chung Chen	Male	R.O.C.	20170901	46,807	0%	0	0%	0	0%	EMBA Seminar on Finance, National Chung Hsing University	None	None	None	None
Hsiluo Branch	VP & GM	Zhen-Dong Jian	Male	R.O.C.	20151101	708	0%	75	0%	0	0%	Accounting, Tamkang University	None	None	None	None
Douliou Branch	VP & GM	Shu-Hui Lin	Female	R.O.C.	20180301	0	0%	0	0%	0	0%	Department of International Trade, Chinese Culture University	None	None	None	None
Dounan Branch	VP & GM	Wen-Ko Ho	Male	R.O.C.	20140310	0	0%	0	0%	0	0%	Cooperative Economics, National Chung Hsing University	None	None	None	None
Huwei Branch	VP & GM	Wen-Ling Tsai	Male	R.O.C.	20160401	1,867	0%	1,673	0%	0	0%	Department of Business Management, Chinese Culture University	None	None	None	None
Tuku Branch	VP & GM	Chen-Ying Wu	Female	R.O.C.	20160901	3,496	0%	0	0%	0	0%	EMBA Administration, Southern Taiwan University of Science and Technology	None	None	None	None
Beigang Branch	VP & GM	Shinn-Huei Leu	Male	R.O.C.	20170901	11,835	0%	0	0%	0	0%	Finance, National Formosa University of Science and Technology	None	None	None	None
Dalin Branch	VP & GM	Wen-Ching Chen	Male	R.O.C.	20140901	37,755	0%	0	0%	0	0%	Master of Finance, National Yunlin University of Science & Technology	None	None	None	None
Chiayi Branch	VP & GM	Yueh-Ying Lai	Female	R.O.C.	20151201	0	0%	0	0%	0	0%	Life Sciences Department, National Open University	None	None	None	None
Dong-Chiayi Branch	VP & GM	Hsui-Chin Hsu	Female	R.O.C.	20171201	0	0%	0	0%	0	0%	Economics, National Chung Hsing University	None	None	None	None
Bai-Chiayi Branch	VP & GM	Chiang-An Chang	Male	R.O.C.	20151201	87,920	0%	0	0%	0	0%	Business & Applied Commerce, National Open College of Continuing Education Affiliated to National Taichung Institute of Technology Application of Business Studies	None	None	None	None
Xinying Branch	VP & GM	Chung-Shing Her	Male	R.O.C.	20170901	0	0%	0	0%	0	0%	Department of Public Finance, Feng Chia University	None	None	None	None
Yongkang Branch	VP & GM	Fen-Lan Lu	Female	R.O.C.	20170801	34,494	0%	15,156	0%	0	0%	Department of Business Administration, National Cheng Kung University	None	None	None	None
Zhonghua Rd. Branch	VP & GM	Yung-Sheng Chen	Male	R.O.C.	20150316	1,135	0%	3,272	0%	0	0%	Department of Administration, Tamkang University	None	None	None	None
Tainan Branch	VP & GM	Mei-Hui Wu	Female	R.O.C.	20171201	10,354	0%	63,391	0%	0	0%	EMBA, National Chiayi University	None	VP & GM	Chun-Hung Tung	Spouse
Yinping Branch	VP & GM	Cheng-Chi Chen	Male	R.O.C.	20160401	161,115	0%	179,796	0%	0	0%	Institute of Finance & Insurance, Shu-Te University of Science & Technology	None	None	None	None
Hsi-Tainan Branch	VP & GM	Chih-Ming Kuo	Male	R.O.C.	20160401	35,880	0%	0	0%	0	0%	Cooperative Economics, Tamkang College of Arts and Sciences	None	None	None	None
Dong-Tainan Branch	VP & GM	Chun-Hung Tung	Male	R.O.C.	20170901	63,391	0%	10,354	0%	0	0%	EMBA, National Cheng Kung University	None	VP & GM	Mei-Hui Wu	Spouse
Nan-Tainan Branch	VP & GM	Wang-Ming Lee	Male	R.O.C.	20160401	1,512	0%	0	0%	0	0%	Department of Business Administration, Tamkang University	None	None	None	None
Bai-Tainan Branch	VP & GM	Yen-Yu Liu	Female	R.O.C.	20171201	573	0%	0	0%	0	0%	EMBA, National Chiayi University	None	None	None	None
Kueijen Branch	VP & GM	Chien-Tai Ping	Male	R.O.C.	20160706	0	0%	0	0%	0	0%	Statistics, Tamkang University	None	None	None	None



Based on: March 31, 2018

Name of Unit	Title	Name	Gender	Nationality	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers		
						Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relationship
Annan Branch	VP & GM	Shiou-Yann Lin	Female	R.O.C.	20170801	1,416	0%	292	0%	0	0%	Master of Financial Operation, National Kaohsiung First University of Science and Technology	None	None	None	None
Chishan Branch	VP & GM	Chi-Ching Hung	Male	R.O.C.	20160307	0	0%	0	0%	0	0%	Department of Business, National Open University	None	None	None	None
Kangshan Branch	VP & GM	Feng-Yuan Shia	Male	R.O.C.	20160523	109,125	0%	0	0%	0	0%	International Trade, Feng Chia University	None	None	None	None
Fengshan Branch	VP & GM	Su-Chuan Wang	Female	R.O.C.	20170901	80,488	0%	0	0%	0	0%	Master of Money and Banking, National Kaohsiung First University of Science and Technology	None	None	None	None
Lujhu Branch	VP & GM	Shu-Li Chang	Female	R.O.C.	20170101	13,639	0%	48,673	0%	0	0%	Business & Applied Commerce, Open Junior College of Continuing Education Affiliated with National Taichung Institute of Technology Application of Business Studies	None	None	None	None
Dafa Branch	VP & GM	Cheng-Lin Cheng	Male	R.O.C.	20160501	271	0%	0	0%	0	0%	Shipping & Transportation Management, National Taiwan Ocean University	None	None	None	None
Kaohsiung Branch	VP & GM	Wen-Chung Huang	Male	R.O.C.	20160523	418	0%	0	0%	0	0%	Business & Applied Commerce, Open Junior College of Continuing Education Affiliated with National Taichung Institute of Technology Application of Business Studies	None	None	None	None
Chihshien Branch	VP & GM	Ti-Tien Liao	Male	R.O.C.	20170901	2,112	0%	22,754	0%	0	0%	Business Administration, Fu Jen University	None	None	None	None
Yancheng Branch	VP & GM	Pao-Yu Yeh	Female	R.O.C.	20170901	10,789	0%	0	0%	0	0%	Master of Banking & Finance, Ming Chuan University	None	None	None	None
Dong-Kaohsiung Branch	VP & GM	Shwu-Ruu Lee	Female	R.O.C.	20160307	53,054	0%	0	0%	0	0%	Business & Applied Commerce, Open Junior College of Continuing Education Affiliated with National Taichung Institute of Technology Application of Business Studies	None	None	None	None
Nan-Kaohsiung Branch	VP & GM	Su-Wei Liang	Female	R.O.C.	20150316	22,614	0%	0	0%	0	0%	Department of Banking and Insurance, Feng Chia University	None	None	None	None
Bai-Kaohsiung Branch	VP & GM	Tai-An Lu	Male	R.O.C.	20160307	9,091	0%	0	0%	0	0%	Enterprise Management Division, National Open College of Continuing Education Affiliated to National Taichung Institute of Technology	None	None	None	None
Shanming Branch	VP & GM	Show-Ching Chen	Female	R.O.C.	20170101	40	0%	0	0%	0	0%	Business & Applied Commerce, National Open College of Continuing Education Affiliated to National Taichung Institute of Technology Application of Business Studies	None	None	None	None
Xinsin Branch	VP & GM	Shiow-Jy Lee	Female	R.O.C.	20160307	104,198	0%	55	0%	0	0%	Business & Applied Commerce, National Open College of Continuing Education Affiliated to National Taichung Institute of Technology Application of Business Studies	None	None	None	None
Cianjhen Branch	VP & GM	Sui-Kuang Chiang	Male	R.O.C.	20121101	171,873	0%	4,176	0%	0	0%	Business & Applied Commerce, National Open College of Continuing Education Affiliated to National Taichung Institute of Technology Application of Business Studies	None	None	None	None
Jiuru Rd. Branch	VP & GM	Wan-Ling Chen	Female	R.O.C.	20170901	33,965	0%	0	0%	0	0%	Department of Economics, Feng Chia University	None	None	None	None

Name of Unit	Title	Name	Gender	Nationality	Effective Date (yy/mm/dd)	Shareholding Amount		Shareholding by Spouse & Minor Children		Shareholding Under Others' Title		Prime Experience & Education	Services Concurrently with the Other Company	The Spouse or Relative within 2 Tiers of General Managers		
						Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relationship
Jianxing Branch	VP & GM	Tzeng-Hung Lee	Female	R.O.C.	20160101	39,243	0%	0	0%	0	0%	Master of Finance and Institute of Finance and Information, National Kaohsiung University of Applied Sciences	None	None	None	None
Boai Branch	VP & GM	Wan-Hwa Chien	Female	R.O.C.	20160101	8,174	0%	0	0%	0	0%	Business & Applied Commerce, National Open College of Continuing Education Affiliated to National Taichung Institute of Technology Application of Business Studies	None	None	None	None
Lingya Branch	VP & GM	Teng-Ching Chen	Male	R.O.C.	20170101	38,590	0%	0	0%	0	0%	Department of Education, Taiwan Provincial Tainan Junior Teachers College	None	None	None	None
Dashun Branch	VP & GM	Li-Chu Shu	Female	R.O.C.	20160523	-	0%	0	0%	0	0%	Business Administration, Fu Jen Catholic University	None	None	None	None
Zuoying Branch	VP & GM	Ruey-Sen Yang	Male	R.O.C.	20130812	109,126	0%	7,576	0%	0	0%	Public Finance&Taxation, National Chung Hsing University	None	None	None	None
Pingtung Branch	VP & GM	Hui-Ju Lee	Female	R.O.C.	20170801	44,877	0%	0	0%	0	0%	Department of International Trade, National Taichung College of Business	None	None	None	None
Chaozhou Branch	VP & GM	Shu-Fen Lee	Female	R.O.C.	20170801	71,220	0%	0	0%	0	0%	Department of International Business, National Kaohsiung University of Science and Technology	None	None	None	None
Tungkang Branch	VP & GM	Lun-Jan Lan	Male	R.O.C.	20170313	11,367	0%	4,543	0%	0	0%	Industrial Management Section, Southern Taiwan University of Science and Technology	None	None	None	None
Hengchuen Branch	VP & GM	Shu-Hei Chang	Female	R.O.C.	20161121	47,570	0%	0	0%	0	0%	International Trade, Providence College of Arts and Sciences for Women	None	None	None	None
Hualien Branch	VP & GM	Wen-Ching Chang	Male	R.O.C.	20170502	3,437	0%	0	0%	0	0%	Department of International Business, Soochow University	None	None	None	None
Taitung Branch	VP & GM	Ching-Chung Chen	Male	R.O.C.	20160401	899	0%	0	0%	0	0%	Institute of Human Resource Management, National Sun Yat-sen University	None	None	None	None
New York Branch	VP & GM	Chien-Shan Liu	Male	R.O.C.	20180301	0	0%	0	0%	0	0%	Master of Business Administration, National Chung Cheng University	None	None	None	None
Los Angeles Branch	VP & GM	Wan-Chin Chang	Female	R.O.C.	20161201	160,079	0%	0	0%	0	0%	MBA in Banking and Finance, Tamkang University	None	None	None	None
Tokyo Branch	VP & GM	Shyh-Chau Lin	Male	R.O.C.	20161226	54,682	0%	0	0%	0	0%	IMBA, Tamkang University	None	None	None	None
London Branch	VP & GM	Cheng-Yi Hsieh	Male	R.O.C.	20170818	0	0%	55	0%	0	0%	Department of Insurance, National Chengchi University	None	None	None	None
Hong Kong Branch	VP & GM	Hsiu-Chuan Teng	Female	R.O.C.	20160415	649	0%	0	0%	0	0%	EMBA, National Chengchi University	None	None	None	None
Singapore Branch	VP & GM	Chin-Lung Pan	Male	R.O.C.	20170113	5,682	0%	0	0%	0	0%	Institute of Finance, National Taiwan University of Science and Technology	None	None	None	None
Kunshan Branch	VP & GM	Chi-Hsin Chao	Female	R.O.C.	20171229	2	0%	0	0%	0	0%	Department of Business Administration, Tung Hai University	None	None	None	None
Kunshan Huachiau Subbranch	AVP & GM	Li-Chiao Li	Female	R.O.C.	20171121	67,315	0%	0	0%	0	0%	IMBA, Tamkang University	None	None	None	None
Dongguan Branch	VP & GM	Huan-Yu Chiu	Male	R.O.C.	20180131	10,000	0%	0	0%	0	0%	EMBA, National Changhua University of Education	None	None	None	None
Fuzhou Branch	VP & GM	Hsiu-Chu Tseng	Female	R.O.C.	20160706	0	0%	0	0%	0	0%	Accounting & Statistics, Ming Chuan College	None	None	None	None
Manila Branch (Preparatory Office)	VP & GM	Kwang-Wu Liu	Male	R.O.C.	20170818 (Note 5)	0	0%	0	0%	0	0%	Department of Information Management, Tamkang University	None	None	None	None

Note 1: The Executive Vice President has been adjunct SVP & Division Head of Insurance Agency Division since December 1, 2016.

Note 2: Before the newly-appointed SVP & Division Head assumes his/her position, the Acting SVP & Division Head has been appointed as SVP & Division Head since March 1, 2018.

Note 3: Before the newly-appointed SVP & Division Head assumes his/her position, the Acting SVP & Division Head has been appointed as SVP & Division Head since November 1, 2017.

Note 4: Personnel change was effective on March 13, 2017 with date of employment on April 5, 2017.

Note 5: Assigned as Manila Branch (Preparatory Office) VP & GM on August 18, 2017.

C. Compensation

a. Compensation for Directors

Title	Name	Compensation							
		Rewards (A)		Pension and Separation Pay (B)		Earning Distribution (C) (Note)		Business Affair Expense (D)	
		CHB	All the companies in the finance statement	CHB	All the companies in the finance statement	CHB	All the companies in the finance statement	CHB	All the companies in the finance statement
The 24 th Board of Directors (Dec.9,2014 ~ Jun.16, 2017)		14,631,801	14,631,801	0	0	59,976,876	59,976,876	0	0
Chairman	Ming-Daw Chang (Delegate of Ministry of Finance(MOF))								
Managing Director	Julius Chen (Delegate of Taishin Financial Holding Co., Ltd. (TSFHC))								
Managing Director (Independent Director)	Kuo-Yuan Liang								
Director	Ching-Hwa Juan (Delegate of MOF)								
Director	Ing-Wei Peng (Delegate of MOF)								
Director	Chih-Hsien Lin (Delegate of MOF)								
Director	Cheng-Ching Wu (Delegate of TSFHC)								
Director (Independent Director)	Jung-Chun Pan								
Director (Independent Director)	Shang-Chen Chen								
	Ministry of Finance								
	TSFHC								
The 25 th Board of Directors (Jun.16, 2017 ~)									
Chairman	Ming-Daw Chang (Delegate of MOF)								
Managing Director	Cheng-Ching Wu (Delegate of TSFHC)								
Managing Director (Independent Director)	Kuo-Yuan Liang								
Director	Julius Chen (Delegate of TSFHC)								
Director	Ching-Hwa Juan (Delegate of MOF)								
Director	Chih-Hsien Lin (Delegate of National Development Fund, Executive Yuan)								
Director	Shih-Tsung Lee (Delegate of Lee Investment Co., Ltd.)								
Director (Independent Director)	Jung-Chun Pan								
Director (Independent Director)	Chi-Chang Yu								
	MOF								
	National Development Fund, Executive Yuan								
	TSFHC								
	Lee Investment Co., Ltd.								

Note : The scheme of non-salaried director remunerations for independent directors was approved by the 3rd session of the 25th Board of Directors meeting of CHB held on August 25, 2017.

	Ratio of total remuneration (A+B+C+D) to net income (%)		Relevant remuneration received by directors who are also employees								Ratio of total compensation (A+B+C+D+E+F+G) to net income (%)		Compensation paid to directors from an invested company other than the company’s subsidiary
			Salary, Bonus and Special Disbursement (E)		Pension and Separation Pay (F)		Employee Bonus Distribution (G)						
	CHB	All the companies in the finance statement	CHB	All the companies in the finance statement	CHB	All the companies in the finance statement	CHB		All the companies in the finance statement		CHB	All the companies in the finance statement	
							Cash dividends	Stock dividends	Cash dividends	Stock dividends			
	0.62	0.62	0	0	0	0	0	0	0	0	0.62	0.62	0

Classification of Compensation for Directors	Name of Directors			
	Amount of total remuneration (A+B+C+D)		Amount of total remuneration (A+B+C+D+E+F+G)	
	CHB	All the companies in the finance statement	CHB	All the companies in the finance statement
~ NT\$2,000,000	Cheng-Ching Wu Kuo-Yuan Liang Julius Chen Ching-Hwa Juan Chih-Hsien Lin Shih-Tsung Lee Jung-Chun Pan Chi-Chang Yu Ing-Wei Peng Shang-Chen Chen	Cheng-Ching Wu Kuo-Yuan Liang Julius Chen Ching-Hwa Juan Chih-Hsien Lin Shih-Tsung Lee Jung-Chun Pan Chi-Chang Yu Ing-Wei Peng Shang-Chen Chen	Cheng-Ching Wu Kuo-Yuan Liang Julius Chen Ching-Hwa Juan Chih-Hsien Lin Shih-Tsung Lee Jung-Chun Pan Chi-Chang Yu Ing-Wei Peng Shang-Chen Chen	Cheng-Ching Wu Kuo-Yuan Liang Julius Chen Ching-Hwa Juan Chih-Hsien Lin Shih-Tsung Lee Jung-Chun Pan Chi-Chang Yu Ing-Wei Peng Shang-Chen Chen
NT\$2,000,000 ~ NT\$5,000,000	National Development Fund, Executive Yuan Lee Investment Co., Ltd	National Development Fund, Executive Yuan Lee Investment Co., Ltd	National Development Fund, Executive Yuan Lee Investment Co., Ltd	National Development Fund, Executive Yuan Lee Investment Co., Ltd
NT\$5,000,000 ~ NT\$10,000,000	Ming-Daw Chang	Ming-Daw Chang	Ming-Daw Chang	Ming-Daw Chang
NT\$10,000,000 ~ NT\$15,000,000				
NT\$15,000,000 ~ NT\$30,000,000	TSFHC	TSFHC	TSFHC	TSFHC
NT\$30,000,000 ~ NT\$50,000,000	MOF	MOF	MOF	MOF
NT\$50,000,000 ~ NT\$100,000,000				
NT\$100,000,000 ~				

b. Compensation for President and Executive Vice Presidents

January 1, 2017 ~ December 31, 2017 Unit: NTD; %

Title	Name	Salary (A)		Pension and Separation Pay (B)		Bonus and Special Disbursement (C)		Employee Bonus of Earning Distribution (D)				Ratio of total remuneration (A+B+C+D) to net income (%)		Compensation paid to directors from an invested company other than the company's subsidiary
		CHB	All the companies in the finance statement	CHB	All the companies in the finance statement	CHB	All the companies in the finance statement	CHB		All the companies in the finance statement		CHB	All the companies in the finance statement	
								Cash dividends	Stock dividends	Cash dividends	Stock dividends			
President	Chien-An (James) Shih (Application for retirement effective on 2018/3/20)													
Executive Vice President	Chin-Ying (Anita) Chen (Mandatory retirement effective on 2017/3/1)	19,440,397	19,440,397	10,905,360	10,905,360	13,012,870	13,012,870	2,840,618	0	2,840,618	0	0.38	0.38	765,600
	Horng-Yao Tu													
	Horng-Gang Wang													
	Carol Sun													
	Bin Chen (Promoted on 2017/3/1)													
EVP & Chief Compliance Officer	Jih-Cheng Yang													
EVP & Chief Auditor	Ya-Ling Lin													

Note 1: Actual paid amount of pension and separation pay in 2017: NT\$9,153,816.

Note 2: Appropriated amount of pension and separation pay expense in 2017 (10% under the old system and 6% contribution under the new rules): NT\$1,751,544.

Note 3: The remuneration for drivers of senior officers: The Bank paid the 8 drivers in total of NT\$7,133,165 a year. They are not assigned to senior officers only; The Bank can assign them for other business needs.

Classification of Compensation for President and Executive Vice President	Name of President and Executive Vice President	
	CHB	All investee companies
~ NT\$2,000,000		
NT\$2,000,000 ~ NT\$5,000,000	Carol Sun Bin Chen Ya-Ling Lin	Carol Sun Bin Chen Ya-Ling Lin
NT\$5,000,000 ~ NT\$10,000,000	Chien-An (James) Shih Horng-Yao Tu Horng-Gang Wang Jih-Cheng Yang	Chien-An (James) Shih Horng-Yao Tu Horng-Gang Wang Jih-Cheng Yang
NT\$10,000,000 ~ NT\$15,000,000	Chin-Ying (Anita) Chen	Chin-Ying (Anita) Chen
NT\$15,000,000 ~ NT\$30,000,000		
NT\$30,000,000 ~ NT\$50,000,000		
NT\$50,000,000 ~ NT\$100,000,000		
NT\$100,000,000 ~		

c. Members of the Management Team Receiving Employee Bonus & Bonus Distribution

December 31, 2017 Unit: NTD; %

Title	Name				Stock Dividends	Cash Dividends Amount	Total	Total/After-tax Profit (%)
President	Chien-An (James) Shih (Application for retirement effective on 2018/3/20)				0	59,612,432	59,612,432	0.49
Executive Vice President	Horng-Yao Tu, Hom-Gang Wang, Carol Sun, and Bin Chen							
EVP & Chief Compliance Officer	Jih-Cheng Yang							
EVP & Chief Auditor	Ya-Ling Lin							
	Chang-Hua Cheng	Shiou-Yu Chang	Chiou-Yueh Chen	Chih-Chen Hsu				
	Rueih-Hwa Cheng	Hsiu-Luan Hsieh	Chen-Yu Chen	Kwang-Wu Liu				
	Hsiu-Hsia Tsai	Shwu-Fang Wang	Nell H. Tseng	Mei-Fang Wu				
	Tsai-Feng Lin	Hsien-Lung Chen	Shyi-Neng Chen	Hsiang-Chun Wu				
	Hui-Yu Chen	Yu-Shan Chen	Chaur-Chyan Lin	Yi-Jung Chan				
	Pao-Sen Yu	Hsiu-Ching Hsu	Kuo-Hsiang Lin	Lien-Ching Chen				
	Tse-Tsang Tso	Chen-Hui Yeh	Shun-Hung Huang	Shuo-Hung Huang				
	Fu-Rong Chiu	Yen-Chun Chen	Chi-Tsung Shih	Cheng-Fu Yang				
	Yuan-Fen Chen	Mei-Ling Chiu	Ching-Hsiang Liu	Shiu-Hwa Chang				
	Lin-Ling Chen	Der-Ho Chen	Shan-Shin Shen	Su-Jane Lin				
	Hsi-lung Wu	Kao-Jung Hsu	Don-Y.T. Wang	Mel-Li Chiu				
	Yu-Hui Lin	Shyr-Chiou Chen	Meei-Tz Wu Lin	Mei-Ching Chang				
	Feng-Tsung Chang	Jin-Kuei Chen	Mei-Hsing Lin	Ruei-Jan Chen				
	Chi-Min Chung	Jung-Chien Hu	Li-Ling Lan	Lih-Lan Yang				
	Hsiao-Hua Yin	Yu-Yeh Lin	Kang Yang	Yi-Hwang Tzeng				
	Ming-Hua Huang	Szu-Yen Lin	Hwa-Shan Chiou	Mei-Fen Shieh				
	Su-Man Hsueh	Chung-Long Tsai	Chien-Mei Yu	Kui-Min Hsiao				
	Hui-Jen Wu	Ying-Hui Hung	Kuei-Mei Hsu	Hui-Ling Lee				
	Yu-Shu Chen	Fang-Yuan Wu	Chia-Chen Shen	Alec-Lin Hsiang-Ta				
	Hung Wang	Lin-Li Ku	Chin-Hsuan Lee	Li-Hsien Huang				
	Pi-Chin Shao	Hueih- Rur Shy	Li-Feng Shen	Cheng-Chi Chuang				
	Chien-Fa Chen	Shu-Fen Liu	Kuen-Shan Wang	Shu-Hua Tsai				
	Wen-Cheng Lin	Huei-Jin Lin	Al-Ling Wang	Jui-Hui Hsu				
	Ching-Yueh Chien	Chun-Feng Lee	Chun-Yuan Chen	Pao-Hua Hsu				
	Ming-Shung Lin	Ching-Fu Lin	Tzy-Yun Chen	Mei-Hwa Huang				
	Chi-Hsiang Chen	Li-Min Cheng	Shu-Chuan Lin	Lan-Zu Lin				
	Ai-Hsiu Lai	Mei-Chun Tsou	Su-Chen Cheng	Chun-Jen Tsai				
	Wei-Shuo Luo	Shu-Chen Shih	I-Hsin Weng	Ruey-Horng Weng				
	Chang-Cheng Chu	Sheng-Tung Chen	Chyi-Ying Yeh	Feng-Fuh Chang				
	Jiin-Chour Liu	Hsiu-O Hsieh	Shu-Ju Tsai	Kui-Fang Tsai				
	Kuei-Mei Wu	Shu-Chung Chen	Yeong-Shyang Shyu	Yu-Ling Tang				
	Jia-Jen Hou	Yueh-Chiu Lai	Chin-Li Lin	Tzu-Chiung Huang				
	Shu-Chen Yang	Pei-Fen Hsieh	Shun-Feng Lo	Ting-Feng Cho				
	Hsueh-Wen Wang	Fu-Jinn Chiou	Su-Ming Cheng	Chin-Huang Chuang				
	Ming-Thur Chen	Yu-Chin Fan	Chia-Yu Chang	Jui-Yueh Wu				
	Shey-Lin Chang	Shao-Mao Wang	Shu-Lin Liu	Pei-Chung Yang				
	Ji-Ming Huang	You-Chen Lee	Chih-Hao Lo	Li-Fen Tseng				
	Jin-Yu Yeh	Li-Mei Chang	Chiung-Hsiao Hung	Tain-Maw Chang				
	Feng-Hsien Tseng	Rong-Horng Way	Tsai-Fu Lin	Li-Hwa Lee				
	Ching-Yuan Wu	Ming-Chuan Lin	Chun-Hong Yeh	Su-Min Hsin				
	Li-Ching Yu	A-R Liu	Ber-Lin Yeh	Chin-Ping Lai				
	Weng-Chung Chen	Zhen-Dong Jian	Mao-Sheng Yen	Wen-Ko Ho				
	Wen-Ling Tsai	Chen-Ying Wu	Shinn-Huei Leu	Wen-Ching Chen				
	Yueh-Ying Lai	Hsu-Chin Hsu	Chiang- An Chang	Chung-Shing Her				
	Fen-Lan Lu	Yung-Sheng Chen	Mei-Hui Wu	Cheng-Chi Chen				
	Chih-Ming Kuo	Chun-Hung Tung	Wang-Ming Lee	Yen-Yu Liu				
	Chien-Tai Ping	Shiou-Yann Lin	Chi-Ching Hung	Feng-Yuan Shia				
	Su-Chuan Wang	Shu-Li Chang	Cheng-Lin Cheng	Wen-Chung Huang				
	Ti-Tien Liao	Pao-Yu Yeh	Shwu-Ruu Lee	Su-Wei Liang				
	Tai-An Lu	Show-Ching Chen	Shiow-Jy Lee	Sui-Kuang Chiang				
	Wan-Ling Chen	Tzeng-Hung Lee	Wan-Hwa Chien	Teng-Ching Chen				
	Li-Chu Shu	Ruey-Sen Yang	Hui-Ju Lee	Shu-Fen Lee				
	Lun-Jan Lan	Shu-Hei Chang	Wen-Ching Chang	Ching-Chung Chen				
	Shu-Chen Yang	Wan-Chin Chang	Shyh-Chau Lin	Cheng-Yi Hsieh				
	Hsiu-Chuan Teng	Chin-Lung Pan	Chi-Hsin Chao	Li-Chiao Li				
	Chiung-Wen Chang	Hsiu-Chu Tseng						

d. Remuneration for Directors, President and Vice Presidents for the Past Two Fiscal Years, Remuneration Policy for Directors, President and Vice Presidents with Information Related to the Policies, Standards, and Portfolios for the Payment of Remuneration, the Procedures for Determining Remuneration, and the Correlation with Business Performance and Future Risks

1. The ratio of total remuneration paid by the company and by all companies for the past two fiscal years to directors, president and vice presidents of the company, to the net income:

Unit: NT\$ 1,000; %

Items	2017		2016		Increase (Decrease) Amount	%
	Amount	Ratio of total remuneration paid to directors, supervisors, president and vice presidents to net income (%)	Amount	Ratio of total remuneration paid to directors, supervisors, president and vice presidents to net income (%)		
Compensation for Directors	74,609	0.62	73,961	0.61	648	0.88
Compensation for President and Executive Vice Presidents	46,199	0.38	38,713	0.32	7,486	19.34
Total	120,808	1.00	112,674	0.93	8,134	7.22
Net Income	12,093,106	-	12,085,972	-	7,134	0.06

2. Remuneration policy, standards, portfolio, and establishment procedures:

(1) Remunerations for directors:

- ① In accordance with Article 20, Item 13 of our Articles of Incorporation, remunerations for directors (including independent directors) have been set up by the Board of Directors in line with those of financial institutions of the Bank size in the scope.
- ② To respond to the 25th election of directors (including independent directors) on Jun. 16, 2017, the Bank set up the monthly remunerations for the board Chairman and directors (including independent directors) after proposals for approval by the 1st session of the 4th Remuneration Committee on Jul. 31, 2017 and adoption by resolution of the 3rd session of the 25th Board of Directors on Aug. 25, 2017.

(2) The remuneration for the president has been decided by the Board of Directors according to Article 20, Item 14 of our Articles of Incorporation. To respond to the appointment of the new president by the 10th session of the 25th Board of Directors on Mar. 20, 2018, the Bank set up the monthly remuneration for the president after proposals for approval by the 7th session of the 4th Remuneration Committee on Mar. 20, 2018 and adoption by resolution of the 10th session of the 25th Board of Directors on Mar. 20, 2018.

In accordance with Article 20, Item 14 of our Articles of Incorporation, remunerations for executive vice presidents are decided by the Board of Directors within the limit of the "Remuneration List for Personnel of Chang Hwa Bank."

3. Correlation to business performance and future risks:

(1) Remunerations for directors:

In accordance with Article 38 of our Articles of Incorporation, if the Bank make an annual profit (profit refers to profit before tax and before the deduction of bonuses of employees and remuneration of directors), the Bank shall distribute 0.8% maximum of such profit to directors as remuneration after review by the Remuneration Committee, resolution by the Board of Directors, and announcement in the Shareholders' Meeting.

(2) Remunerations for the president and executive vice presidents:

In accordance with Article 38 of our Articles of Incorporation, if the Bank make an annual profit (profit refers to profit before tax and before the deduction of bonuses of employees and remuneration of directors), the Bank shall distribute 1-6% of such profit to our employees, including the president and executive vice presidents, as remuneration after review by the Remuneration Committee, resolution by the Board of Directors, and announcement in the Shareholders' Meeting.

(3) Performance bonus for the president and executive vice presidents:

Pursuant to the "Regulations for Bonus Payment to Employees of Chang Hwa Bank," the Bank pay bonuses to the president and executive vice presidents depending on their individual performance after proposal for review by the Remuneration Committee and resolution by the Board of Directors.

(4) The results of the Bank's performance bonus are determined by business performance indicators of the Bank whose items include: earnings target achievement rate, return on equity ratio, non-performing loan ratio, coverage ratio of allowances for non-performing loan, innovation and R&D, and concrete performance of reform. Such results are brought via the Remuneration Committee to the Board of Directors for resolution. If there is any policy or other uncontrollable material factor affecting the earnings in that year, an explanation relevant to the specific fact should be given.

D. Operations of Corporate Governance

a. Operations of the Board of Directors

The 24th Board of Directors convened 5 meetings in 2017, and the records of attendance by directors and independent directors are shown as follows:

The 24 th Board of Directors Operations (Jan.1, 2017 ~ Jun.16, 2017)					
Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance Rate (%) (Note)	Note
Chairman	Ming-Daw Chang (Delegate of MOF)	5	0	100	
Managing Director	Julius Chen (Delegate of Taishin Financial Holding Co., Ltd. (TSFHC))	5	0	100	
Managing Director (Independent Director)	Kuo-Yuan Liang	5	0	100	
Director	Ching-Hwa Juan (Delegate of MOF)	5	0	100	
Director	Ing-Wei Peng (Delegate of MOF)	5	0	100	
Director	Chih-Hsien Lin (Delegate of MOF)	5	0	100	2016.8.31 Appointed
Director	Cheng-Ching Wu (Delegate of TSFHC)	5	0	100	
Director (Independent Director)	Jung-Chun Pan	5	0	100	
Director (Independent Director)	Shang-Chen Chen	5	0	100	

Note : Actual attendance rate was counted by the number of Board meeting convened during the period of the director's incumbency with his/her attendance frequency.

The 25th Board of Directors convened 7 meetings in 2017, and the records of attendance by directors and independent directors are shown as follows:

The 25 th Board of Directors Operations (Jun.16, 2017 ~ Dec.31, 2017)					
Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance Rate (%) (Note)	Note
Chairman	Ming-Daw Chang (Delegate of MOF)	7	0	100	
Managing Director	Cheng-Ching Wu (Delegate of TSFHC)	7	0	100	
Managing Director (Independent Director)	Kuo-Yuan Liang	7	0	100	
Director	Julius Chen (Delegate of TSFHC)	7	0	100	
Director	Ching-Hwa Juan (Delegate of MOF)	6	1	85.71	
Director	Chih-Hsien Lin (Delegate of National Development Fund, Executive Yuan)	6	1	85.71	
Director	Shih-Tsung Lee (Delegate of Lee Investment Co., Ltd.)	5	2	71.43	
Director (Independent Director)	Jung-Chun Pan	7	0	100	
Director (Independent Director)	Chi-Chang Yu	7	0	100	

Note : Actual attendance rate was counted by the number of Board meeting convened during the period of the director's incumbency with his/her attendance frequency.

【Other matters required to be recorded】

1. When the Board of Directors encounters any of the following circumstances, the meeting date, ordinal number of session, content of agenda item, opinions of every independent director, and the bank handling of such opinions shall be recorded:

(1) Matters as provided by Article 14-3 of the Securities and Exchange Act:

Please refer to "I. 2. Important resolutions of the 2017 board of directors meeting.

(2) In addition to the foregoing, there were other matters to be resolved by director's board meetings about which an independent director expressed objections or reservations that were included in records or stated in writing:

① Independent director Pan Jung-Chun expressed an objection to Case 9 (agree with the Shareholder Services Agency Agreement ("the Agreement") terminated by Yuanta Securities Co., Ltd. ("Yuanta") since April 6, 2017, and the original shareholder services agency will be replaced with Mega Securities Co., Ltd. ("Mega")) under discussion of the 26th session of the 24th Board of Directors on Jan. 23, 2017.

I. It shall stay neutral, according to Regulations Governing the Use of Proxies for Attendance at Shareholder Meeting of Public Companies and Regulations Governing the Administration of Shareholder Services of Public Companies, not act as a solicitor for a shareholder or handle proxy solicitation matters for a solicitor when election of directors or supervisors is on the shareholders meeting agenda.

II. According to the Agreement between CHB ("the Bank") and Yuanta, Yuanta has no right to terminate the Agreement on its part. If Yuanta may immediately be entrusted to handle proxy solicitation matters on behalf of the others after resignation, which shall be breach of the neutrality of shareholder services, the duty of loyalty and the principle of good faith. In order to protect their right and interest, the Bank shall not accept Yuanta asking to terminate the Agreement in written, which by the reason of business development and strategy concerns. If Yuanta breaches the Agreement on its part, the Bank shall reserve the rights of claim for damages, and the Bank is on the right path.

III. In addition, according to media reports “Yuanta will handle proxy solicitation matters on behalf of Ministry of Finance.”, if the Bank terminates the Agreement, Ministry of Finance and Government-owned Shareholding will acquire the interest. Hence, the representatives assigned by Ministry of Finance shall abstain from voting pursuant to paragraph 2, Article 206 and Article 178 of Company Act.

IV. I formally express objection and reprobation because the voting procedure violates principle of conflict of interest and the final decision of the meeting harms the laws and decrees mentioned above as well as the corporate governance. The directors who cast a vote for the motion of the meeting shall take the responsibility jointly and severally of the motion pursuant to Article 193 of the Company Law.

【The Bank's explanation】

- I. The Bank replaces shareholder services agency as a result of Yuanta expressing the intention to terminate the Agreement. In order to ensure the Bank's administration of shareholder services may not be affected and shall operate smoothly, the Bank's management made a professional evaluation. As a result, the Bank intends to entrust Mega as shareholder services agency.
- II. It is purely the termination and execution of a private contract, because the Bank has not published the date of regular meeting of shareholders 2017, nor dealt with the convening of any regular shareholder meeting. Therefore, the change of shareholder services agency is not involved in the election of directors.
- III. Furthermore, both the Ministry of Finance and the representatives assigned by the Ministry of Finance would not get extra privileges or exempt from any other obligations due to the replacement of shareholder services agency from Yuanta to Mega pursuant to Article 206 of the Company Law and the Interpretation no.1766 of the Judicial Yuan. Therefore, the representatives of the Ministry of Finance would not need to abstain from voting.

On this discussion, the resolution of 26th meeting of the 24th term of board of directors was as follows: “Except for managing director Mr. Julius Chen and independent director Mr. Jung-Chun Pan, there are six directors adopting the motion.”

② Independent director Jung-Chun Pan expressed an objection to Case 16 (which is for electing the 25th board of directors (including independent directors)) of the 28th meeting of the 24th board of directors on Mar. 23, 2017 as follows:

- I. The company conducting business shall abide by articles of incorporation, laws and the intention of shareholders' meetings.
- II. Once the 25th board of directors takes office in advance on Jun.16, 2017, the 24th board of directors will be dismissed early. It is not only a breach of the articles of incorporation and the intentions of the shareholders' meetings, but also is harmful to the rights of directors.
- III. I expressed my objection and dissenting opinion regarding the commencement and termination of the term of 25th board of directors.

【The Bank's explanation】

The Bank's board of directors resolved that the 25th board of directors would be elected at the 2017 annual shareholders' meeting and take office immediately, according to the meaning and intentions of paragraph 2, Article 18, of the Bank's articles of incorporation, which is amended by all shareholders. The Bank has completely complied with the Company Act and the resolution of 1st provisional shareholders' meeting of 2014, which doesn't harm the rights of directors.

On this discussion, the resolution of 28th meeting of the 24th board of directors is as follows: “All directors adopt the motion except for managing director Mr. Julius Chen, independent director Mr. Jung-Chun Pan, and director Mr. Cheng-Ching Wu.”

③ Independent director Jung-Chun Pan addressed concerning the 1st meeting of the 25th board of directors on Jun. 16, 2017 as follows:

- I. The convention of this meeting of the board of directors violated the Article 204 of Company Act.
- II. According to the Article 203 of Company Act, the first meeting of each term of the board of directors shall be convened by the director who received a ballot representing the largest number of votes at the election of directors. However, there are legal disputes on the 2017 annual meeting of shareholders, and the legality of related operation is doubtful. Therefore, the votes-getting of the convener of this board of directors and the legality of the convention of this board meeting are all doubtful.

【The Bank's explanation】

- I. The Bank's 2017 General Shareholders Meeting (GSM) was convened according to the resolution adopted by all members of board of directors (including delegates of Taishin Financial Holding Co., Ltd., "TSFHC"), and the Bank's chairman was appointed as the chairman of GSM pursuant to the Article 182-1 of Company Act. Thus, the procedure for convening the meeting and the method of adopting resolutions are legal and valid.
 - II. In addition, in order to implement the intentions of Paragraph 2, Article 18 of the Bank's articles of incorporation amended by shareholders, who intended to make the term of directors and the scheduled date of 2017 GSM coinciding with each other, the Bank's board resolved that directors of 25th term shall be elected at the 2017 GSM and the term of directors (including independent directors) shall commence from June 16, 2017 to June 15, 2020. As a result, the attendance rate of the shareholders was up to 95.755% (including voting by electronic transmission) who participated in the Election Item No.4 "Election of the 25th board of directors (including independent directors)." The shareholders not only elected 6 general directors and 3 independent directors, but also agreed with the commencement date and expiration date of their term of office, as provided in handbook. In consequence, the term of office of the Bank's 25th board of directors completely complies with the Article 199-1 of Company Act. There is no breach.
 - III. Furthermore, according to the Article 203 of Company Act, the 1st meeting of each term of the board of directors shall be convened within 15 days after the re-election, and it shall be convened by the director who received a ballot representing the largest number of votes at the election of directors. Based on 95.755% shareholders present participating in the election motion, the number of votes that Mr. Ming-Daw Chang received is the largest among all the directors. Thus, Mr. Ming-Daw Chang convened the 1st meeting of the 25th board of directors legitimately.
 - IV. The Bank's 9 directors (including independent directors) were informed legally by convener and all attended the 1st meeting of 25th board of directors. Moreover, the independent director, Mr. Jung-Chun Pan, also casted a vote on the Election Item No.1 of the meeting, which means he agreed with the motion and the procedure essentially. In conclusion, the Bank didn't violate the Article 204 of Company Act.
2. Updates in avoiding motions involving conflict of interest on the part of members for the 24th Board of Directors

Updates in avoiding motions involving conflict of interest on the part of members for the 24 th Board of Directors (Jan.1, 2017 ~ Jan.16, 2017)			
Issues	Name	Reasons for Avoidance	Vote Results
The motion for reviewing the candidate list of the Bank's Directors (including independent Directors)	Ming-Daw Chang Julius Chen Cheng-Ching Wu Ching-Hwa Juan Chih-Hsien Lin Kuo-Yuan Liang Jung-Chun Pan	In the event the content of a motion involves the personal interest of any Director, Article 178 of the Company Act shall apply for avoidance, in accordance with Article 206 of the Company Act.	Except for Directors who abstained on the ground of conflict of interest, all other Directors in attendance unanimously approved the motion as proposed.

Updates in avoiding motions involving conflict of interest on the part of members for the 25 th Board of Directors (Jan.16, 2017 ~ Dec.31, 2017)			
Issues	Name	Reasons for Avoidance	Vote Results
The motion for setting the member attendance fee of the Bank's 2 nd Audit Committee.	Kuo-Yuan Liang Jung-Chun Pan Chi-Chang Yu	In the event the content of a motion involves the personal interest of any Director, Article 178 of the Company Act shall apply for avoidance, in accordance with Article 206 of the Company Act.	Except for Directors who abstained on the ground of conflict of interest, all other Directors in attendance unanimously approved the motion as proposed.
The motion to assign members of the 4 th Remuneration Committee and with setting the member attendance fee.	Kuo-Yuan Liang Jung-Chun Pan Chi-Chang Yu		
The motion to stipulate the monthly compensation of managing Directors (excluding independent managing Directors) and Directors (excluding ordinary independent Directors).	Cheng-Ching Wu Julius Chen Ching-Hwa Juan Chih-Hsien Lin Shih-Tsung Lee		
The motion to stipulate the monthly compensation of independent Directors.	Kuo-Yuan Liang Jung-Chun Pan Chi-Chang Yu		
The motion to stipulate the compensation and benefit packages of the Chairman.	Ming-Daw Chang		

3. Evaluation on the implementation and the goals to enhance the functionality of the Board of Directors for the year and over recent years:

- (1) The Bank has installed 3 independent Directors, who, as professionals in economics, law and finance, provide independent and professional views to the Bank in terms of the supervision and management for operations. The Bank's 3 independent Directors established the audit committee, in addition to deliberating the Bank's material resolutions in accordance with the the Securities and Exchange Act, which is conducive to improving the Bank's corporate governance.
- (2) The Bank set up "Directions for the Enforcement of the plan for Continuing Education for Directors." The Bank's Directors attend courses and seminars from time to time relating to corporate governance such as finance, risk management, fiduciary trust, accounting and corporate social responsibility, etc. so that they can be more knowledgeable about professional know-how to enhance the duties of the Board of Directors.
- (3) The Bank set up "Rules governing the performance assessment on the Board of Directors at Chang Hwa Bank" in an effort to improve the functionality of the Bank's Board of Directors and establish performance objectives in order to enhance the operating efficiency of the Board. Five major criteria for the performance assessment on the Bank's Board of Directors include the "level of involvement in the Bank's operations," "improving the quality of policies by the Board of Directors," "composition and structure of the Board of Directors," "appointment of Directors as well as their sustained and advanced studies" and "internal control," which can be further broken down into 40 self-assessment indicators for a total score of 100. According to the performance self-assessment results on the Board of Directors for 2017, the Board scored full marks in the four angles of the "level of involvement in the Bank's operations," "improving the quality of policies by the Board of Directors," "composition and structure of the Board of Directors" and "appointment of Directors as well as their sustained advanced studies" for an aggregate score of 96.25.

b. Operations of the Audit Committee

The 1st Audit Committee convened 5 meetings in 2017, and the records of attendance by Independent Directors are shown as follows:

Operations of 1 st Audit Committee (Jan.1, 2017 ~ Jun.16, 2017)					
Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance Rate (%)	Note
Independent Director	Kuo-Yuan Liang	5	0	100	
Independent Director	Jung-Chun Pan	5	0	100	
Independent Director	Shang-Chen Chen	5	0	100	

The 2nd Audit Committee convened 7 meetings in 2017, and the records of attendance by Independent Directors are shown as follows:

Operations of 2 nd Audit Committee (Jan.16, 2017 ~ Dec.31, 2017)					
Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance Rate (%)	Note
Independent Director	Kuo-Yuan Liang	7	0	100	
Independent Director	Jung-Chun Pan	7	0	100	
Independent Director	Chi-Chang Yu	7	0	100	

【Other matters required to be recorded】

1. When Audit Committee encounters any of the following circumstances, the meeting date, ordinal number of session, content of agenda items, resolution results of the meeting, and the Bank's handling of opinions expressed by the Audit Committee shall be recorded:

(1) Matters as provided by Article 14-5 of the Securities and Exchange Act:

Resolution results of the Audit Committee on the foregoing major motions are as follows:

① The 25th meeting of the 1st Audit Committee on Feb. 15, 2017 (filing report for review by the 27th session of the 24th Board of Directors on Feb. 24, 2017):

Approved the 2016 Business Report and Financial Statements.

② The 26th meeting of the 1st Audit Committee on Mar. 14, 2017 (filing report for review by the 28th session of the 24th Board of Directors on Mar. 23, 2017):

I. Approved amendments to the Bank's "Regulations Governing the Acquisition and Disposal of Assets."

II. Approved the 2016 "Internal Control System Declaration" for the Bank as well as its insurance agent business, respectively.

III. Approved the hiring and compensation for the Bank's 2017 financial and taxation attesting CPAs.

③ The 27th meeting of the 1st Audit Committee on Apr. 11, 2017 (filing report for review by the 29th session of the 24th Board of Directors on Apr. 25, 2017):

I. Approved the resolution to recognize the distribution of 2016 earnings during the shareholders' meeting.

II. Approved to propose earnings capitalization for discussion during the shareholders' meeting.

III. Approved amendments to the Bank's "Securities Broker Internal Control System."

④ The 28th meeting of the 1st Audit Committee on May 5, 2017 (filing report for review by the 30th session of the 24th Board of Directors on May 12, 2017):
Approved the purchase of property in Nanjing City, Jiangsu Province as the Bank's business premises for future subsidiary in China and Nanjing Branch.

⑤ The 2nd meeting of the 2nd Audit Committee on Jul. 11, 2017 (filing report for review by the 2nd session of the 25th Board of Directors on Jul. 21, 2017):

- I. Approved amendments to the Bank's "Securities Broker Internal Control System."
- II. Approved the Bank's "Internal Control System for Securities Transactions Assistance Services of Securities Broker" case.
- III. Approved "Code of Ethical Conduct" for the Bank.

⑥ The 3rd meeting of the 2nd Audit Committee on Aug. 22, 2017 (filing report for review by the 3rd session of the 25th Board of Directors on Aug. 25, 2017):

- I. Approved the Bank's 2017 semi-annual financial statement.
- II. Approved amendments to the Bank's "Securities Broker Internal Control System."

⑦ The 7th meeting of the 2nd Audit Committee on Dec. 7, 2017 (filing report for review by the 7th session of the 25th Board of Directors on Dec. 12, 2017):

- I. Approved the Bank's 2017 auditing plan.
- II. Approved the Bank's 2017 budget draft.

【The Bank's handling of the opinions expressed by the Audit Committee】We have done as suggested.

(2) In addition to the foregoing, any matters which have not been adopted by the Audit Committee yet receive agreement by resolution of more than two-thirds of all director members: None.

2. Cases in which any of the independent directors has abstained on the ground of conflict of interest, with his/her name, content of motion, reasons for abstention and voting that should be clearly recorded: None.

3. Communications between the independent directors, internal auditing head, and CPAs (which should include the material matters, ways and results in the Bank's finance and business):

(1) Between the independent directors and the internal auditing head:

- ① The Bank's internal audit and inspection report after perusal and approval by the Chairman shall be delivered to the Audit Committee and independent directors for perusal as required by regulations.
- ② The improvements of the external auditing examination opinions were proposed to the director's board meeting by the internal auditing division. And improvements indicated in such examination report have been actively supervised and followed up by the independent directors.
- ③ The chief auditor reports the implementation of audit affairs to the Board of Directors and the Audit Committee on a quarterly basis.
- ④ The independent directors have kept close contact and good communications with EVP & chief auditor and the internal auditing division head.
- ⑤ With respect to the deficiencies in the Bank's internal control system, the Bank's directors (including independent directors) have regularly held meetings with the internal auditors with discussions recorded for report to the Board of Directors.

(2) Between the Bank's independent directors and CPAs:

The Bank's independent directors have meetings with CPAs at least twice a year to discuss the examinations of the Bank's financial statements; other issues such as business conditions and internal control are discussed on an irregular basis.

c. Disclosed matters as required by the Corporate Governance Best-Practice Principles for the Banking Industry.

For reference, please visit Corporate Governance under About CHB on the Bank's official website.

d. The differences with reasons between the Bank's corporate governance and the Corporate Governance Best-Practice Principles for the Banking Industry.

Evaluation Items	Implementation Status			Difference from the common requirements
	Y	N	Interpretation	
1. Structure of the bank's shareholders and equities				
1.1 Does the bank stipulate and implement a set of internal procedures to handle shareholders' suggestions, queries, disputes and litigations?	✓		1.1 To serve the Bank's shareholders, there is a message box and a complaint hotline under the Customer Service Center on the Bank's official website. The Bank's has also designated staff to specially handle shareholders' suggestions, inquiries and even disputes. In the event of litigation, it will be dealt with by the unit in charge according to the Bank's segregation of duties. In addition, the Bank has engaged a share administration agency to handle all share-related affairs; therefore, all shareholders' suggestions, doubts, or disputes shall be referred to the agency. For the Bank's subsequent actions, the agency will immediately notify the Bank's of such suggestions, doubts or disputes as deemed relevant to the Bank's operations.	1.1 No difference
1.2 Does the bank keep track of the major controlling shareholders as well as their ownership structures?	✓		1.2 Based on the Bank's shareholders' register (after the book closure date) and the information on the changes of shareholding declared by the insiders and major shareholders according to regulations, the Bank has grasped its list of major shareholders which is disclosed on the Market Observation Post System (MOPS), the Bank's annual report and official website.	1.2 No difference
1.3 Does the bank set up a fire wall and risk control mechanism to reduce the risks involved with the bank's related companies?		✓	1.3 The Bank has no affiliated enterprises.	1.3 N/A
2. Board of directors and its responsibilities				
2.1 Apart from the Remuneration Committee and Audit Committee, does the bank assembled other functional committees at its own discretion?		✓	2.1 At present, the Bank has lawfully instituted the Remuneration Committee and Audit Committee.	2.1 In the future, the Bank will institute various other functional committees in accordance with its actual operations.
2.2 Does the bank regularly evaluate the independence of CPAs?	✓		2.2 When the Bank appoints the CPA for attestation on financial statements, the Bank has made sure that none of their audit team members has commercial relationships with the Bank for significant financial benefits, which will probably affect their independence. During the appointment period, the Bank also, on a regular basis (at least once a year), carefully assesses the CPA's independence by the following criteria and submit an assessment report to the Audit Committee and the Board of Directors for their deliberations: a. The CPA does not have in his/her possession of the Bank's shares or have any relation with the Bank in terms of monetary loans, joint investment or shared interests. b. The CPA does not assume the post as the Bank's person responsible, Director, manager or employee. c. The CPA's behavior does not violate the "Professional Ethical Guidelines Communique No. 10: Integrity; Fairness; Objectivity and Independence" of the Taiwan CPA Association, ROC.	2.2 No difference
3. In the event the bank is a publicly listed or OTC-listed company, has the bank instituted a dedicated (or concurrent) corporate governance unit or personnel to be in charge of affairs relating to corporate governance (including but not limited to the provision of necessary data for Directors and Supervisors to execute their duties, administering matters relating to the Board of Directors' meetings and shareholders' meetings in accordance with law, administering company incorporation and change in incorporation, and producing minute books for the Board of Directors's and shareholders' meetings)?	✓		The Bank's Secretariat Division and Legal Affairs and Compliance Division serve as the concurrent units for handling corporate governance. The task allocation of matters relating to corporate governance is as follows: 3.1 Secretariat Division a. In charge of administering incorporation and changes in incorporation; b. Administering matters relating to shareholders' meetings in accordance with law; c. Producing minute books for shareholders' meetings; d. Matters relating to investor relations; e. Other matters and items laid out in the charter. 3.2 Legal Affairs and Compliance Division In accordance with the Bank's "Procedural Rules for the Board of Directors," the Compliance Section of the unit in charge of meeting affairs for the Board of Directors shall administer matters relating to the Board of Directors' meetings per regulations, in addition to providing adequate data for these meetings as well as producing minute books.	No difference

Evaluation Items	Implementation Status			Difference from the common requirements
	Y	N	Interpretation	
4. Does the bank establish a channel to communicate with shareholders (including but not limited to shareholders, employees and customers, etc.)?	✓		<p>4.1 The Bank set up "Stakeholders' Dedicated Section" (including the general public, shareholders and employees, etc), the "Investor Relations" the "Dedicated Section for the After-sales Grievance of Non-performing Loans" and the "Customer Service Center" on the Bank's official website to serve as communication channels with related stakeholders, and also addresses material issues that stakeholders are concerned about by way of compiling and producing annual CSR reports.</p> <p>4.2 When extending credit to stakeholders stipulated in the Banking Act, the Bank administers it in full compliance with the Banking Act and related regulations by the governing body. Furthermore, the Bank has formulated specific operating guidelines for transactions with stakeholders beyond credit extension so that all units within the Bank can abide by.</p>	No difference
5. Information disclosure				
5.1 Does the bank set up a website for the disclosure of relevant information on financial status and corporate governance?	✓		5.1 The Bank has disclosed financial reports, information as well as corporate governance such as complete annual reports and quarterly reports in sections "Investor Relations" and "Corporate Governance" on its official website.	5.1 No difference
5.2 Does the bank take any other methods to disclose its information (e.g. English website, a special group engaged on gathering and compiling the bank's information, the information announced through the bank's spokesman, and regular investor conference process disclosed on the bank's website)?	✓		<p>5.2 a. The Bank has installed an English version on its official webpage to disclose the Bank's related business operating information. The general public and investors can inquire and browse online at all times.</p> <p>b. The Bank has established a spokesperson system to make external announcements about information relating to the Bank's business operations in a timely fashion. Regarding material information, the Bank also designates dedicated personnel to be responsible for collecting information, while making simultaneous disclosure in both Chinese and English on the MOPS website as required by regulations.</p> <p>c. Related information about the Bank's investor conference is disclosed on MOPS as well as the Bank's official website.</p>	5.2 No difference
6. Does the bank have other relevant information for better understanding the Bank's corporate governance operation (such as employee rights, caring for employees, investors relationship, stakeholder rights, on-the-job education of directors and supervisors, implementation of risk management policies and risk assessment standards, implementation of customer policies, liability insurance policies purchased by the bank for directors and supervisors, and donations to political parties, interested parties, or charity organizations)?	✓		<p>6.1 Related charters about corporate governance</p> <p>a. The Bank has formulated the "Corporate Governance Practical Guidelines of the CHB" as the basis for pushing forward with matters relating to corporate governance.</p> <p>b. With regard to the Bank's Article of Incorporation, organizational regulations, the accountability allocation chart for business operation items and operating guidelines for various operations, the Bank has specifically set forth the authorities and accountability of managers at all levels, so that accountability can be established across various levels within the scope of authorities and accountability of the managers.</p> <p>6.2 Matters and items relating to the Board of Directors</p> <p>a. The implementation of directors diversification policy: The Bank has stipulated the directors diversification policy in its item 2, article 30, Corporate Governance Practical Guidelines which is disclosed on the Bank's official website. The implementation of Directors diversification is shown in the attached list.</p> <p>b. The Bank has formulated the "Directions for the Enforcement of the Plan for On-the-job Education for Directors," and the on-the-job education for the Directors is uploaded to the declaration system on MOPS in accordance with regulations.</p> <p>c. The situation with respect to the attendance of the Bank's Directors (including Independent Directors) in Board of Directors' meetings and attendance of Independent Directors in the Audit Committee meetings has been uploaded to the declaration system on MOPS in accordance with regulations.</p> <p>d. The Bank's Directors proactively avoid Board of Directors' meeting agenda items involving his/her personal stake or the stake of the institution he/she represents, as well as refrain from taking part in related discussions and voting.</p> <p>e. To further consummate the Bank's corporate governance and to reduce the risks assumed by the Bank, its Directors and managers associated with governance liability, the Bank has purchased the "Liability Insurance Policy for Directors, Supervisors and Managers" for its Directors and managers.</p>	No difference

Evaluation Items	Implementation Status			Difference from the common requirements
	Y	N	Interpretation	
6. Does the bank have other relevant information for better understanding the Bank's corporate governance operation (such as employee rights, caring for employees, investors relationship, stakeholder rights, on-the-job education of directors and supervisors, implementation of risk management policies and risk assessment standards, implementation of customer policies, liability insurance policies purchased by the bank for directors and supervisors, and donations to political parties, interested parties, or charity organizations)?	✓		<p>6.3 Risk management policy and its implementation</p> <p>a. In order to build up more professional and complete risk management function, the Bank has instituted three risk management divisions in the Credit Management Division, Risk Management Division and Loan Asset Management Division: (1) Credit Management Division is in charge of reviewing credit extension cases, as well as managing and maintaining the e-Loan automated credit system (including the three subsystems in the management system for credit checking, the system for corporate credit rating and the credit review management system), in order to rigidify the procedures for credit checking and extension; (2) Risk Management Division is in charge of formulating policies against sovereign risks, credit risks (including corporate banking, consumer banking and interbank dealings), market risks and operating risks, as well as risk management; (3) With regard to the control and management of overdue loans, collections and bad debts as well as the management of the collecting operation for non-performing loans (including the loan asset management system), Loan Asset Management Division can faithfully enforce them in accordance with regulations.</p> <p>b. The Bank has instituted the Risk Management Committee, whose major duties include the assessment and supervision of the Bank's risk-bearing capacity and the current situation of assumed risks, deciding on the responding strategy to risks and compliance with risk management procedures, as well as submitting quarterly risk management reports to the Board of Directors. The Bank's risk management policy is subject to review and discussion by the Risk Management Committee, and shall be enforced after approval by the Board of Directors.</p> <p>6.4 Measures for consumer protection</p> <p>a. The Bank has established a customer call center providing consumers 24/7 consulting service. In addition, a channel for the filing of grievances has also been established to handle various inquiries and demands from consumers to protect their rights.</p> <p>b. In order to protect consumers' interests by treating them fairly and reasonably, and establish a corporate culture that values consumer protection, the Bank has formulated and implemented the "Guidelines for Fair Treatment to CHB's Customers," "Policies to Protect CHB's Financial Consumers," and "Guidelines for CHB to Conduct Protection for Financial Consumers" in accordance with the "Principles for Fair Treatment to Customers by Financial Service Providers," "Financial Consumer Protection Act" and its relevant subordinate laws, which have been promulgated by FSC. The Bank has also requested by letter all its personnel to follow and put into practice the abovementioned guidelines and policies when providing financial products and services to customers to strengthen the consumers' interests and benefit the Bank's sustainable development.</p> <p>6.5 Donations to political parties, stakeholders, and charity organizations</p> <p>a. Donations to political parties: None.</p> <p>b. Donations to stakeholders: None.</p> <p>c. Donations to charity organizations: Please refer to "V. Operations Overview C. Corporate Responsibility and Moral Behavior b. Actively participated in charity activities and continuously supporting underprivileged groups."</p> <p>6.6 Employees rights and interests, and caring for employees: Please refer to "V. Operations Overview F. Labor Relations a. Benefits, Training and Pensions Offered by the Bank, Retirement Scheme and Implementation Status, and Policies on Employer-employee Negotiations and the Protection of Workers."</p>	No difference
7. With respect to the results of annual corporate governance evaluation most recently issued by the Corporate Governance Center of Taiwan Stock Exchange, please describe the improvements and provide priority and measures to enhance those matters that have not yet been improved. The Bank was evaluated as top 5% among Taiwan listed companies of the 3 rd Corporate Governance Evaluation in 2017. To strengthen corporate governance, the Bank has conducted an active review and improvements of the failed indicators as shown in the results of the 3 rd Corporate Governance Evaluation. The improvements are as follows:			<p>a. In the 2016 annual report, the Bank disclosed the implementation for resolutions of the previous year general shareholders' meeting.</p> <p>b. The Bank disclosed communications between the independent directors, internal auditing head, and CPAs (which should include the material matters, ways and results in the Bank's finance and business) on the Bank's official website.</p>	

Attached list:

Qualifications	Professional Background					Professional Ability						
	Law	Accounting	Finance	Marketing	Technology	Ability to make operational judgments	Ability to perform accounting and financial analysis	Ability to conduct management administration	Ability to conduct crisis management	Knowledge of the industry	An international market perspective	Ability to lead and make policy decisions
Name												
Ming-Daw Chang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Cheng-Ching Wu		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
Kuo-Yuan Liang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Julius Chen	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ching-Hwa Juan	✓	✓				✓	✓	✓	✓	✓	✓	✓
Chih-Hsien Lin	✓				✓	✓		✓	✓	✓	✓	✓
Shih-Tsung Lee	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
Jung-Chun Pan	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
Chi-Chang Yu	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓

e. Members and Operation Status of the Remuneration Committee

1. Members of the Remuneration Committee:

Title	Qualifications Name	Qualifications (Note 1)			Independent Status (Note 2)								Number of Serving as the Member of Remuneration Committee for Other Public Companies	Note
		A	B	C	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)		
Independent Director	Kuo-Yuan Liang	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Jung-Chun Pan			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Chi-Chang Yu	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note 1: Directors and Supervisors shall meet one of the following professional requirements, together with at least five-year work experience:

- An instructor or higher in a department of commerce, law, finance, accounting, or other academic department related to the banking business in a public/private junior college, college, or university.
- A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and has been awarded a certificate in a professional necessary for the banking business.
- With work experience in the fields of commerce, law, finance, accounting, or other profession necessary for the banking business.

Note 2: During the two years before being elected or during the term of office, members shall meet the following terms with "✓" mark.

- Neither employees of the bank nor its affiliates.
- Neither a director or a supervisor of the bank nor its affiliates. (This restriction does not apply to independent director positions in the bank, its parent company or subsidiary, which have been appointed in accordance with Securities and Exchange Act or laws of the registered country.)
- Individual shareholder who holds shares, together with those held by his/her spouse, minor children, or held under others' names, in an aggregate amount of 1% or more of the total outstanding shares of the bank or natural persons who rank among the top 10 shareholders in terms of the share volume held are excluded.
- The spouse or relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs are excluded.
- Directors, supervisors, or employees of a juristic person shareholder that directly hold 5% or more of the total outstanding shares of the bank or ranks among the top 5 juristic person shareholders in the terms of share volume held are excluded.
- Directors, supervisors, the managerial officer, or the shareholder holding 5% or more shares of a specific company or institution that also have financial or business dealings with the bank are excluded.
- A professional, owner, partner, director, supervisor, or the managerial officer and his/her spouse of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting or consulting services to the bank or its affiliates is excluded.
- Any of the circumstances in the subparagraphs of Article 30 of the Company Act doesn't happen.

2. The Duties of the Remuneration Committee:

The members of the Remuneration Committee should, with due care of a good administrator, perform loyally the following functions:

- To assess and review overall salary and remuneration policy.
- To formulate and regularly review the performance assessments as well as salary and remuneration policy, system, standards and structure for directors, president, executive vice presidents, EVP & chief auditor, EVP & chief compliance officer, SVP & division heads of the Bank's head office, and the VP & GM of the branches.
- To regularly assess and formulate salary and remuneration for directors, president, executive vice presidents, EVP & chief auditor, EVP & chief compliance officer, SVP & division heads of the Bank's head office, and the VP & GM of the branches.
- To deliberate the following matters for the Bank's subsidiaries:
 - Decision on salary and remuneration levels of directors, supervisors, chairmen, president, and executive vice presidents.
 - Formulation and revision of rules governing salary, bonus and remuneration for employees.

3. Operation Status of the Remuneration Committee

- The Bank's Remuneration Committee consists of 3 members.
- The 3rd Audit Committee (Dec.30, 2014 ~ Jun.16, 2017) and the 4th Audit Committee (Jul.21, 2017 ~ Jun.15, 2020) convened 5 and 4 meetings respectively in 2017 and the records of attendance of members are shown as follows:

The Operation of 3 rd Remuneration Committee					(Jan.1, 2017 ~ June.16, 2017)
Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance Rate (%)	Note
Convener	Kuo-Yuan Liang	5	0	100	
Member	Shang-Chen Chen	5	0	100	
Member	Jung-Chun Pan	5	0	100	

The Operation of 4 th Remuneration Committee					(Jul.21, 2017 ~ Dec.31, 2017)
Title	Name	Attendance in Person	Attendance by Proxy	Actual Attendance Rate (%)	Note
Convener	Kuo-Yuan Liang	4	0	100	
Member	Jung-Chun Pan	4	0	100	
Member	Chi-Chang Yu	4	0	100	

【Other matters required to be recorded】

1. If the Directors Board does not adopt or revise the recommendations of the Remuneration Committee, the meeting date, the ordinal number of the session, content of motion, and resolution result of the Directors Board as well as the bank's handling of the Remuneration Committee's opinions (e.g. to state the differences and reasons if the remuneration adopted by the Directors Board is better than that recommended by the Remuneration Committee) shall be all stated: None.
2. With respect to any resolution by the Remuneration Committee, if any member has dissenting or qualified opinion that is on record or in a written statement, the meeting date, the ordinal number of the meeting, and content of motion for the Remuneration Committee as well as all the members' opinions with whose handling shall all be stated: None.

f. Performing Social Responsibility

Evaluation Items	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" with Reasons
	Y	N	Interpretation	
1. Exercising Corporate Governance				
1.1 Does the bank declare its corporate social responsibility policy and examine the results of the implementation?	✓		1.1 a. The Bank has the "Chang Hwa Commercial Bank Corporate Social Responsibility Best Practice Principles" to assist in the execution of the Bank's corporate social responsibility policy. b. The Bank's corporate social responsibility practices feature the following focuses: (1) Corporate governance; (2) Sustainable environment; (3) Public welfare; and (4) Disclosure of corporate social responsibility information. c. The Bank compiles corporate social responsibility reports every year as a means of disclosing corporate social responsibility practices. The information is available on the Bank's official website and the "MOPS" section of the website for the Taiwan Stock Exchange.	1.1 No difference
1.2 Does the bank organize social responsibility training on a regular basis?	✓		1.2 The Bank organizes corporate social responsibility training in first quarter of each year, for which all business departments are required to attend.	1.2 No difference
1.3 Does the bank have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and reports its progress to the board of directors?	✓		1.3 a. To manage corporate social responsibility, the President has appointed one of the Vice Presidents to serve as convener for the Bank's corporate social responsibility task force, and Corporate Strategy Section of Secretariat Division was assigned as a secretary unit to oversee the preparation of corporate social responsibility reports. The task force reports its progress to the board of managing directors on a yearly basis. The information is available on the Bank's official website. b. Corporate Social Responsibilities Task Force meetings are held on a yearly basis to review and execute CSR plans for the year.	1.3 No difference
1.4 Does the bank set up a reasonable remuneration policy commensurate with employees' performance appraisals and CSR? Is the remuneration policy supported by an effective reward/discipline system?	✓		1.4 a. The Bank reviews salary of its employees in accordance with "Remuneration List for Personnel of Chang Hwa Bank"; reasonable and competitive remuneration is given to employees according to the appointment and responsibility so as to ensure that they do not have different remuneration as a result of their gender, age or race. All salaries are in conformity with basic salary standards. Each year the Bank determines the level of its salary-adjustment based on consumer price index and its performance and debt-servicing ability. b. The Bank issues a performance bonus based on various indicators of its "Rules on Employee Performance Review" by combining employees' professional ethical performance with their performance review. c. The Bank has formed the "Personnel Review Committee" in accordance with relevant laws and regulations. It will review employees with respect to incentives and penalties in a fair, objective and detached manner. The results of its review will be disclosed on the Bank's internal corporate website and the appropriate employees shall be notified in writing, to achieve the aim of imposing penalties or delivering incentives.	1.4 No difference

Evaluation Items	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" with Reasons
	Y	N	Interpretation	
2. Fostering the Sustainable Environment				
2.1 Does the bank endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment?	✓		2.1 a. The Bank has adopted the use of environmentally-friendly hand towels in its Taipei office building. Furthermore, the Bank has commissioned U-Color (an association for the physically and mentally challenged in New Taipei City) to recycle all used toners, ink cartridges, and redundant printers. b. The Bank adopts the use of "green building materials" to renovate its business premises. c. The Bank's respective operating units purchase all types of heat-sensing paper rolls. Before purchasing, they would require that vendors furnish their product test reports to ensure that such products conform to national standards.	2.1 No difference
2.2 Does the bank establish proper environmental management systems based on the characteristics of their industries?	✓		2.2 The Bank's environment management system has passed the ISO14001:2015, and its energy management system has passed the ISO50001:2011. The information is disclosed on the Bank's official website.	2.2 No difference
2.3 Does the bank monitor the impact of climate changes on its operating activities, implement greenhouse gas emission-checks, formulate energy-saving and carbon-emission reduction as well as greenhouse gas-reduction strategies?	✓		2.3 a. Response measures for energy saving and carbon-emission reduction, and reduction of greenhouse gas include: (1) Replace old power-consuming air-conditioners to enhance energy-efficiency; (2) Set indoor temperature to more than 26 degrees to reduce the air-conditioning burden; (3) Replacement of old bulbs with high-efficiency LED bulbs to save power consumption on lighting; (4) Manage lighting use to reduce unnecessary power usage for lighting. b. In 2016, the amount of power used in the Bank's Taipei office building was equivalent to CO ₂ emissions of 1,686,537.6 KgCO ₂ e; the amount of power used in abovementioned building was equivalent to CO ₂ emissions of 1,606,149.8 KgCO ₂ e in 2017, reduced 80,387.8 KgCO ₂ e. The information is available on the "MOPS" section of the website for the Taiwan Stock Exchange. c. In 2017, the Bank has replaced about 658 lamps in its Taipei office building with LED lighting, installing timer controller for its Taipei office building parking lot, thus reducing CO ₂ emission by about 107,933.6 kgCO ₂ e. For 2018-2019, the Bank plans to change into LED lighting for 1-2 floors each year. This amounts to about 300-600 lighting fixtures. It is expected to reduce CO ₂ emission by 33,000 kgCO ₂ e to 60,000 kgCO ₂ e.	2.3 No difference
3. Preserving Public Welfare				
3.1 Does the bank develop its policies and procedures in accordance with laws and the International Bill of Human Rights?	✓		3.1 The Bank has implemented its work rules in accordance with the Labor Standards Act and other relevant laws. The work rules not only outline employees' rights and obligations, but are structured in such a way that enhances work efficiency and establishes common goals between the employer and employees. The Bank recruits employees based on matching talents, and ensures equal opportunities regardless of race, gender, partisan, or religion.	3.1 No difference
3.2 Does the bank have avenues through which employees may raise complaints? Are employee complaints being handled properly?	✓		3.2 The Bank has also instituted the "Chang Hwa Bank Ethical Corporate Management Best Practice Principles" and "Chang Hwa Bank Code of Conduct." The information is available on the Bank's official website. An employee grievance system has been established to provide employees the means to raise complaints. An Employee Grievance Line has been created on the Bank's official website while "CHB Employee Grievance Announcements" are posted at all office locations of the Bank with strict confidentiality maintained for all relevant information of the complainant. The Bank will carry out understanding and investigation of the complaints. If the respondent is proved to be in breach of laws and regulations, he/she will be referred to the "Personnel Review Committee," whereupon the matter will be reviewed in an objective and detached manner in accordance with the Regulations on Incentives and Penalties for Employees and the severity of such breach.	3.2 No difference
3.3 Does the bank provide safe and healthy work environments for its employees, and organize training on safety and health for its employees on a regular basis?	✓		3.3 a. The Bank holds the Occupational Safety and Health Committee every quarter to review the safety and health of the working environment. It also monitors the indoor carbon dioxide and lighting operation environment of each unit every six months to provide employees with a safe and healthy work environment. The Bank holds seminars on occupational safety and health periodically to implement safety and health education. b. The Bank also has the Program to Prevent Employee Musculoskeletal Disorders Brought on by Repetitive Tasks, the Program to Prevent Employee Ailments Brought on by Exceptional Workload, the Program to Protect Maternal Employee's Health, and the Program to Prevent Employee Infringement Happened in Workplace to prevent occupational disasters and diseases.	3.3 No difference
3.4 Does the bank have a communication channel between the bank and its employees, and the means through which employees are notified of material changes in the bank's operations?	✓		3.4 The Bank convenes an Employer-Employee Meeting every three months and uses it as a communication channel to resolve issues pertaining to employee interests. The various heads of business units under the Head Office have been assigned to supervise several business sectors within the Bank; resolutions made from board of directors' and managing directors' meetings and the President's instructions are distributed by the heads to all employees within the Bank.	3.4 No difference
3.5 Does the bank implement an effective training program that helps employees develop skills over the course of their career?	✓		3.5 Employee education and training is carried out according to employee hierarchy and job responsibilities. Basic and advance courses are planned according to employees' responsibilities, with employees obtaining the corresponding certificates for the Bank to map out professional training for employees in order to raise their competence; The said map also serves as reference for persons in charge to cultivate talents as well as for employees to undertake their career development.	3.5 No difference

Evaluation Items	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" with Reasons
	Y	N	Interpretation	
3.6 Does the bank implement consumer protection policies and grievance procedures with regards to its research, development, procurement, operation and service activities?	✓		3.6 a. To ensure fair and reasonable protection of consumers' interests, the Bank has established and implemented "Guidelines for Fair Treatment to CHB's Customers," "Policies to Protect CHB's Financial Consumers," and "Guidelines for CHB to Conduct Protection for Financial Consumers." b. The Bank also has "CHB Consumer Complaint Handling Guidelines" in place for resolving consumers' complaints and major consumption incidents. Whenever a consumer files a complaint, the issue in question is referred immediately to an appropriate department within the Head Office and related units to protect the consumers' interests. c. To improve the efficiency and quality of financial dispute resolution, the Bank has defined numerous details such as the scope and procedures of consumer disputes, turnaround time, progress inquiries, audit trail, training and regular reviews in "Policies to Protect CHB's Financial Consumers" and "Guidelines for CHB to Conduct Protection for Financial Consumers." They provide the foundation for the Bank's "Financial Consumer Dispute Resolution Policy (and SOP)," for better protection of financial consumers' interests. d. The Bank also review consumers' disputes on a regular basis and revise procedures so that similar occurrences can be prevented, corrected and managed in the future, which ultimately improve consumers' protections and the Bank's service quality.	3.6 No difference
3.7 Does the bank comply with laws and international standards with regards to the marketing and labeling of products and services?	✓		3.7 The Bank complies with relevant regulations and international guidelines for the marketing and labeling of goods and services.	3.7 No difference
3.8 Does the bank evaluate suppliers' environmental and social conducts before commencing business relationships?	✓		3.8 The Bank requires every supplier to sign a "Supplier Social Responsibility Commitment" before commencing business activities. The commitment calls for compliance with several regulations such as occupational safety and health, workers' rights, and environmental protection. The Bank also has "CHB Supplier CSR Policy" in place to evaluate suppliers for adverse environmental and social conducts, and to avoid dealing with those that operate in contradiction to the Bank's corporate social responsibility policies.	3.8 No difference
3.9 Is the bank entitled to terminate supply agreement at any time with a major supplier, if the supplier is found to have violated its corporate social responsibilities and caused significant impacts against the environment or the society?	✓		3.9 The Bank signed contracts with its suppliers which stipulate the corporate social responsibilities the two parties are bound to comply. The Bank may terminate its contract at any time if suppliers commit any violation that causes significant impact on the environment or society from which product or service is sourced.	3.9 No difference
4. Enhancing Information Disclosure Does the bank disclose relevant and reliable information relating to their corporate social responsibility on its website and the "MOPS" section of the website for the Taiwan Stock Exchange?	✓		The Bank has disclosed its "Corporate Social Responsibility Report" and "Corporate Social Responsibility Practice Principles," which are available on "Corporate Social Responsibility" section of the Bank's official website and the "MOPS" section of the Taiwan Stock Exchange's website. The information about the Bank's CSR specific promotion plans and implementation results is also available on "Corporate Social Responsibility" section of the Bank's official website.	No difference
5. If the bank has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies," please describe any discrepancy between the principles and their implementation: The Bank has set up "Chang Hwa Commercial Bank Corporate Social Responsibility Best Practice Principles" for execution of related routines. As a result, no discrepancy between the principles and their implementation exists.				
6. Other important information to facilitate better understanding of the Bank's corporate social responsibility practices: 6.1 The Bank has accomplished its "2016 Corporate Social Responsibility Report" on May 18, 2017 to show the efforts to fulfill the Bank's corporate social responsibility. 6.2 To take care of disadvantaged groups, the Bank has provided the elderly and disability trust services and offered fee discounts or fee waivers for beneficiaries who are senior citizens or persons with disabilities. Through fee reductions, the Bank hopes to provide dignified and satisfied care plan for those in need. 6.3 The Bank launched health management insurance of Taiwan Life Insurance Co., Ltd., which automatically calculates the customer's daily steps via the health watch/bracelet and reduces insurance fee by steps to encourage customers to continue exercise and decrease illness rate so as to lower social medical expenditure. 6.4 The Bank assisted overseas Taiwanese businessmen in obtaining overseas investment funds and lunched overseas investment financing loans. 6.5 As a support to the government's "Creative Industry Lending Initiatives," the Bank has set up creative industry lending consultation teams in 30 business offices nationwide to provide consultation for creativity businesses that need funding. 6.6 In line with the local government non-nuclear and green energy policy, the Bank launched green energy project loan collaborating with Taoyuan City Government to assist SMEs in obtaining funds to purchase green energy equipment. 6.7 Solar Photovoltaic equipment set-up loan was a continuous service launched in support of the government's green energy and environmental protection initiatives, which provides small and medium enterprises the capital needed to acquire photovoltaic equipment. 6.8 The Bank will adhere to the principle of equator, and abide by the Guidelines for Members of the Bankers Association of the Republic of China on Credit Authorization. When handling project financing, it will determine if the borrower has fulfilled its duties for environmental-protection, corporate integrity and social responsibility to form the basis for the approval or rejection of applications.				
7. If the corporate social responsibility reports have received assurance from external institutions, they should state so below: The Bank's 2016 corporate social responsibility report has passed (BSI) AA1000.				

g. Implementation of Business Integrity

Evaluation Items	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" with Reasons
	Y	N	Summary Information	
1. Policies and strategies established to ensure business integrity				
1.1 Has the bank stated in its Memorandum or external correspondence about the policies and practices it has to maintain business integrity? Are the board of directors and the management committed in fulfilling this commitment?	✓		1.1 To implement the policy of business integrity, and actively guard against dishonest behavior, the Bank has formulated the "Ethical Management Guidelines," stipulating that the Bank's personnel (including directors, managerial persons, employees, appointees, etc.) shall stick to principles of fairness, honesty, trustworthiness, and transparency, when conducting business and commercial activities, and shall establish a good corporate governance and risk control mechanism, so as to create a business environment for sustainable development; the Code also requires the Board of Directors and top management to actively realize business doing with integrity as a code of conduct for the internal management and external commercial activities to actually follow.	1.1 No difference
1.2 Does the bank have any measures against dishonest conducts? Are these measures supported by proper procedures, behavioral guidelines, disciplinary actions and complaint systems?	✓		1.2 a. The Bank has formulated the "Ethical Management Guidelines" and the relevant regulations to guard against dishonest behavior, which include the "Code of Ethical Conduct," "Rules of Procedure for Board of Directors Meetings," "Employee Code of Conduct," "Work Rules," "Directions for Treasury Division to Conduct Financial Transactions," "Operating Guidelines for Business with the Interested Parties as Defined by the Banking Act," "Operating Guidelines for Transactions with the Interested Parties Other than Credit Extension" ,etc., in order to actually prevent dishonest behavior. b. The Bank has also adopted the "Regulations for Implementation of CHB Employees Reward and Punishment" as a basis for rewards and punishments; any employee who is found and proved to have committed a dishonest act will be transferred to the Personnel Review Committee for punishment. If the abovementioned employee refuses to accept the disciplinary disposition, he/she has to file an appeal with the reasons and the relevant evidence to such committee for a new review.	1.2 No difference
1.3 Has the bank taken steps to prevent occurrences listed in Article 7, Paragraph 2 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" or business conducts that are prone to integrity risks?	✓		1.3 a. In response to the various subparagraphs under paragraph 2, article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" or business operation activities with higher risks for unethical behavior within the scope other operations, the Bank has formulated related precautionary measures at the supervisory units of various operations, including the Bank's "Ethical Management Guidelines" which stipulate: that the Bank's personnel shall not provide or receive, either directly or indirectly, any unreasonable presents, hospitality or other improper benefits; that they shall abide by related regulations pertaining to intellectual property rights, the Bank's guidelines and contract regulations; that they shall comply with the Securities and Exchange Act and shall not use privileged and undisclosed information to engage in inside trading, or disclose it to any third party in order to prevent other parties from using such undisclosed information for inside trading, etc. b. The Bank's "Employee Code of Conduct" stipulates the following related guidelines: (a) Employees need to obtain the Bank's permission before taking part in political campaign activities, political fund-raising activities, charitable activities, non-for-profit activities or volunteer activities in the name of the Bank. (b) Employees shall refrain from demanding, offering or receiving, directly or indirectly, any improper funds, things of value, donations, hospitality or other benefits, which may impact their professional judgment and the objectivity of executing duties. (c) Employees shall protect the Bank's assets as well as other assets under his/her dutiful custody. (d) Employees shall provide premium customer service and innovative products, and shall not seek competitive benefits via unethical or illicit business activities. c. The Bank has formulated the "Rules Governing External Donations from Chang Hwa Commercial Bank," as all external donations and grants shall comply with related laws, regulations and the aforementioned Rules. The Bank does not engage in matters involving the provision of illegal political donations, charitable donations or briberies camouflaged in the form of donation; all donations to political parties, stakeholders and public interest groups shall be publicly disclosed in accordance with regulations. For related donations, please refer to (5) operation, corporate responsibility and ethical behavior.	1.3 No difference
2. Actions to ensure business integrity				
2.1 Does the bank evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	✓		2.1 The Bank's "Ethical Management Guidelines" stipulate that prior to the establishment of commercial relations with any third party, the Bank shall review whether the parties have been implicated in prior incidents of unethical behavior in accordance with the Bank's related rules and regulations (for example: "Guidelines for Suppliers' Corporate Social Responsibility"), and formulate terms with respect to good faith in contracts (for example: related activity contracts of department stores, etc.)	2.1 No difference
2.2 Does the bank have a unit that specializes (or is involved) in business integrity? Does this unit report its progress to the board of directors on a regular basis?	✓		2.2 The Bank has instituted a dedicated unit for ethical management (i.e. the unit in charge of meeting affairs for the Board of Directors: the Legal Affairs and Compliance Division responsible) for handling matters relating to the "Ethical Management Guidelines," as well as supervising the enforcement of the Bank's related guidelines against unethical behavior. The unit shall also assess compliance and report to the Board of Directors on a regular basis annually.	2.2 No difference

Evaluation Items	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" with Reasons
	Y	N	Summary Information	
2.3 Does the bank have any policy that prevents conflict of interest, and channels that facilitate the reporting of conflicting interests?	✓		<p>2.3 a. The Bank's "Ethical Management Guidelines" specifically stipulate articles for avoiding conflict of interest, as the Bank's Board of Directors, management and all employees shall abide by related regulations such as the Bank's "Code of Ethical Conduct," "Procedural Rules for the Board of Directors," "Operating Guidelines for Business with the Interested Parties as Defined by the Banking Act," and "Operating Guidelines for Transactions with the Interested Parties Other than Credit Extension," in order to prevent conflict of interest. Board Directors shall also exercise self-discipline and refrain from coming to each other's rescue improperly.</p> <p>b. The Bank's "Procedural Rules for the Board of Directors" specifically stipulate that in the event a director, or a corporate entity represented by a director, is considered a stakeholder to the discussed agenda, the said director must state important facts about his/her stakes involved during the current meeting session and shall disassociate from all discussions and voting if it contradicts the Bank's interests, in which case, the director may not exercise voting rights on behalf of other directors.</p> <p>c. The Bank's "Employee Code of Conduct" outlines its policy against conflict of interest, specifically requiring employees to prioritize seeking the best interest of the Bank in performing their business operations, as well as to prevent conflict or contradiction between an employee's personal interest and the Bank's interest, including possible conflict of interest involving customers, trading counterparties, competitors or other employees as a result of the performance of duties on his/her post.</p> <p>d. When extending credit to stakeholders defined in the Banking Act, the Bank fully complies with the Banking Act and related regulations by the governing body.</p>	2.3 No difference
2.4 Has the bank implemented effective accounting and internal control systems for maintaining business integrity? Are these systems reviewed by internal or external auditors on a regular basis?	✓		<p>2.4 a. The Bank revises its accounting policies at appropriate times in accordance with regulations as bookkeeping guidelines for business operations and management. Furthermore, multiple layers of authority and accountability have been implemented to ensure sound internal control so that all employees can conduct the Bank's various business operations in good faith.</p> <p>b. The Bank's "Ethical Management Guidelines" stipulate: "The Bank shall establish an effective accounting system and internal control system, and shall not keep external books or retain secret accounts. Furthermore, it shall review these systems at all times in order to ensure the continued effectiveness of the design and enforcement of these systems. The Bank's internal audit units shall audit whether the aforementioned systems are in compliance on a regular basis and compile audit reports for submission to the Board of Directors." In line with the aforementioned regulation, the Bank's internal audit shall regularly audit compliance with regard to the accounting system and the internal control system, and report to the Bank's Board of Directors.</p>	2.4 No difference
2.5 Does the bank organize internal or external training on a regular basis to maintain business integrity?	✓		<p>2.5 a. The Bank regularly holds educational training relating to ethical management, including "Regulatory Compliance & Employee Code of Conduct (sexual harassment prevention and remedies included)," "Bank Employees' Knowledge in Financial Laws," "Money Laundering Control Act & Policy of Knowing Your Customers (defective case studies included)," and "Important Regulations and Administrative Operational Guidance for Insurance Salesman", etc. The Bank held "AML/CFT Advanced Courses" for senior executives and conducted training in regulatory compliance, money laundering control, the "Knowing Your Customers" (KYC) policy and the employee code of conduct to new hires and manager/VP & GM trainees in 2017. A total of 481 employees participated; a video for courses pertaining to the "Promotion of Regulatory Compliance in 2017 (first & second halves)" was also shot to raise the awareness among all employees. A total of 5,885 and 5,932 employees took part in these training courses in the first half and second half, respectively.</p> <p>b. The Bank collects material sanction cases among competitors in the banking industry promulgated by the Financial Supervisory Commission, as written notices are sent to notify the supervisory units of related business operations for compliance review of their operations. Through various promotional campaigns, the Bank aims to elevate employees' professional ethical standards, enhance employees' regulatory compliance awareness, while sending them to participate in timely external training courses pertaining to ethical management.</p> <p>c. Educational training is conducted on the responsible persons of business operation units to enhance their ability to guard against corruption. Training courses include the discussion of corruption control highlights, in addition to delving deep into reviewing the reasons behind the occurrence of corruption in financial institutions and explaining the Bank's related internal control operations. Furthermore, the Bank regularly holds courses such as "Training for Self-audit Personnel in Domestic Business Operation Units," in order to effectively enforce self-audit, enhance internal control at business operation units to guard against the occurrence of unethical behavior.</p>	2.5 No difference

Evaluation Items	Implementation Status			Deviations from "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" with Reasons
	Y	N	Summary Information	
3. Implementation of a misconduct reporting system				
3.1 Does the bank provide incentives and means for employees to report malpractices? Does the bank assign dedicated personnel to investigate the reported malpractices?	✓		3.1 The Bank has formulated the "Ethical Management Guidelines" in addition to setting up mailboxes and hotlines for complaints. In the event unethical behavior is identified, the whistle-blower shall report it to the dedicated unit for ethical management (i.e. the Legal Affairs & Compliance Division) and submit a "Complaint Report," which shall be handled by appropriate personnel designated by the dedicated unit.	3.1 No difference
3.2 Has the bank implemented any standard procedures or confidentiality measures for handling reported malpractices?	✓		3.2 The Bank has formulated the "Ethical Management Guidelines," which ensure the confidentiality of the identity of whistle-blowers and the content of complaints. Upon the receipt of complaints, the Bank's dedicated unit shall call upon the Bank's internal audit units to investigate related matters. In the event complaints are confirmed to be true after investigation, the Bank's employees held accountable shall be transferred to the Personnel Review Committee for the assessment of proper punishment; in the event laws and regulations are violated, legal liability shall be pursued in accordance with laws.	3.2 No difference
3.3 Does the bank assure employees who report malpractices that they will not face repercussions for making such reports?	✓		3.3 The Bank has formulated the "Ethical Management Guidelines," which ensure the confidentiality of all information with regard to whistle-blowers; the Bank also makes sure that they will not suffer improper treatment because of the complaints they make.	3.3 No difference
4. Enhanced information disclosure Has the bank disclosed its integrity principles and progress on its website and MOPS?	✓		The "Ethical Management Guidelines" formulated by the Bank have been disclosed on the Bank's official website as well as MOPS. In addition, the Bank's implementation of ethical management operations is also disclosed in the "Corporate Governance Report" section of the annual report as well as on the Bank's official website. An electronic version of the annual report is also disclosed on the Bank's official website and MOPS.	No difference
5. For banks that have established business integrity policies in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies," please describe the current practice and any deviations from the Best Practice Principles: The Bank has formulated the "Ethical Management Guidelines" for execution of related Ethical Management affairs. All conducts are in compliance with the "ECMBP."				
6. Other information relevant to understanding the bank's business integrity (e.g.: reviews over the bank's business integrity principles, etc.): The Bank shall follow the development of domestic and international ethical management related regulations as a basis for review and improvement of the Bank's ethical management regulations, and for its implementation, to improve the effectiveness of ethical management.				

h. If the Bank has adopted corporate governance best-practice principles or related by laws, disclose how these are to be searched.

The Bank has made related rules of corporate governance, please visit the corporate governance in the "about CHB" on the Bank's official website (<http://www.bankchb.com>) or please refer to MOPS (<http://mops.tse.com.tw>).

i. Other significant information that will provide a better understanding of the state of the Bank's implementation of corporate governance may also be disclosed.

Please refer to d. 6 The other relevant information for better understanding the Bank's corporate governance operation.

1. INTERNAL CONTROL SYSTEM STATEMENT:

Chang Hwa Commercial Bank, Ltd. INTERNAL CONTROL SYSTEM STATEMENT

To : Financial Supervisory Commission, R.O.C

On behalf of Chang Hwa Commercial Bank, Ltd. (the "Bank"), we hereby state that from January 1, 2017 to December 31, 2017, the Bank has duly complied with the "Regulations Governing the Implementation of Internal Control and Audit Systems by Financial Holding Companies and Bank Enterprises" in establishing its internal control system, implementing risk management, designating an independent and objective department to conduct audits, and regularly reporting to the Board of Directors and the Supervisors. With respect to the securities business, evaluation of the effectiveness of the design and implementation of its internal control system has been done in accordance with the criteria for evaluating effectiveness of internal control systems described in the "Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets," promulgated by the Securities and Futures Bureau, Financial Supervisory Commission. After prudent evaluation, except for items listed in the schedule, the internal control and legal compliance systems of each department have been in effect during the year, this Statement will be included as the main content of the Bank's annual report and prospectus, and be published to the public. If there is any illegal activity such as fraud or concealment, liabilities under Article 20, 32, 171, and 174 of the Securities and Exchange Act will be involved.

Chairman : 

President : 

Executive Vice President
& Chief Auditor :



Executive Vice President &
Chief Compliance Officer :



Mar 29 , 2018

Items to be improved and Countermeasures of Internal Auditing System of Chang Hwa Bank

(Base Date: December 31, 2017)

Items to be improved	Countermeasure	Estimated time of completion
With respect to insurance agency business of the Bank, the significant gap of the same customer's financial suitability among the different solicitor reports filled by solicitors on the same day was found. As a result, FSC imposed an administrative fine of 100 thousand and requested the Bank to complete the rectification within one month on Jun. 2, 2017.	<ol style="list-style-type: none"> 1. The Bank has corrected the computer system to check customer data for any errors or inconsistencies automatically. 2. The Bank has implemented the verification mechanism for monitoring purpose. 	The review and improvement has been done indeed.
On Sep. 4, 2017, FSC issued a reprimand letter against the Bank due to improper implementation of the derivatives trading business, which impeded sound banking operations.	To enhance the Bank's control mechanisms, the Bank has revised relevant guidelines and processes related to application and approval of derivatives trading limit.	The review and improvement has been done indeed.
Due to improper implementation on the account name change and opening accounts, FSC issued a reprimand letter on Sep. 15, 2017 to require the Bank to dismiss the involved employee.	The Bank has revised the operational procedures guidelines about opening accounts, change in account name and key information in order to strengthen internal control.	The review and improvement has been done indeed.
Without obtaining the insurance applicant's consent, the Bank's insurance solicitor discretionarily changed the insurance originally taken out by the applicant to household comprehensive insurance. FSC punished the Bank with the penalty of 3 million on Nov. 17, 2017 and requested the Bank to complete the rectification within one month.	<ol style="list-style-type: none"> 1. The mechanisms of confirmation for verifying the customer's signatures on insurance policies and telephone interviews have been established. 2. Trainings about the relevant insurance regulations and financial penalty case studies. 	The review and improvement has been done indeed.
On Dec. 29, 2017, FSC issued a reprimand letter against the Bank due to the negligence of loan to Ching Fu Shipbuilding Co., Ltd.	<ol style="list-style-type: none"> 1. The Bank will draw up the relevant regulations for project financing to be followed. 2. The Bank actively collects debts and appoints the lawyer to file a suit about the perpetrator involved in the case to protect the Bank's obligatory right. 	The review and improvement has been done indeed.
<p>FSC conducted a general business examination on the Bank in 2017, and raised the following issues that required pro-active supervision from the board of directors and the senior management:</p> <ol style="list-style-type: none"> 1. The staff assisted customers in withdrawing cash and failed to confirm the identity of the customer. 2. Some customers lent money temporarily to the companies which were in preparatory stage as representative offices for applying the Certificate of Account Balance. 	<ol style="list-style-type: none"> 1. (1) The Bank reiterated the importance of executing the customer's identity check who conducts cash transactions exceeding a certain amount. (2) The Bank held the training about the relevant laws and regulations of anti-money laundering and KYC implantations. 2. (1) The Bank reiterated the importance of implementing the operation of transaction monitoring reports and held the relevant training. (2) The Bank amended the directions of "Certificate of Account Balance." 	The review and improvement has been done indeed.
The staffs of Dong Guan Branch received improper funds from the property appraisal firm, violating the Bank's "Work Rules" and "Employee Code of Conduct."	<ol style="list-style-type: none"> 1. The Bank reiterated the importance of all staffs' complying with the Bank's "Work Rules" and the relevant laws and regulations. In addition, all staffs are prohibited from breaching the laws and regulations. 2. To ensure the Bank's lending quality, the Bank has conducted the full-scale check of the real estate appraising and loan review for related borrowers. 3. The Bank has strengthened and improved branches' supervising methods to establish effective communication channels between the head office and employees. 4. The Bank has established the more complete internal whistle-blowing mechanism to handle impeachment cases effectively. 5. The Bank has developed its crisis management and recovery mechanism for major cases. 	The review and improvement has been done indeed.

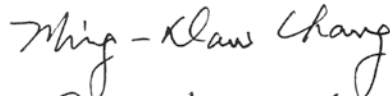
Insurance Agent Service Internal Control System Statement


March 29, 2018

To: Financial Supervisory Commission, R.O.C.

In regards to the execution of the internal control system from January 1, 2017 to December 31, 2017, and according to the results of self-evaluation, the Bank claims the following:

1. The Bank acknowledges that the establishment, execution, and maintenance of the internal control system are the responsibility of the board and management level, and the Bank has established this system. The purpose is to offer reasonable assurance regarding the achievement of goals including: the integrity of operations, the reliability of reports, and the compliance of relevant rules and regulations, etc.
2. However well designed, there are inherent limitations to internal control systems: even effective internal control systems are limited to offering reasonable assurance for the above three goals; however, the effectiveness of the internal control system may change according to variations in the environment and situation. The Bank has a self-monitoring mechanism established for its internal control system, which allows the Bank to conduct immediate corrective action once the mistake has been confirmed.
3. The Bank determines if the effectiveness of the design and execution of the internal control system according to "Regulations Governing the Implementation of Internal Control and Audit System and Business Solicitation System of Insurance Agent Companies and Insurance Broker Companies" (hereinafter referred to as "Regulations") established by the Financial Supervisory Commission. According to the judgment criteria for internal control systems stipulated in "Regulations", there shall be at least the following elements: 1. a controlled environment, 2. risk analysis, 3. controlled operations, 4. information and communication, and 5. monitoring operations.
4. The Bank investigates the effectiveness of the design and execution of the internal control system by adopting the internal control system judgment criteria listed above.
5. Based on the results of the investigation described in the previous item, the Bank determined that the design and execution of the internal control system (including: the integrity of operations, the reliability of reports, and the compliance of relevant rules and regulations) between the open duration above is effective, and the goals listed above is reasonably confirmed to have been achieved.
6. This Declaration is a significant portion in the Company's current year annual report and prospectus, which shall be made available to the general public. If the above involves illegality such as contains false or omitted information, etc., then the Company is in violation of Article 20, Article 32, Article 171, Article 174, or any relevant regulations set forth in the ROC Securities and Exchange Act.
7. This Declaration was approved on the Board Meeting on March 20, 2018, by all 9 attending Directors without objection.

Chairman : 

President : 

Executive Vice President


& Chief Auditor

: 

Executive Vice President

& Chief Compliance Officer

: 

Internal Auditor : 

3. Report of Independent Auditor appointed to conduct special audit on the Bank's internal control system:

Independent Auditors' Report on Applying Agreed-Upon Procedures

The Board of Directors and Shareholders
Chang Hwa Commercial Bank, Ltd. (hereinafter refer as "CHB")

Pursuant to the agreed-upon procedures, we have performed CHB's the correctness of the report submitted to the competent authority for the banking business, the execution status of internal control system and compliance officer system, and the appropriateness of policies for loan loss reserves in 2017. Your company made the final decision in these procedures; therefore, we do not express our opinions regarding whether these procedures were sufficient. This work is conducted in accordance with the Statement on Auditing Standard No.34 "Perform Agreed-Upon Procedures Regarding Financial Information," and its purpose is to assist your company in evaluating the compliance with the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries, promulgated by the Financial Supervisory Commission. Complying with the aforementioned regulation is the responsibility of your company's management. We have provided the procedures and the associated findings in the attachments herein, respectively.

The audits we performed are not in accordance with Generally Accepted Auditing Standards; hence, we do not assure your company of the correctness of the report submitted to the competent authority for the banking business, the execution status of internal control system and compliance officer system, and the appropriateness of policies for loan loss reserves. If we perform additional procedures or the audits in accordance with Generally Accepted Auditing Standards, we may have other findings.

This report provides your company as the use for the purpose of the first paragraph mentioned only, and should not distribute to any third parties for any purposes whatsoever.

Deloitte & Touche

Deloitte & Touche

March 30, 2018

k. Major malfeasant cases and operational improprieties and remedial measures adopted for the past two years as of the date of annual report publication.

1. Legal Action Involving Bank Executives or Employees:

None.

2. Fines imposed by FSC as a punishment for violating laws and regulations:

Major malfeasant cases and operational improprieties	Countermeasure
On January 24, 2017, based on Paragraph 3, Article 7 of the "Money Laundering Control Act," FSC imposed a fine of 1.8 million dollars on the Bank for failure to report large amount transactions to the Bureau of Investigation of the Ministry of Justice, which is in violation of Paragraph 1, Article 7 of the "Money Laundering Control Act" and Article 4 of the "Regulations Governing Cash Transaction Reports (CTR) and Suspicious Transaction Reports (STR) by Financial Institutions."	<ol style="list-style-type: none"> 1. Improve report system and computer system. 2. Improve legal compliance. 3. Improve training for bank employees.
With respect to insurance agency business of the Bank, the significant gap of the same customer's financial suitability among the different solicitor reports filled by solicitors on the same day was found. As a result, an administrative fine of 100 thousand dollars was imposed and a request for the rectification within one month shall be completed on Jun. 2, 2017, based on Subparagraph 24, Article 49 of "Regulations Governing Insurance Agents" authorized establishment under Paragraph 4, Article 163 of the Insurance Act.	<ol style="list-style-type: none"> 1. Correction of the computer system to check customer data for any errors or inconsistencies automatically. 2. The verification mechanism for monitoring purpose has been implemented.
Without obtaining the insurance applicant's consent, the Bank's insurance solicitor discretionarily changed the insurance originally taken out by the applicant to household comprehensive insurance, inconsistent with the relevant provisions of the Insurance Act. Based on Paragraph 3, Article 167 of the Insurance Act, the violation was required to be rectified within one month, and a fine of 3 million dollars was imposed on Nov. 17, 2017.	<ol style="list-style-type: none"> 1. The mechanisms of confirmation for verifying the customer's signatures on insurance policies and telephone interviews have been established. 2. Trainings about the relevant insurance regulations and financial penalty case studies.

3. Any Item Committing Penalty Pursuant to Article 61-1 by Financial Supervision Committee:

Major malfeasant cases and operational improprieties	Countermeasure
On Feb. 9, 2017, the Bank received a reprimand letter due to the negligence of loan to Ting Sing Trading Co., Ltd.	1. Implementation of KYC policy with paying attention to the dynamics of borrower operations cautiously. 2. Internal auditing: similar cases in annual audit will be regarded as key terms to strengthen inspections.
On Sep. 4, 2017, the Bank received a reprimand letter due to improper implementation of the derivatives trading business, which impeded sound banking operations.	To enhance the Bank's control mechanisms, the Bank has revised relevant guidelines and process related to application and approval of derivatives trading and non-hedging limit.
On Sep. 15, 2017, the Bank received a reprimand letter due to improper implementation on the account name change and opening accounts, and was required to dismiss the involved employee.	The Bank has revised the operational procedures guidelines about opening accounts, change in account name and key information in order to strengthen internal control.
On Dec. 29, 2017, the Bank received a reprimand letter due to the negligence of loan to Ching Fu Shipbuilding Co., Ltd.	1. The Bank will draw up the relevant regulations for project financing to be followed. 2. The Bank actively collects debts and appoints the lawyer to file a suit about the perpetrator involved in the case to protect the Bank's obligatory right.

4. Disclosures of financial losses caused by corruptions by employees, major incidental cases or major breaches of security regulations with losses exceeding NT\$50 million in individual and/or combined cases:

None.

5. Other Mandatory Disclosures as Instructed by the Financial Supervisory Commission:

None.

I. Major resolutions passed at General Shareholders' Meeting (GSM) & Extraordinary GSM & Board of Meeting in 2017

1. Decisions made at the 2017 GSM:

Date	Agenda	Results	Implementation Status
June 16, 2017	Recognition of the Bank's 2016 Business Report and Financial Statements.	Voted and acknowledged as proposed.	Compliant with the Company Act and Securities Exchange Act, related documents have been submitted to regulators for recordkeeping and proclamation.
	Approved the 2016 earnings appropriation proposal.	Voted and acknowledged as proposed.	The annual shareholders' meeting decided to issue 3,765,200,287 dollars (0.42 dollars per share) of common stock cash dividends and 4,482,381,290 dollars (0.5 dollars per share) of common stock dividends, after the board has decided the baseline date for the cash dividend, stock dividend, and surplus conversion is August 15, 2017; the dividends have been allocated on September 6, 2017.
	The issuance of new shares via earned surplus-turned capital increase.	Voted and acknowledged as proposed.	The annual shareholders' meeting has decided to issue new stock and list new stock on the market for sale on September 6, 2017 after the report to FSC is effective on July 5, 2017, and the approval for the registration change by MOEA on August 25, 2017.
	Articles of Incorporation amendment case.	Voted and acknowledged as proposed.	The revised rules and procedures are in effect after the registration change is approved by MOEA on June 23, 2017.
	Amendment to the Bank's "Regulations Governing the Acquisition and Disposal of Assets."	Voted and acknowledged as proposed.	The Bank has issued a letter to announce implementation on June 26, 2017.

Date	Agenda	Results	Implementation Status
June 16, 2017	Resolution of electing the Bank's 25 th board of directors (including independent directors).	<p>9 directors (including independent directors) were elected for 25th board of the Bank. The results of election were as follows:</p> <p>Director: Ming-Daw Chang (Delegate of MOF) Ching-Hwa Juan (Delegate of MOF) Chih-Hsien Lin (Delegate of National Development Fund, Executive Yuan) Shih-Tsung Lee (Delegate of Lee Investment Co., Ltd.) Julius Chen (Delegate of TSFHC) Cheng-Ching Wu (Delegate of TSFHC)</p> <p>Independent Director: Kuo-Yuan Liang Jung-Chun Pan Chi-Chang Yu</p>	The term of 25 th board of directors (including independent directors) shall be from June 16, 2017 to June 15, 2020. The registration change was approved by MOEA on June 23, 2017.
	Removing the non-competition restrictions on the 25 th directors (including independent directors).	Voted and acknowledged as proposed.	None.

2. Important resolutions of the 2017 board of directors meeting:

(1) 26th meeting of the 24th Board dated January 23, 2017:

Approved the replacement of shareholder service agency.

(2) 27th meeting of the 24th Board dated February 24, 2017:

① Approved the proposal to acknowledge the 2016 Business Report and Financial Statements during the shareholders' meeting.

② Assigned Mr. Bin Chen as the Executive Vice President of the Bank.

(3) 28th meeting of the 24th Board dated March 23, 2017:

① Approved amendments to the Bank's "Regulations Governing the Acquisition and Disposal of Assets."

② Approved the case of the "2017 Chang Hwa Bank Risk Appetite Declaration."

③ Approved the 2016 "Internal Control System Declaration" for the Bank as well as its insurance agent business, respectively.

④ Approved the hiring and compensation for the Bank's 2017 financial and taxation attesting CPAs.

⑤ Approved the amendment to Art. 9 of the Bank's Articles of Incorporation.

⑥ Approved the resolution to elect the 25th term directors (including independent directors).

⑦ Approved to propose the release of non-competition restrictions for the Bank's 25th term directors (including independent directors) during the 2017 General Shareholders' Meeting.

⑧ Approved the convening of the Bank's 2017 General Shareholders' Meeting.

- (4) 29th meeting of the 24th Board dated April 25, 2017:
 - ① Reviewed and approved the list of candidates for directors (including independent directors).
 - ② Approved the resolution to recognize the distribution of 2016 earnings during the shareholders' meeting.
 - ③ Approved to propose earnings capitalization for discussion during the shareholders' meeting.
 - ④ Approved amendments to the Bank's "Securities Broker Internal Control System."
 - (5) 30th meeting of the 24th Board dated May 12, 2017:
Approved the purchase of property in Nanjing City, Jiangsu Province as the Bank's business premises for future subsidiary in China and Nanjing Branch.
 - (6) 1st meeting of the 25th Board dated June 16, 2017:
 - ① Directors voted among themselves and elected director Ming-Daw Chang, director Cheng-Ching Wu, and independent director Kuo-Yuan Liang as managing directors.
 - ② Managing directors selected unanimously Ming-Daw Chang as Chairman of the Board.
 - (7) 2nd meeting of the 25th Board dated July 21, 2017:
 - ① Approved the baseline date for the Bank's 2016 cash and stock dividends, and capitalization of earnings as well as the distribution date for the Bank's 2016 cash dividends.
 - ② Approved amendments to the Bank's "Securities Broker Internal Control System."
 - ③ Approved "Code of Ethical Conduct" for the Bank.
 - ④ Assigned managing independent director Kuo-Yuan Liang, independent director Jung-Chun Pan, and independent director Chi-Chang Yu as the committee of the 4th Remuneration Committee.
 - ⑤ Approved the Bank's "Internal Control System for Securities Transactions Assistance Services of Securities Broker" case.
 - (8) 3rd meeting of the 25th Board dated August 25, 2017:
 - ① Approved the Bank's 2017 semi-annual financial statement.
 - ② Approved amendments to the Bank's "Implementation Rules of Legal Compliance System."
 - ③ Approved the Bank's remuneration allocation of directors in 2016.
 - ④ Approved the monthly remunerations for managing directors (excluding independent managing directors) and directors (excluding independent directors).
 - ⑤ Approved the monthly remunerations for independent directors.
 - ⑥ Approved the remunerations, benefits and the related matters for Board Chairman.
 - ⑦ Approved amendments to the Bank's "Securities Broker Internal Control System."
 - (9) 4th meeting of the 25th Board dated September 22, 2017:
 - ① Passed to report the Bank's 2017 "Business Plan," Capital Adequacy Assessment," "Risk Indicators Self-Evaluation."
 - ② Approval of application accepted for authorities' permission to issue unsecured subordinated financial debentures of 20 billion dollars (or equal value of foreign currency).
 - ③ Approved amendments to the Bank's "Policy of Anti-Money Laundering and Countering Terrorism Financing."
 - ④ Approved amendments to the Bank's "Directions Governing Anti-Money Laundering and Countering Terrorism Financing."
 - (10) 5th meeting of the 25th Board dated October 16, 2017:
Approved amendments to the Bank's "Audit Committee Charter."
 - (11) 7th meeting of the 25th Board dated December 12, 2017:
 - ① Approved the Bank's 2018 auditing plan.
 - ② Approved the Bank's 2018 budget draft.
 - ③ Approved revision of the Bank's "Procedure rules of Board's Meeting."
3. Important Resolutions of Board of Directors (From Jan.1, 2018 to the date of annual report publication):
For details please visit the Bank's official website (<http://www.bankchb.com>).

m. Major issues of record or written statements made by any director dissenting to important resolutions passed by the board of directors for the past year as of the date of annual report publication

1. On the 26th meeting of the 24th board of directors dated January 23, 2017, Case 9 regarding the approval to terminate the Shareholder Services Agency Agreement with Yuanta Securities Co., Ltd. (hereinafter referred to as "Yuanta") from April 6, 2017, and to replace the original shareholder service agency with Mega Securities Co., Ltd. (hereinafter referred to as "Mega"):

【Opinions from managing director Julius Chen】

I think this proposal is not feasible due to the following five reasons:

First, this case involves a procedural issue. The board meeting has yet to approve the contract termination with the original shareholder service agency, but the new appointment is proposed in parallel? Such arrangement will deprive directors' rights to express opinions respectively on the separate proposals.

Second, Yuanta sent mail to the Bank to negotiate the contract termination, to which the Bank has the right to evaluate whether or not to accept. In addition, the Bank has the right to request for compensation in regards to the request from Yuanta for termination. As news reports indicated that the important reason for the resignation of Yuanta is due to their position as the Bank's solicitor this year (the proxy solicitation), which is a serious conflict of interest and issue for corporate governance. If the Bank agrees to the termination, then the Bank will not have the rights to request for compensation.

Third, as the Bank is going to hold the election of directors this year (2017), Yuanta has hold the position of the Bank's stock affairs agent for over 2 years. Yuanta holds the list of the Bank's shareholders; their resignation is tied to the election, which is a serious conflict of interest, and at the same time, it evades the legal requirement for the neutrality of stock affairs. If the Bank cooperates with Yuanta in the contract termination and evades the law, it would be unreasonable and violates the corporate governance.

Forth, I would like to question the neutrality of delegates of Ministry of Finance (hereinafter referred to as "MOF"). While MOF publicly stated that the administrative neutrality shall be remained by MOF in the re-election of Bank's board of directors this year, any action to stray from administrative neutrality is inappropriate. This case is not only a clear violation of the neutrality policy, leading to a breach of corporate governance.

Fifth, I request MOF to avoid a conflict of interest from this case. The case in regard to whether to terminate the Shareholder Service Agency Agreement with Yuanta is linked to the government shares interests of MOF, which according to the Company Act, requires the 4 attending delegates of MOF to withdraw from the vote and avoid a conflict of interest.

In conclusion from the opinions mentioned, I state my opposition to the case of Yuanta resignation as the shareholder service agency, and oppose the termination of the Shareholder Service Agency Agreement.

2. On the 28th meeting of the 24th board of directors dated March 23, 2017, Case 16 regarding the election of 25th board of directors (including independent directors):

【Opinions from managing director Julius Chen】

In case no election of new directors is held in time after expiration of the term of office for existing directors, the Company Act has a provision to regulate such case. I suggest all matters shall be treated and dealt in accordance with evidence. According to the Bank's Articles of Incorporation, the term of office for the 24th board of directors shall be 2 years and 7 months, and the term of office for the 25th board of directors shall be 3 years. In addition, when the election of the 24th board of directors was held during the provisional shareholders' meeting of 2014, the case indicated that the term of office for 24th board of directors was from December 9, 2014 to July 8, 2017, which was approved by the board of directors and shareholders at that time. Thus, the case proposes that 25th board of directors take office in advance on June 16, 2017, which not only breaches the current Articles of Incorporation and the resolution of the provisional shareholders' meeting of 2014, but also damages the rights of 24th term directors. Therefore, I raise an objection to the case of changing the directors' term of office.

3. Address concerning the 1st meeting of the 25th board of directors dated June 16, 2017:

【Opinions from director Julius Chen】

I think this board meeting was convened with no power, and thus, it is invalid:

According to the announcement dated July 5, 2005 and official letter dated July 21, 2005, MOF has duty to support Taishin Financial Holding Co., Ltd. in taking over Chang Hwa Bank. However, on the election of 25th board of directors today, MOF, related state-owned enterprises and other legal persons participated in the election with issues of "state-owned enterprises raising capital to invest Chang Hwa Bank" as well as other wrongful conducts, and also, the legality of electronic voting is doubtful. Thus, there is an issue that the election is invalid because MOF, related state-owned enterprises and other legal persons violate regulations or the Articles of Incorporation. Therefore, this board meeting was convened with no power and is invalid, and I raise an objection to the convening procedure of this board meeting.

n. Disclosures the resignation or dismissal of managerial officer

March 31, 2018

Title	Name	Date of Appointment	Date of Dismissal	Reasons for Resignation or Dismissal
President	Chien-An (James) Shih	January 1, 2015	March 20, 2018	Application for Retirement

E. Information of Accountant's Fee

Unit: NT\$ 1,000

Accounting Firm	Name of Accountant		Auditing Fee	Non-Auditing Fee					Period of Inspection by Accountant Covering A Complete Fiscal Year	Note
				System Design	Corporate Registration	Human Resources	Other	Subtotal		
Deloitte & Touche	Jerry Gung	Titan Lee	8,760				4,295	4,295	From Jan. 1, 2017 to Dec. 31, 2017	Other services of non-auditing fee include: anti-money laundering and counter-terrorism risk evaluation project, the assurance report, personal information protection assurance examination.

a. If the ratio of non-audit fee to audit fee is over one fourth, the accountant's fee shall be disclosed.

The accountant's fee has been disclosed individually.

b. When change of accounting firm happens and the audit fee of the said year is less than that of previous year, the difference between amounts of audit fee with reason shall be disclosed.

None.

c. A decrease over 15% compared to the previous year for audit fee in which the amount, percentage and reason shall be disclosed.

None.

F. Changes of Accountants

a. Former Accountants

Date of Change	April 25, 2017		
Reasons for Changes Made & Relevant Explanations	Organization Adjustment for Administration in Accounting Firm		
Service Contract Terminated by Appointer or Accountant/ Not Accepting Continued Appointment	Event	Accountant	Appointer
	Termination of Appointment	N/A	
	Not Accepting (continued) Appointment	N/A	
Unqualified Opinions in Auditing Reports Certified within the Last 2 Years with Reasons	None		
Any Disagreement with the Bank's Opinions	Yes		Accounting Principles or Practices
			Disclosure of Financial Statements
			Auditing Scope or Steps
			Other
	None	V	
	Reason		
Other Disclosures (Required by Art.10.6.A.d of the Guideline.)	None		

b. Successor Accountants

Accounting Firm	Deloitte & Touche
Name of Accountant	Titan Lee
Date of Appointment	Apr. 25, 2017
Consultations on Accounting Measures or Principles Concerning Specific Transactions or on Likely Opinions in Financial Statements	None
Written Opinions by Successor Accountant on Disagreements with Former Accountant	None

c. Response by former accountants regarding Point 3, Item 2 and item 1, Subparagraph 6, Article 10 of the Guideline:
None.

G. The Bank's Chairman, President, or any Managerial Officer in Charge of Finance or Accounting Matters Has in the Most Recent Year Held a Position at the Accounting Firm of Its Certified Public Accountant or at an Affiliated Enterprise

None.

H. The Changes in Shareholding

- a. Changes in Shareholdings of Directors, Executive Officers, and Shareholders Conform to the Regulations Governing the Same Person or Same Concerned Party Holding the Issued Shares with Voting Rights over a Particular Ratio of a Bank, Article 11

Title	Name	2017		As of Mar. 31, 2018	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
Chairman (Delegate of Ministry of Finance (MOF))	Ming-Daw Chang	60,450	0	0	0
Managing Director (Delegate of Taishin Financial Holding Co., Ltd. (TSFHC))	Cheng-Ching Wu	0	0	0	0
Managing Director (Independent Director)	Kuo-Yuan Liang	0	0	0	0
Director (Delegate of MOF)	Ching-Hwa Juan	0	0	0	0
Director (Delegate of National Development Fund, Executive Yuan)	Chih-Hsien Lin	0	0	0	0
Director (Delegate of TSFHC)	Julius Chen	7,218	0	0	0
Director (Delegate of Lee Investment Co., Ltd.)	Shih-Tsung Lee	0	0	0	0
Director (Independent Director)	Jung-Chun Pan	0	0	0	0
	Chi-Chang Yu	0	0	0	0
President	Hong-Chi Chang (New appointment accepted on Mar. 23, 2018)	-	-	0	0
Executive Vice President	Horng-Yao Tu	3,970	0	0	0
	Horn-Gang Wang	5,061	0	0	0
	Carol Sun	20,500	0	0	0
	Bin Chen	20,000	0	0	0
EVP & Chief Compliance Officer	Jih-Cheng Yang	707	0	0	0
EVP & Chief Auditor	Ya-Ling Lin	63	0	0	0
SVP & Division Head	Chang-Hua Cheng	4,666	0	0	0
	Shiou-Yu Chang	2,211	0	0	0
	Chiou-Yueh Chen	1,020	0	0	0
	Chih-Chen Hsu	0	0	0	0
	Rueih-Hwa Cheng	9,688	0	0	0
	Hsiu-Luan Hsieh	611	0	0	0
	Chen-Yu Chen	6,804	0	0	0
	Shwu-Fang Wang	8,019	0	0	0
	Nell H. Tseng	0	0	0	0
	Mei-Fang Wu (New appointment accepted on Nov. 1, 2017)	0	0	0	0
	Tsai-Feng Lin	1,227	0	0	0

Title	Name	2017		As of Mar. 31, 2018	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
SVP & Division Head	Hsien-Lung Chen (New appointment accepted on Dec. 1, 2017)	0	0	0	0
	Shyi-Neng Chen	(17,978)	0	(9,000)	0
	Hsiang-Chun Wu	0	0	0	0
	Hui-Yu Chen	0	0	0	0
	Chaur-Chyan Lin	3,396	0	0	0
	Yi-jung Chan	9	0	0	0
	Pao-Sen Yu	0	0	0	0
	Hsiu-Ching Hsu	0	0	0	0
	Kuo-Hsiang Lin	0	0	0	0
	Lien-Ching Chen	0	0	0	0
Acting SVP & Division Head	Yu-Hsueh Liu (New appointment accepted on Mar. 1, 2018)	-	-	0	0
	Hsiu-Hsia Tsai	642	0	0	0
VP & GM	Shun-Hung Huang	5,086	0	0	0
	Shuo-Hung Huang	1,939	0	0	0
	Fu-Rong Chiu	225	0	0	0
	Yu-Shan Chen	2,375	0	0	0
	Tse-Tsang Tso	5,010	0	0	0
	Fang-Yuan Wu	(3,043)	0	0	0
	Yen-Chun Chen	1,232	0	0	0
	Chi-Tsung Shih	(7,000)	0	0	0
	Cheng-Fu Yang	662	0	0	0
	Yuan-Fen Chen	605	0	0	0
	Mei-Ling Chiu	542	0	0	0
	Ching-Hsiang Liu (New appointment accepted on Sep. 1, 2017)	0	0	0	0
	Shiu-Hwa Chang	649	0	0	0
	Lin-Ling Chen	884	0	0	0
	Der-Ho Chen	63	0	0	0
	Shan-Shin Shen	2,516	0	0	0
	Su-Jane Lin	0	0	0	0
	Hsi-lung Wu (New appointment accepted on Sep. 1, 2017)	0	0	0	0
	Kao-Jung Hsu	463	0	0	0
	Don-Y.T. Wang	15	0	0	0
	Mel-Li Chiu	296	0	0	0
	Yu-Hui Lin	634	0	0	0

Title	Name	2017		As of Mar. 31, 2018	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
VP & GM	Shyr-Chiou Chen	1,337	0	0	0
	Cheng-I Huang (New appointment accepted on Mar. 1, 2018)	-	-	0	0
	Mei-Ching Chang (New appointment accepted on Sep. 1, 2017)	0	0	0	0
	Feng-Tsung Chang	61	0	0	0
	Jin-Kuei Chen	1,094	0	0	0
	Mei-Hsing Lin	733	0	0	0
	Shey-Lin Chang	9	0	0	0
	Chi-Min Chung	2,000	0	0	0
	Jung-Chien Hu	83	0	0	0
	Li-Ling Lan	1,832	0	0	0
	Lih-Lan Yang	8	0	0	0
	Hsiao-Hua Yin	510	0	0	0
	Yu-Yeh Lin	11	0	0	0
	Kang Yang	691	0	0	0
	Yi-Hwang Tzeng	4,742	0	0	0
	Ming-Hua Huang	2	0	0	0
	Szu-Yen Lin	4,706	0	0	0
	Ruei-Jan Chen	3,342	0	0	0
	Mei-Fen Shieh	41	0	0	0
	Hsueh-Su Man	628	0	0	0
	Chung-Long Tsai	628	0	0	0
	Chien-Mei Yu	748	0	0	0
	Kui-Min Hsiao (New appointment accepted on Nov. 1, 2017)	0	0	0	0
	Hui-Jen Wu	2,595	0	0	0
	Ying-Hui Hung	2,766	0	0	0
	Kuei-Mei Hsu	792	0	0	0
	Hui-Ling Lee	0	0	0	0
	Yu-Shu Chen	5,712	0	0	0
	Shu-Chung Chen	529	0	0	0
	Shen-Chia Chen (New appointment accepted on Nov. 1, 2017)	0	0	0	0
	Alec-Lin Hsiang-Ta	5,671	0	0	0
	Chin-Li Lin	3,150	0	0	0

Title	Name	2017		As of Mar. 31, 2018	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
VP & GM	Lin-Li Ku	1,046	0	0	0
	Chin-Hsuan Lee	184	0	0	0
	Li-Hsien Huang	266	0	0	0
	Pi-Chin Shao	144	0	0	0
	Hueih-Rur Shy	(22)	0	0	0
	Li-Feng Shen	1,082	0	0	0
	Cheng-Chi Chuang	32	0	0	0
	Chien-Fa Chen	1	0	0	0
	Shu-Fen Liu	577	0	0	0
	Kuen-Shan Wang	150	0	0	0
	Shu-Hua Tsai	2,237	0	0	0
	Lan-Zu Lin	664	0	0	0
	Huei-Jin Lin	2,000	0	4,000	0
	Ai-Ling Wang	10,727	0	0	0
	Jui-Hui Hsu	574	0	0	0
	Yao-Shen Hsieh (New appointment accepted on Mar. 1, 2018)	-	-	0	0
	Chun-Feng Lee	10,500	0	0	0
	Chun-Yuan Chen (New appointment accepted on Sep. 1, 2017)	0	0	0	0
	Pao-Hua Hsu	9	0	2,000	0
	Ming-Shung Lin	647	0	0	0
	Ching-Fu Lin	0	0	0	0
	Tzy-Yun Chen	19	0	0	0
	Mei-Hwa Huang	(14,435)	0	0	0
	Chi-Hsiang Chen	47	0	0	0
	Li-Min Cheng	162	0	0	0
	Shu-Chuan Lin (New appointment accepted on Nov. 1, 2017)	0	0	0	0
	Shu-Fen Cheng (New appointment accepted on Jan. 1, 2018)	-	-	0	0
	Ai-Hsiu Lai	145	0	0	0
	Mei-Chun Tsou (New appointment accepted on Nov. 1, 2017)	0	0	0	0
	Su-Chen Cheng	16	0	0	0

Title	Name	2017		As of Mar. 31, 2018	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
VP & GM	Chun-Jen Tsai	724	0	0	0
	Wei-Shuo Luo	4,090	0	0	0
	Shu-Chen Shih (New appointment accepted on Nov. 1, 2017)	0	0	0	0
	I-Hsin Weng	22	0	0	0
	Ruey-Horng Weng	5,000	0	0	0
	Chang-Cheng Chu	4,488	0	0	0
	Sheng-Tung Chen	41	0	0	0
	Chyi-Ying Yeh	1,350	0	0	0
	Hui-Fang Chen (New appointment accepted on Mar. 1, 2018)	-	-	0	0
	Jiin-Chour Liu	1,388	0	0	0
	Hsiu-O Hsieh	25	0	0	0
	Shu-Ju Tsai	1,853	0	0	0
	Kui-Fang Tsai	425	0	0	0
	Kuei-Mei Wu	1,424	0	0	0
	Ming-Thur Chen	1,281	0	0	0
	Yeong-Shyang Shyu	56	0	0	0
	Yu-Ling Tang	31	0	0	0
	Jia-Jen Hou	20,361	0	0	0
	Yueh-Chiu Lai	1,856	0	0	0
	Shiow-Ling Kao (New appointment accepted on Mar. 1, 2018)	-	-	0	0
	Tzu-Chiung Huang	5,854	0	0	0
	Shu-Chen Yang (New appointment accepted on Dec. 18, 2017)	0	0	0	0
	Pei-Fen Hsieh	7,663	0	0	0
	Shun-Feng Lo	632	0	0	0
	Ing-Feng Cho	1,028	0	0	0
	Hsueh-Wen Wang	64	0	0	0
	Fu-Jinn Chiou	20	0	0	0
	Su-Ming Cheng	814	0	0	0
	Chin-Huang Chuang	4,680	0	0	0
	Feng-Fuh Chang	42	0	0	0
	Yu-Chin Fan	425	0	0	0
	Chia-Yu Chang (New appointment accepted on Nov. 1, 2017)	0	0	0	0
	Jui-Yueh Wu	0	0	0	0

Title	Name	2017		As of Mar. 31, 2018	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
VP & GM	Chiu-Min Shen (New appointment accepted on Mar. 1, 2018)	-	-	0	0
	Shao-Mao Wang	4,271	0	0	0
	Shu-Lin Liu	1,971	0	0	0
	Pei-Chung Yang	2,084	0	0	0
	Ji-Ming Huang	62	0	0	0
	You-Chen Lee	941	0	0	0
	Chih-Hao Lo	42	0	0	0
	Li-Fen Tseng	20,000	0	0	0
	Jin-Yu Yeh	5,141	0	0	0
	Li-Mei Chang	1,064	0	0	0
	Chiung-Hsiao Hung	3,203	0	0	0
	Tain-Maw Chang	265	0	0	0
	Feng-Hsien Tseng	46	0	0	0
	Rong-Horng Way	605	0	5,000	0
	Tsai-Fu Lin	689	0	0	0
	Li-Hwa Lee	4,748	0	0	0
	Ching-Yuan Wu	1,026	0	0	0
	Ming-Chuan Lin (New appointment accepted on Aug. 1, 2017)	4,335	0	0	0
	Chun-Hong Yeh	23	0	0	0
	Su-Min Hsin	551	0	0	0
	Kuo-Heng Hsu (New appointment accepted on Mar. 1, 2018)	-	-	0	0
	A-R Liu	2,404	0	0	0
	Ber-Lin Yeh	19,339	0	0	0
	Chin-Ping Lai	3,282	0	0	0
	Weng-Chung Chen	2,228	0	0	0
	Zhen-Dong Jian	33	0	0	0
	Shu-Hui Lin (New appointment accepted on Mar. 1, 2018)	-	-	0	0
	Wen-Ko Ho	0	0	0	0
	Wen-Ling Tsai	88	0	0	0
	Chen-Ying Wu	166	0	0	0
	Shinn-Huei Leu	563	0	0	0
	Wen-Ching Chen	1,797	0	0	0
	Yueh-Ying Lai	0	0	0	0

Title	Name	2017		As of Mar. 31, 2018	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
VP & GM	Hsui-Chin Hsu (New appointment accepted on Dec. 1, 2017)	0	0	0	0
	Chiang-An Chang	4,186	0	0	0
	Chung-Shing Her	0	0	0	0
	Fen-Lan Lu	1,642	0	0	0
	Yung-Sheng Chen	54	0	0	0
	Mei-Hui Wu	493	0	0	0
	Cheng-Chi Chen	7,672	0	0	0
	Chih-Ming Kuo	1,708	0	0	0
	Chun-Hung Tung	3,018	0	0	0
	Wang-Ming Lee	72	0	0	0
	Yen-Yu Liu	27	0	0	0
	Chien-Tai Ping	0	0	0	0
	Shiou-Yann Lin	67	0	0	0
	Chi-Ching Hung	0	0	0	0
	Feng-Yuan Shia	5,196	0	0	0
	Su-Chuan Wang	13,356	0	0	0
	Shu-Li Chang	649	0	0	0
	Cheng-Lin Cheng	12	0	0	0
	Wen-Chung Huang	19	0	0	0
	Ti-Tien Liao	100	0	0	0
	Pao-Yu Yeh	(18,963)	0	0	0
	Shwu-Ruu Lee	2,526	0	0	0
	Su-Wei Liang	1,076	0	0	0
	Tai-An Lu	432	0	0	0
	Show-Ching Chen	1	0	0	0
	Shiow-Jy Lee	4,961	0	0	0
	Sui-Kuang Chiang	8,184	0	0	0
	Wan-Ling Chen	1,617	0	0	0
	Tzeng-Hurng Lee	1,868	0	0	0
	Wan-Hwa Chien	389	0	0	0
	Teng-Ching Chen	1,837	0	0	0
	Li-Chu Shu	0	0	0	0
	Ruey-Sen Yang	5,196	0	0	0
	Hui-Ju Lee	2,137	0	0	0
	Shu-Fen Lee (New appointment accepted on Aug. 1, 2017)	3,391	0	0	0

Title	Name	2017		As of Mar. 31, 2018	
		Changes in shareholding	Changes in pledged shareholding	Changes in shareholding	Changes in pledged shareholding
VP & GM	Lun-Jan Lan	10,541	0	0	0
	Shu-Hei Chang	2,265	0	0	0
	Wen-Ching Chang	163	0	0	0
	Ching-Chung Chen	42	0	0	0
	Chien-Shan Liu (New appointment accepted on Mar. 1, 2018)	-	-	0	0
	Wan-Chin Chang	7,622	0	0	0
	Shyh-Chau Lin	2,603	0	0	0
	Cheng-Yi Hsieh	0	0	0	0
	Hsiu-Chuan Teng	30	0	0	0
	Chin-Lung Pan	270	0	0	0
	Chi-Hsin Chao (New appointment accepted on Dec. 29, 2017)	0	0	0	0
	Li-Chiao Li	3,205	0	0	0
	Huan-Yu Chiu	1,060	0	10,000	0
	Hsiu-Chu Tseng	0	0	0	0
The Government or Juristic Person Shareholder Representative by Director (Major Shareholder) (Note 1)	Taishin Financial Holding Co., Ltd	101,060,608	0	0	0
The Government or Juristic Person Shareholder Representative by Director (Major Shareholder) (Note 1)	Ministry of Finance	54,653,610	0	0	0
The Government or Juristic Person Shareholder Representative by Director (Major Shareholder) (Note 1)	National Development Fund, Executive Yuan	12,324,710	0	0	0
The Government or Juristic Person Shareholder Representative by Director	Lee Investment Co., Ltd	4,420,107	0	0	0
Same Person or Same Concerned Party holding 10% or more of the shares (Note 2)	Taishin Financial Holding Co., Ltd.	101,060,608	0	0	0
	Taishin International Bank Co., Ltd. (Note 3)	1,191,071	0	0	0

Note 1: The shareholder holding 1% or more of the Bank's shares.

Note 2: Shareholders conform to the Regulations Governing a Same Person or Same Concerned Party Holding the Issued Shares with Voting Rights over a Particular Ratio of a Bank, Article 11.

Note 3: Subsidiary of TSFHC.

b. Information of shareholding transfer

None.

c. Information for shareholding pledge

None.

I. Information Disclosing the Relationship between Any of the Bank's Top Ten Shareholders

April 10, 2018

Name	Shareholding		Shareholding by Spouse & Minor Children		Shareholding under Others' Name		Names and the Relationship among the Top Ten Shareholders in the Relationship of Related Parties or Spouses, Blood Relatives within the Second Degree of Kinship		Note
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Taishin Financial Holding Co., Ltd. (Representative Thomas T.L. Wu)	2,122,272,773	22.55	0	0	0	0	None		None
Ministry of Finance (Representative Yu-Che Hsu)	1,147,725,811	12.19	0	0	0	0	None		None
Lungyen Life Service Corporation, Ltd. (Representative Wei-Lung Liu)	369,048,701	3.92	0	0	0	0	Cheng Chang Investment Co., Ltd.	Cheng Chang Investment Co., Ltd. as a Juristic Person Shareholder representative by Director and one of top ten shareholders of Lungyen Life Service Corporation, Ltd.	None
							Lee Investment Co., Ltd.	Lee Investment Co., Ltd. as one of top ten shareholders of Lungyen Life Service Corporation, Ltd.	
First Commercial Bank (Representative Ruei-Bin Dung)	269,087,988	2.86	0	0	0	0	None		None
National Development Fund, Executive Yuan (Representative Mei-Ling Chen)	258,818,927	2.75	0	0	0	0	None		None
Cheng Chang Investment Co., Ltd. (Representative Shih-Tsung Lee)	173,217,080	1.84	0	0	0	0	Lee Investment Co., Ltd.	Same person act as chairman.	None
							Lungyen Life Service Corporation, Ltd.	Cheng Chang Investment Co., Ltd. as a Juristic Person Shareholder representative by Director and one of top ten shareholders of Lungyen Life Service Corporation, Ltd.	
Chunghwa Post Co., Ltd. (Representative Guo-Tsai Wang)	166,152,864	1.77	0	0	0	0	None		None
Excel Chemical Co., Ltd. (Representative Cheng-Ching Wu)	148,860,397	1.58	0	0	0	0	None		None
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	101,898,138	1.08	0	0	0	0	None		None
Lee Investment Co., Ltd. (Representative Shih-Tsung Lee)	92,822,247	0.99	0	0	0	0	Cheng Chang Investment Co., Ltd.	Same person act as chairman.	None
							Lungyen Life Service Corporation, Ltd.	Lee Investment Co., Ltd. as one of top ten shareholders of Lungyen Life Service Corporation, Ltd.	

J. Omnibus Shareholding Ratio

December 31, 2017 Unit: Shares; %

Omnibus Shareholding Ratio	The Bank's Investment		The investment subsidiaries directly or indirectly controlled and managed by directors, supervisors, general managers, executive vice president, the chief of each division or branch and the Bank		Omnibus Investment	
	Shares	(%)	Shares	(%)	Shares	(%)
Asia Pacific Telcom	15,000,000	0.35	0	0	15,000,000	0.35
MasterLink Securities Corporation	64,152,806	4.01	0	0	64,152,806	4.01
Taiwan Stock Exchange Corp.	20,818,473	3.00	0	0	20,818,473	3.00
Taiwan Sugar Corporation	23,246,159	0.41	0	0	23,246,159	0.41
Taiwan Power Company	235,726,532	0.71	0	0	235,726,532	0.71
Chi Yi Construction Management Company	556,965	1.47	0	0	556,965	1.47
Taipei Forex Inc	700,000	3.53	0	0	700,000	3.53
Lien-An Service Corp.	125,000	5.00	0	0	125,000	5.00
CDIB & Partners Investment Holding Corp.	54,000,000	4.95	0	0	54,000,000	4.95
Nomura Asset Management Taiwan Ltd.	1,413,725	4.09	0	0	1,413,725	4.09
Financial Information Service Co.	6,047,370	1.16	0	0	6,047,370	1.16
Taiwan Futures Exchange	3,151,802	1.00	0	0	3,151,802	1.00
Taiwan Asset Management Corporation	150,000,000	11.35	0	0	150,000,000	11.35
Taiwan Financial Asset Service Corporation	5,000,000	2.94	0	0	5,000,000	2.94
Financial ESolution Co., Ltd.	905,475	4.12	0	0	905,475	4.12
Taiyu Products Corp.	5,748,382	4.77	0	0	5,748,382	4.77
Debt Instruments Depository and Clearing Co. Taiwan	299,811	0.08	0	0	299,811	0.08
Sun Asset Management Corporation	41,768	0.70	0	0	41,768	0.70
Taiwan Mobile Payment Co., Ltd.	1,800,000	3.00	0	0	1,800,000	3.00
Taiwan High Speed Rail Corporation	44,500,000	0.79	0	0	44,500,000	0.79

Note: Pursuant to Article 74 of the Banking Act.

IV | Fund-Raising Status

A. Shares and Dividends

a. Capital Sources

Year/ Month	Issuing Price	Authorized Capital		Paid-in Capital		Note	
		Shares	Amount	Shares	Amount	Sources of Capital	Others
Dec. 2017	NT\$ 10	11,000,000,000	110,000,000,000	9,413,000,718	94,130,007,180	Capital Increased by Capital Surplus was NT\$ 7,322,073,289	Letter No. 0910135530 issued by MOF registration effective on Jun.28, 2002.
						Issuance of Common Stock for Cash was NT\$ 17,197,857,875	Letter No. 0920144278 issued by MOF registration effective on Sep. 18, 2003.
						Issuance of Common Stock for Cash(private placement) was NT\$14,000,000,000	Letter No. 0942000915 issued by FSC registration effective on Sep. 29, 2005.
						Capital Increased by Earning was NT\$55,610,076,016	Effective date of FSC registration was on July 5, 2017

Category of Shares	Authorized Capital			Note
	Outstanding Shares	Un-issued Shares	Total	
Common Shares	7,290,727,945	1,586,999,282	11,000,000,000	Listed Stocks
	2,122,272,773			Unlisted Stocks

b. Structure of Shareholders

April 10, 2018

Structure of Shareholders	Government Institutions	Financial Institutions	Other Juristic Person Shareholder	Personal Shareholder	Foreign Institutions and Personal Shareholder	Total
Quantity						
Number of Holders	8	51	413	194,503	571	195,546
Shareholding Amount	1,450,644,440	2,820,449,248	1,114,999,706	2,322,425,495	1,704,481,829	9,413,000,718
Shareholding Ratio (%)	15.41	29.96	11.85	24.67	18.11	100

c. Distribution of Shareholding

April 10, 2018; Par Value NT\$ 10

Classification of Shareholding	Number of Shareholders	Shareholding Amount	Shareholding Ratio (%)
1 ~ 999	62,649	17,016,543	0.18
1,000 ~ 5,000	69,092	167,011,391	1.77
5,001 ~ 10,000	25,082	181,610,790	1.93
10,001 ~ 15,000	10,350	127,002,888	1.35
15,001 ~ 20,000	7,696	128,758,753	1.37
20,001 ~ 30,000	6,367	155,159,557	1.65
30,001 ~ 50,000	5,981	227,139,949	2.41
50,001 ~ 100,000	4,375	306,236,885	3.25
100,001 ~ 200,000	2,219	304,679,886	3.24
200,001 ~ 400,000	913	248,022,141	2.63
400,001 ~ 600,000	251	122,549,279	1.30
600,001 ~ 800,000	116	80,376,892	0.85
800,001 ~ 1,000,000	91	82,122,362	0.87
1,000,001 ~	364	7,265,313,402	77.20
Total	195,546	9,413,000,718	100.00

d. Major Shareholders

April 10, 2018

Major Shareholders	Shares	Shareholding Amount	Shareholding Ratio(%)
Taishin Financial Holding Co., Ltd.		2,122,272,773	22.55
Ministry of Finance		1,147,725,811	12.19
Lungyen Life Service Corporation, Ltd.		369,048,701	3.92
First Commercial Bank		269,087,988	2.86
National Development Fund, Executive Yuan		258,818,927	2.75
Cheng Chang Investment Co., Ltd.		173,217,080	1.84
Chunghwa Post Co., Ltd.		166,152,864	1.77
Excel Chemical Co., Ltd.		148,860,397	1.58
Dedicated Account of Vanguard Emerging Markets Stock Index Fund in custody of Standard Chartered Bank		101,898,138	1.08

Note: Referring to declared shareholding ratio up to over 1%.

The Top Ten Shareholders and Their Shareholding Amount and Ratio

April 10, 2018

Ranking	Shareholder's Name	Shareholding Amount	Shareholding Ratio(%)
1	Taishin Financial Holding Co., Ltd.	2,122,272,773	22.55
2	Ministry of Finance	1,147,725,811	12.19
3	Lungyen Life Service Corporation, Ltd.	369,048,701	3.92
4	First Commercial Bank	269,087,988	2.86
5	National Development Fund, Executive Yuan	258,818,927	2.75
6	Cheng Chang Investment Co., Ltd.	173,217,080	1.84
7	Chunghwa Post Co., Ltd.	166,152,864	1.77
8	Excel Chemical Co., Ltd.	148,860,397	1.58
9	Dedicated Account of Vanguard Emerging Markets Stock Index Fund in custody of Standard Chartered Bank	101,898,138	1.08
10	Lee Investment Co., Ltd.	92,822,247	0.99

e. Market Price Per Share, Net Assets Per Share, EPS, Dividends and Other Relevant Information for the Past Two Fiscal Years

Unit: NT\$

Items		FY	2017	2016
Market Price Per Share	Highest		18.80	17.45
	Lowest		16.10	14.90
	Average		17.17	16.41
Net Assets Per Share	Before Distribution		15.40	15.34
	After Distribution		14.37	14.21
Earning Per Shares	Average Outstanding Stock(thousand shares)		9,413,000	8,964,762
	EPS	Before Adjustments	1.28	1.34
		After Adjustments	1.23	1.28
Dividends	Cash Dividend (Note 1)		0.45	0.42
	Stock Grant	Allotment by Earning	0.4	0.5
		Allotment by Capital Surplus	-	-
	Accumulated Undistributed Dividends		-	-
Analysis for Return on Investment	Price to Earnings Ratio (Note 2)		13.41	12.25
	Price to Dividends Ratio (Note 3)		38.16	39.07
	Cash Dividends Yield (%) (Note 4)		2.62	2.56

Note 1: The earnings distribution for year 2017 hasn't been approved by the 2018 General Shareholders' Meeting.

Note 2: Price to earnings ratio = Average closing price of the said year / Earnings per share.

Note 3: Price to dividends ratio = Average closing price of the said year / Cash dividends per share.

Note 4: Cash dividends yield = Cash dividends per share / Average closing price of the said year.

f. The Policy and Implementation of Dividends

1. Dividend Policy:

According to Article 38-1 of Articles of Incorporation of the Bank, the dividend policies are as follows:

After the final closing of accounts, surplus, if any, shall be used to make up for the prior year's loss and payment of tax before setting aside 30% of the net profit as statutory reserve in accordance to Banking Act and provision or reverse of special reserves under other relevant law. The rest of surplus at the said year and other undistributed surplus of previous years as distributed shareholder's dividends and bonuses can be allocated 30% to 100% proposed by the Board of Directors and approved at the Shareholders' General Meeting before actual distribution.

In order to continuously expand the Bank's operation and increase its profitability, the Bank adopts the residual dividend approach. According to the Bank's business needs and taking into account future plan for capital budgeting, shareholders' dividend and bonus shall be given primarily in the form of stock dividend in order to reserving an amount for necessary funds and distributing the remainder in the form of cash, provided such cash dividend shall not be less than 10% of the total dividends. No cash dividend will be distributed if the cash dividend falls short of NTD 0.1 per share, unless otherwise determined in the shareholders' meeting.

The Bank shall not distribute cash profits or buy back shares if any situation stipulated in Article 44-1, paragraph 1 of the Banking Act occurs.

If the total amount of the legal reserve as stipulated in subparagraph 1 has not reached the total amount of capital, the amount of profit distributed as cash may not exceed 15% of the total capital.

In the event that the legal reserve equals or exceeds the Bank's paid-in capital or the Bank is sound in both its finance and business operations and has set aside legal reserve in compliance with the Company Law, the restrictions stipulated in paragraph 1 and paragraph 4 shall not apply.

2. The dividend distribution proposed by shareholders' meeting:

- (1) A cash dividend (NT\$ 0.45 per share) is distributed among common stockholders: a total of NT\$ 4,235,850,323.
- (2) A stock dividend (NT\$ 0.40 per share) is distributed among common stockholders: a total of NT\$ 3,765,200,280.

g. The Effects of Stock Dividends Proposed by Shareholders' Meeting on the Operation Results and Earnings Per Share

According to "Regulations Governing the Publication of Financial Forecasts of Public Companies" and "Criteria for Judging Whether a Listed Company Publishes Complete Financial Forecasts" announced by the Taiwan Stock Exchange, the Bank did not publish its 2018 financial forecasts. The Bank is unable to disclose the forecasts, affected by distributing stock dividends mentioned above, for operating income, profits, losses, and earnings per share; hence this item is not applicable for the bank.

h. Employees' Bonus and the Compensations for Directors

1. According to Article 38 of Articles of Incorporation of the Bank, the Employees' Bonus and the Compensations for Directors are as follow:

At the end of fiscal year, profit (profit refers to profit before tax and before deduction of bonuses of employees and remuneration of directors), if any, shall be distributed with 1% to 6% of the profit as employees' bonuses and up to 0.8% distributed as remuneration of directors. However, if the Bank has any accumulated losses, profits shall be reserved to cover such amounts first.

The aforementioned bonuses of employees can be in the form of stocks or cash; while remuneration for directors shall be in the form of cash.

The aforementioned bonuses and remuneration shall be proposed at the Board of Directors' Meeting attended by at least two-thirds of the directors and approved by at least half the directors present at the meeting, and reported at the Shareholders' Meeting.

2. The difference between estimated and actual employee bonuses and remuneration to directors as well as actual stock dividends distributed amount shall be handled by accountants as follows:

During the fiscal year for employees providing labor services, employees' bonuses and remuneration to directors shall be adequately estimated and recognized as expenses based on past experiences. If the amounts are changed after approved annual financial statement releases in the following year, the changes shall be handled as per the "changes in accounting estimates" procedure and recognized as profit/loss of the following year.

3. The information of proposed distribution approved by the Board of Directors:

- (1) Payment in cash bonus to employees is NT\$749,710,950, stock bonus to employees is NT\$0 and compensation to directors in cash is NT\$59,976,876. The total amount of above payment is different from the estimated amount which was recognized as expense in fiscal year. The difference between two amounts is NT\$312,174 caused by the change of accounting estimation and recognized as the profit in 2018.

- (2) The proportion of the proposed distribution amount of employees' stock bonus to net income, and the sum of employees' bonus: None.

4. Actual earnings distribution to employees' bonus and remunerations to directors for the previous year:

In the previous year (2016), the Bank distributed an employee cash bonus of NT\$745,075,838, the Director (excluding Independent Director) remuneration totaled NT\$59,606,067, the same as what had been approved at the General Shareholders' Meeting.

i. Repurchase of the Banks' Shares

None.

B. Issuance Status of Financial Bonds

Unit: thousand

Types of Financial Bonds	1 st Perpetual Non-cumulative Subordinate Financial Debentures Issue in 2010	1 st Subordinate Financial Debentures Issue in 2011	2 nd Subordinate Financial Debentures Issue in 2011
Date and serial No. approved by authority	April 20, 2010 Letter No. (FSC) Gin-Guan-Ying Guo 09900131270	April 20, 2010 Letter No. (FSC) Gin-Guan-Ying Guo 09900131270	April 20, 2010 Letter No. (FSC) Gin-Guan-Ying Guo 09900131270
Issuing Date	June 29, 2010	March 11, 2011	April 18, 2011
Face Value	10 million	10 million	10 million
Issuance & Trading Location	Taipei City	Taipei City	Taipei City
Currency	NTD	NTD	NTD
Offering Price	Issued at Par Value	Issued at Par Value	Issued at Par Value
Issuing Amount	5,000,000	B: 1,100,000	6,700,000
Coupon Rate	The coupon rate for the first ten years from issuing date is 3.15%. If the bond is not recalled at the end of the tenth year, its coupon rate will be changed to 4.15%.	B: 1.72%	The annual rate is a floating rate of the index rate (Note) plus 0.20%.
Maturity	Perpetual	B: 10-year term, maturity date: March 11, 2021	10-year term, maturity date: April 18, 2021
Rank	Given a priority next to holders of the Bank's Tier II capital subordinated bonds, all other depositors, and other ordinary creditors.	Second-Lien	Second-Lien
Guarantor	---	---	---
Trustee	---	---	---
Underwriter	---	---	---
Verification Lawyer	Lawyer Ya-Ping Chaing	Lawyer Ya-Ping Chaing	Lawyer Ya-Ping Chaing
Verification Accountant	Deloitte & Touche Hung-Hsiang Tsai	Deloitte & Touche Hung-Hsiang Tsai	Deloitte & Touche Hung-Hsiang Tsai
Verification Financial Institution	---	---	---
Payment	Ten years after this bond is issued, if the Bank's capital adequacy ratio (CAR) after redemption of the bond meets the minimum CAR requirement stipulated by the supervisory authority at the time the bond was issued and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 35 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.	Bullet	Bullet
Outstanding Amount	5,000,000	B: 1,100,000	6,700,000
Prior Year Paid-in Capital	62,094,756	62,094,756	62,094,756
Prior Year Net Book Value	79,154,442	79,154,442	79,154,442
Payment Status	Normal	Normal	Normal
Redemption or Early Settlement Terms	Ten years after this bond is issued, if the Bank's capital adequacy ratio (CAR) after redemption of the bond meets the minimum CAR requirement stipulated by the supervisory authority at the time the bond was issued and its redemption has been approved by the supervisory authority, the Bank may redeem the bond before the maturity date by making an announcement 35 days prior to the scheduled redemption date and redeem the bond in full at its face value with the accrued interest paid.	None	None
Conversion and Exchange Terms	None	None	None
Restriction Terms	Subordinate bonds	Subordinate bonds	Subordinate bonds
Use of Proceeds	To strengthen the capital structure according to the mid- to long-term capital requirements of the Bank	To strengthen the capital structure according to the mid- to long-term capital requirements of the Bank	To strengthen the capital structure according to the mid- to long-term capital requirements of the Bank
Debt/Prior Year Net Book Value (Debt includes current new issue plus all outstanding issue amount) (%)	35.82%	39.99%	48.45%
Ranking of Capital Assets (Tier I, Tier II ...)	Yes, Tier I	Yes, Tier II	Yes, Tier II
Credit Rating Agency, Rating Date and Rating	Taiwan Rating June 15, 2010 Bond Rating twA	Taiwan Rating December 8, 2011 Bond rating twAA-	Taiwan Rating December 8, 2011 Bond rating twAA-

Unit: thousand

Types of Financial Bonds	1 st Subordinate Financial Debentures Issue in 2014	2 nd Unsecured Financial Debentures C in 2014	1 st Subordinate Financial Debentures Issue in 2016	1 st Subordinate Financial Debentures Issue in 2017
Date and serial No. approved by authority	June 13, 2013 Letter No. (FSC) Gin-Guan-Ying Guo 10200162140	November 5, 2014 Letter No. (FSC) Gin-Guan-Ying Guo 10300313330	August 23, 2016 Letter No. (FSC) Gin-Guan-Ying Guo 10500201300	August 23, 2016 Letter No. (FSC) Gin-Guan-Ying Guo 10500201300
Issuing Date	April 16, 2014	December 17, 2014	September 27, 2016	March 29, 2017
Face Value	10 million	USD 1 million	10 million	10 million
Issuance & Trading Location	Taipei City	Taipei City	Taipei City	Taipei City
Currency	NTD	USD	NTD	NTD
Offering Price	Issued at Par Value	Issued at Par Value	Issued at Par Value	Issued at Par Value
Issuing Amount	A: 2,200,000 B: 5,300,000 C: 2,500,000	USD 260 million	A: 3,000,000 B: 3,300,000	A: 1,530,000 B: 8,670,000
Coupon Rate	A: 1.7% B: 1.85% C: The annual rate is a floating rate of the index rate (Note) plus 0.45%.	0%	A: 1.09% B: 1.20%	A: 1.50% B: 1.85%
Maturity	A: 7-year term, maturity date: April 16, 2021 B: 10-year term, maturity date: April 16, 2024 C: 10-year term, maturity date: April 16, 2024	20-year term, maturity date: December 17, 2034	A: 7-year term, maturity date: September 27, 2023 B: 10-year term, maturity date: September 27, 2026	A: 7-year term, maturity date: March. 29, 2024 B: 10-year term, maturity date: March 29, 2027
Rank	Second-Lien	Senior Unsecured	Second-Lien	Second-Lien
Guarantor	---	---	---	---
Trustee	---	---	---	---
Underwriter	---	---	---	---
Verification Lawyer	Lawyer Ya-Ping Chiang	Lawyer Ya-Ping Chiang	Lawyer Ya-Ping Chiang	Lawyer Ya-Ping Chiang
Verification Accountant	Deloitte & Touche Jerry Gung	Deloitte & Touche Jerry Gung	Deloitte & Touche Jerry Gung	Deloitte & Touche Jerry Gung
Verification Financial Institution	---	---	---	---
Payment	Bullet	Callable	Bullet	Bullet
Outstanding Amount	A: 2,200,000 B: 5,300,000 C: 2,500,000	USD 260 million	A: 3,000,000 B: 3,300,000	A: 1,530,000 B: 8,670,000
Prior Year Paid-in Capital	77,490,592	NTD\$ 77,490,592	84,573,232	84,573,232
Prior Year Net Book Value	103,084,694	NTD\$ 107,753,894	126,514,896	126,514,896
Payment Status	Normal	Normal	Normal	Normal
Redemption or Early Settlement Terms	None	IRR 4.15%, Non call 5 years, then callable annually	None	None
Conversion and Exchange Terms	None	None	None	None
Restriction Terms	Subordinate bonds	None	Subordinate bonds	Subordinate bonds
Use of Proceeds	To strengthen the capital structure according to the mid- to long-term capital requirements of the Bank	Supplement to mid- to long-term USD funding source	To strengthen the capital structure according to the medium and long term capital requirements of the Bank	To strengthen the capital structure according to the medium and long term capital requirements of the Bank
Debt/Prior Year Net Book Value (Debt includes current new issue plus all outstanding issue amount) (%)	51.66%	72.94%	52.14%	38.90%
Ranking of Capital Assets (Tier I, Tier II ...)	Yes, Tier II	No	Yes, Tier II	Yes, Tier II
Credit Rating Agency, Rating Date and Rating	Taiwan Ratings April 7, 2014 Bond Rating tw A	Taiwan Ratings December 5, 2014 Bond Rating tw AA	Taiwan Ratings November 27, 2015 Bond Rating tw AA	Taiwan Ratings November 29, 2016 Bond Rating tw AA

Note :The index rate is the average of the fixing rate of the 90 days commercial paper in the secondary market shown on page 6165 of Reuters information screen around 11:00 am (Taipei Time) on the issuance day and 2 days before the rate adjusting day. However, starting from January 1, 2015, the above benchmark interest has been changed to the 3-month "Taipei Interbank Offered Rate (TAIBOR)" published on Bankers Association website 2 banking business days before the adjustment date. If there is no quotation of the benchmark interest due to any reason, an interest rate of equivalent tenor available 1 banking business day before the adjustment date can be used instead.

C. Issuance of Preferred Shares

The Bank's type B preferred stocks issued on October 3, 2005 have been converted to common stock on October 3, 2008. No preferred stocks were issued as of baseline date December 31, 2017.

D. The Issuance of Global Depositary Receipt

None.

E. The Status of Employees' Stock Warrant

- a. Disclosure of the utilization status of outstanding employee stock options and its effect on shareholders' equity as of the publication date of the annual report.

None.

- b. Names, options size and subscription status of bank executives whose accumulated subscription option shares rank among the top 10 with a subscription value over NT\$30 million.

None.

F. Status of New Employee Restricted Shares

- a. Any new restricted shares that employees are not yet fully entitled to receive, and its impact on shareholders' equity as of the date of annual report publication.

None.

- b. Names and stock size of managers who are entitled to receive new restricted shares and employees in top 10 ranking for new restricted shares as of the date of annual report publication.

None.

G. Merger or Stock Transfer for other Financial Institutions

- a. Any merger or stock transfer for other financial institutions in a recent year should disclose accountants' opinion on the rationality of the stock exchange rate.

None.

- b. Publicly listed or OTC-listed banks should disclose status of any merger or stock transfer for other financial institutions for the last five years.

The Bank engaged in consolidating CHB Insurance Agency Company, Ltd. and CHB Insurance Brokerage Company, Ltd. on April 1, 2016, and both entities were wholly-owned subsidiaries by the Bank. The Bank has assumed assets as well as liability on the book after merger, all rights and obligations as of merger baseline date of CHB Life Insurance Agency Company, Ltd. and CHB Insurance Brokerage Company, Ltd. There were no impacts to the shareholders.

H. Capital Investment and Utilization Plans

Fiscal Year	Plan	Date and Serial No. Approved by FSC	Purpose	Execution and Quota Usage	Comparison with the Expected Performance
2014	The Bank was approved by FSC on November 5, 2014, to issue USD \$1 billion long-term unsecured financial debenture. Valid for one year from the approval date (until November 5, 2015).	November 5, 2014 Letter No. (FSC) Gin-Guan-Ying Guo10300313330	Supplement to mid- to long-term USD funding source	<p>(1) Execution The bank has issued of the USD 500 Million long-term Unsecured Financial Debentures C, B and A on December 17, 18 and 19 of 2014, respectively. All capital obtained from the issuance is used to be the supplement for the mid- to long-term USD funding source of the Bank. Unsecured Financial Debenture A (USD 140 Million) and B (USD 100 Million) were early redeemed on December 19, 2016 and December 18, 2017 respectively.</p> <p>(2) Quota Usage Due to the issuing cost rose above the Bank's target, the Bank stopped the remaining quota USD 500 Million execution.</p>	Met expectations of funding utilization.
2016	The Bank was approved by FSC on August 23, 2016 to issue the subordinate bonds and the non-cumulative perpetual subordinate bonds. Total amount of NT\$20 billion with maximum amount of NT\$10 billion from the non-cumulative perpetual subordinate bonds. Valid for one year from the approval date (on August 23, 2017).	August 23, 2016 Letter No. (FSC) Gin-Guan-Ying Guo 10500201300	Increase capital of the Bank, and strengthen capital structure	<p>(1) Execution The Bank has issued NT\$6.3 billion of the subordinate bonds on September 27, 2016. All capital obtained from the issuance bond were used for mid- to long-term credit.</p> <p>(2) Quota Usage Total remaining unused quota was NT\$13.7 billion, including a maximum amount of NT\$10 billion for the non-cumulative perpetual subordinate bonds</p>	Met expectations to enrich the capital performance. The Bank's consolidated capital adequacy ratio rose above 12% at the end of December 2016.
2017	The Bank was approved by FSC on August 23, 2016 to issue the subordinate bonds and the non-cumulative perpetual subordinate bonds. Total amount of NT\$20 billion with maximum amount of NT\$10 billion from the non-cumulative perpetual subordinate bonds. Valid for one year from the approval date (on August 23, 2017).	August 23, 2016 Letter No. (FSC) Gin-Guan-Ying Guo 10500201300	Increase capital of the Bank, and strengthen capital structure	<p>(1) Execution The Bank has issued NT\$10.2 billion of the subordinate bonds on March 29, 2017. All capital obtained from the issuance bond were used for mid- to long-term credit.</p> <p>(2) Quota Usage Total remaining unused quota was NT\$3.5 billion, no debentures had been issued before the quota expiration</p>	Met expectations to enrich the capital performance. The Bank's consolidated capital adequacy ratio rose above 13% at the end of December 2017.
2017	The Bank was approved by FSC on November 10, 2017 to issue the subordinate bonds and the non-cumulative perpetual subordinate bonds. Total amount of NT\$20 billion with maximum amount of NT\$10 billion from the non-cumulative perpetual subordinate bonds. Valid for one year from the approval date (on November 10, 2018).	November 10, 2017 Letter No. (FSC) Gin-Guan-Ying Guo 10600263560	Increase capital of the Bank, and strengthen capital structure	The quota has not been implemented by the end of 2017.	-

V | Operations Overview

A. Business Information

a. Business performance during the past two years

The business activities of each primary business category, assets of each business category and (or) as percentage of total assets, and (or) as percentages of revenue, growth and changes are as follows:

1. Deposit:

Unit: NT\$ 1,000

Items \ FY	2017		2016		Increase (Decrease) Amount	Increase (Decrease) %
	Amount	%	Amount	%		
Demand Deposit	978,840,344	57.60	947,103,849	57.30	31,736,495	3.35
Time Deposit	690,890,233	40.65	675,973,927	40.90	14,916,306	2.21
Interbank Deposit	29,770,824	1.75	29,808,098	1.80	(37,274)	-0.13
Total	1,699,501,401	100.00	1,652,885,874	100.00	46,615,527	2.82
Ratio (to liabilities and equity)	2,036,258,400	83.46	2,005,151,504	82.43	31,106,896	1.55

Note : Total amount of liabilities and equity for 2017 and 2016 were 2,036,258,400 thousand and 2,005,151,504 thousand.

2. Loans:

Unit: NT\$ 1,000

Items \ FY	2017		2016		Increase (Decrease) Amount	Increase (Decrease) %
	Amount	%	Amount	%		
Short-term Loans	370,116,145	26.64	366,098,986	26.52	4,017,159	1.10
Mid-term Loans	454,955,547	32.75	467,363,994	33.86	(12,408,447)	-2.65
Long-term Loans	564,200,949	40.61	546,771,155	39.61	17,429,794	3.19
Total	1,389,272,641	100.00	1,380,234,135	100.00	9,038,506	0.65
Ratio (to total assets)	2,036,258,400	68.23	2,005,151,504	68.83	31,106,896	1.55

Note : Total assets for 2017 and 2016 were 2,036,258,400 thousand and 2,005,151,504 thousand.

3. Foreign exchange:

Unit: US\$1,000

Items \ FY	2017		2016		Increase (Decrease) Amount	Increase (Decrease) %
	Amount	%	Amount	%		
Exports	3,829,794	2.84	3,608,375	2.94	221,419	6.14
Imports	4,762,910	3.54	3,979,699	3.25	783,211	19.68
Remittances	126,124,765	93.62	114,998,978	93.81	11,125,787	9.67
Total	134,717,469	100.00	122,587,052	100.00	12,130,417	9.90

4. Cards:

Unit: Cards/NT\$1,000

	Items	2017	2016	Increase (Decrease)	Increase (Decrease) %
Card issuance	Credit cards in circulation	424,826	424,551	275	0.06
	Active cards	200,027	207,437	(7,410)	-3.57
	Credit card-spending	16,339,103	16,214,325	124,778	0.77
	Revolving credit	300,969	304,242	(3,273)	-1.08
Merchant business	Entity store, internet store and ATM transaction amount	8,831,663	3,588,345	5,243,318	146.12

5. E-Banking:

Items \ FY	2017	2016	Increase (Decrease)	Increase (Decrease) %
	Number of transactions	Number of transactions		
Internet Banking	36,718,833	36,425,003	293,830	0.8
Telephone Banking	1,073,559	1,177,105	(103,546)	-8.79
Mobile Banking	8,037,363	6,886,968	1,150,395	16.70

6. Trust:

(1) Trust business volume:

Unit: NT\$ million

FY	2017	2016	Growth Rate %
Items			
Non-discretionary money trusts investing in foreign securities	27,577	15,827	74.24
Non-discretionary money trusts investing in domestic securities	19,083	13,793	38.35
Balance of assets under custody at year-end	147,247	130,409	12.91
Attestation for the issuance of securities	37,484	18,249	105.40
Securities trust at year-end	778	3,544	-78.05
Real estate trust at year-end	15,762	13,599	15.91

Note : 1. The amount of securities certified does not include those of beneficiary certificates.

2. The "Balance assets under custody at year-end" includes balances of securities investment trust fund held in trust and discretionary investment assets held in trust.

3. "Securities trust" and "Real estate trust" are filed in the report on the balance of trust assets.

(2) Trust fee Income:

Unit: NT\$ million

FY	2017		2016		Fee Income Growth Rate of Trust Business %
Items	Fee Income of Trust Business	Ratio (to fee income of the Bank)	Fee Income of Trust Business	Ratio (to fee income of the Bank)	
Non-discretionary money trusts investing in foreign securities	614	10.13	386	5.88	59.07
Non-discretionary money trusts investing in domestic securities	173	2.86	105	1.60	64.76
Custodian fees	257	4.24	249	3.79	3.21
Attestation fees for securities issuance	3	0.06	3	0.05	0
Other	40	0.66	58	0.88	-31.03
Total	1,088	17.95	801	12.20	35.83

7. Wealth management:

Unit: NT\$ million

FY	2017	2016	Growth Rate %
Items			
Fee income from fund subscriptions	461	196	135.20
Commission revenues from life insurance	2,145	2,664	-19.48
Revenues from structured investments	46	49	-6.12
Total	2,652	2,909	-8.83

8. Investment:

(1) Investment in securities:

Unit: NT\$ million

FY	2017	2016	Growth Rate %
Items			
Government Bonds	19,615	31,660	-38.04
Financial Bonds	37,459	38,003	-1.43
Corporate Bonds	28,216	24,733	14.08
Stocks (Short-term Investment)	2,065	1,642	25.76

(2) Short-term bills underwriting and trading:

Unit: NT\$ million

FY	2017	2016	Growth Rate %
Items			
Amount of Outright Purchases	90,186	211,178	-57.29
Amount of Outright Sales	282	207	36.23
Amount of Repurchase Agreements	31,940	30,384	5.12

(3) Proprietary trading in government bonds:

Unit: NT\$ million

Items	FY	2017	2016	Growth Rate %
Volume of Proprietary Trading in Government Bonds (Outright Transactions)		64,601	145,463	-55.59
Volume of Proprietary Trading in Government Bonds (With Repo)		15,305	19,270	-20.58
Balance of Proprietary Trading in Government Bonds		5,507	9,916	-44.46

9. Security:

Unit: NT\$ million

Items	FY	2017	2016	Growth Rate %
Amount of Security Underwritten		606	1,511	-59.89
Volume of Security Brokerage Operations		92,103	61,155	50.61
Credit Outstanding in the Security Financing Business		305.65	269.27	13.51

10. Weightings and changes of net income:

Unit: NT\$ 1,000

Items	FY	2017		2016		Increase (Decrease) Amount	Increase (Decrease) %
		Amount	%	Amount	%		
Net Interest Income		22,656,870	73.58	21,726,769	70.07	930,101	4.28
Net Fee Income		4,798,618	15.58	5,411,772	17.45	(613,154)	-11.33
Net Trading Income		2,830,804	9.19	2,783,217	8.98	47,587	1.71
Net Securities Brokerage and Underwriting Income		68,843	0.22	46,918	0.15	21,925	46.73
Other Operation Net Income		441,584	1.43	1,039,805	3.35	(598,221)	-57.53
Total		30,796,719	100.00	31,008,481	100.00	(211,762)	-0.68

b. 2018 Business plans

Please refer to "I. Letter to Shareholders B. 2018 Highlights of Business Plans."

c. Market analysis

1. Main areas of the Bank (CHB):

The Bank's service network spans Asia, Europe, the Americas and Taiwan. We have 185 domestic offices, Offshore Banking Unit and 10 overseas units located in the world's major financial centers, including branches in New York, Los Angeles, Tokyo, London, Hong Kong, Singapore, Kunshan, Kunshan Huaqiao Sub-Branch, Dongguan, Fuzhou, and Yangon Representative Office. They provide far-reaching and prompt services around the clock to customers who require access to their funds and financial services. For the locations of the Bank's global service network, please refer to IX. Directory of Head Offices & Branches.

2. Prospective and growth of market:

In terms of market supply, Taiwan's market already has an excessive number of banks providing insignificant differentiation of services. Therefore, the market is not only competitive but also has sufficient funds, resulting in relatively narrow interest spreads. In addition, the development of FinTech trends, P2P lending platform, personal wealth management and crowd funding are also gradually taking shape. It will weaken the functions of the traditional bank in financial system and make the industry more competitive.

In terms of market demand, China, Hong Kong and Macao are still the largest trading partners of Taiwan. Apart from the trading of RMB by customers that increases banks' transaction volumes, in June 2018, Chinese stocks will be included in MSCI's emerging markets index, which is expected to drive the demand for related RMB derivative financial products and wealth management services. On the other hand, in line with government policies to expand ASEAN countries' financial markets, the Bank could not only find new business opportunities, but also diversify risks in China market. In terms of insufficient domestic investment and the transformation of the industry, the government drew up the infrastructure plan and the five-plus-two innovative industries policy. The Banking industry will also benefit from the contracts of these basic construction projects and the financing of key industries. The Directorate-General of Budget, Accounting and Statistics estimated Taiwan's GDP growth of 2018 at 2.42% in Feb. 2018, indicating the Bank's performance is expected to grow slightly.

3. Competitive niche, positive and negative factors, and response measures:

(1) The Bank's competitive niche:

① Long-standing history reputation and large customer base:

The Bank has a history of over a century, and our positive, trustworthy enterprise image has been established firmly in the hearts of customers. The Bank has enormous corporate customers. To increase the loyalties of corporate customers, the Bank can, based on their needs to provide suitable or customized financial instruments or services.

② Extensive service network:

The Bank has numerous domestic offices to establish extensive service network and provide all kinds of financial instruments and services. The Bank has a total of 185 domestic offices (as at the end of December 2017); We also have 654 ATM machines (as at the end of December 2017) throughout the country to meet customers' deposit, withdrawal, and transfer needs.

③ Continuously offering the various e-banking services:

The Bank will continue to expand the features of our Internet banking system, around-the-clock complete and secure financial services to customers, effectively reducing the time customers spend at the service counters as well as lowering the Bank's manpower costs.

④ First mover advantage in China:

The Bank is in the first group of Taiwan-invested banks to set up branches and sub-branches in China, and is preparing for establishment of a subsidiary of Chang Hwa Bank (China) Ltd. with a Nanjing branch in Nanjing, China in order to expand the scale of business and increase the efficiency of fund management invested in China.

(2) Positive factors:

① RMB internationalization keeps moving forward and Chinese stocks will be included in MSCI's emerging markets index in June 2018, which makes the business opportunity of RMB expectable.

② The Bank's network in china includes Yangtze River Delta, Pearl River Delta, and Haixi Special Economic Zone, with a wide range of services.

③ The authority has released limits on bank's investments in FinTech which is highly related to its core business to facilitate the differentiation between the financial instruments and improve efficiency.

④ Due to the recovery of domestic economy, the interest rate hike is expected to be announced by the Central Bank, and the narrowing of interest rate spread shall be gradually improved.

⑤ The continuous growth of mobile internet mixed with e-commerce and mobile payment will bring new business opportunities.

(3) Negative factors:

① High similarity of financial products in the domestic banking sector causes intense price competition.

② The cross-selling ability of the Bank is weaker than that of the financial holding company, which affects the business development.

③ The related regulations on global anti-money laundering are gradually becoming stricter, which brings about raised compliance cost and increased operating costs for the Bank.

(4) Response measures:

① Continuous investment in China market; broaden service scope and object to grasp opportunities on RMB business.

② Adjust deposit and loan portfolios for widening spread.

③ Manage credit risks of controlled industries and the mortgage portfolio; redirect capital to other potential industries, government incentive for industries, small and medium enterprises, and new businesses.

④ Comply with the authorities to loosen up on the FinTech industry where highly related to investment and core business, and actively develop financial products to broaden the customer base.

⑤ Continue to expand the global financial services to enhance international competitiveness.

d. Current status of financial product R&D

1. Major financial products and department added as well as major financial products' size and profit (loss) within the two most recent fiscal years as of the date of annual report publication:

(1) Major financial products:

① Deposits and remittances:

- I. Launched the service "digital savings," since Apr. 28, 2017.
- II. Launched the service "pre-authorized transfers to checking account," since Jun. 5, 2017.
- III. Expanded the service "Set a monthly limit withdrawal and transfer amount of financial card," since Jun. 5, 2017.
- IV. Expanded the service "interbank cardless withdrawal," since Nov. 3, 2017.

② Corporate banking:

- I. Assist overseas Taiwanese enterprises in obtaining investment funds and launch "overseas investment financing loans."
- II. Follow government policies of promoting green energy and environmental protection, and revise the content of "Solar Photovoltaic Equipment Set-up Loan" of the Bank to assist small and medium enterprise(SME) in obtaining funds to purchase solar photovoltaic equipment.

③ Consumer banking:

- I. Revise the Bank's procedure for "Loan for Tax Payment" to reduce the public's pressure of paying taxes and meet their fund demands for various taxes.
- II. Amend the Bank's procedures of "The Agriculture and Fishing Products Wholesaling/Retailing Loan," "Residence Purchasing/Renovating Loan under Ministry of the Interior's Compensation," and "Preferential Mortgages for Young First-time Home Buyers" in accordance with business needs and authorities' regulations.

④ FX:

- I. Organize "USD time deposit rate" and "RMB time deposit and trade finance business" activities with special offer to expand the base of foreign currency deposits.
- II. Launch "USD/RMB-denominated gold passbook" business to satisfy the customers' diversified planning for foreign currency assets.

⑤ Card:

- I. Increase services such as "Cross-border (Hong Kong and Macau areas) transaction and balance inquiry function of chip cards," "Business income tax and health insurance premium payment via credit card predesignated transfer feature," "Citizen travel card/cards issued by the Bank acquiring service by installments, and mPOS (mobile Point-of-Sale) service," "Text message for preventing network identity theft on credit card," "Credit card authorization system for receiving and storing changed cash advance passwords."
- II. Increase services such as "Electronic tax payment processing platform," "NCCNET credit card micropayment platform" and "Taiwan Pay debit transaction function" provided by Financial Information Service Co., Ltd., and join the identity verification platforms of National Credit Card Center and Financial Information Service Co., Ltd. to enhance the security of cardholders' internet transactions.

⑥ Trust:

- I. In February 2017, the Bank started custody business for overseas institutional investors to expand its business scale.
- II. In March 2017, the Bank launched trust of advance payment collection for commodity (service) vouchers to meet these merchants' demands and protect consumer rights.
- III. In April 2017, the Bank collaborated with Capital Investment Trust Corporation to raise "Capital & CHB private equity fund No. 1" to increase investment options for high-net-worth customers and expand the scale of custody and domestic funds.

⑦ E-Banking:

- I. Use Responsive Web Design (RWD) technology to redevelop the Bank's personal e-banking and e-store that automatically displays optimal browsing based on each user's device; substitute fingerprint identification technology for personal mobile banking account login function to improve transaction convenience.
- II. Introduce "User-friendly online banking" service that complies with conformance level AA of Web Content Accessibility Guidelines (WCAG) 2.0 to provide better financial transaction environments.
- III. Launch "cloud-based" service for virtual cards and be the first bank to provide cloud-based (non-)interbank withdrawal services for mobile banking.

IV. Promote specification standards of Taiwan Pay QR Code common payment and apply for mobile barcode scanning collection service, tuition portal site and cloud-based cards to enhance the Bank's mobile payment competitiveness.

(2) Department Added:

Please refer to "I. Letter to Shareholders A. 2017 Results of Operations."

(3) Major financial products' size and profit (loss) within the two most recent fiscal years:

Please refer to this unit "a. Business performance during the past two years."

2. Achievements and Expenditures on Research & Development in the past two years:

(1) Expenditures of R&D in past two years:

2017 NT\$4,704 thousand

2016 NT\$5,145 thousand

(2) R&D achievements in the past two years:

① The Bank continuously researches and develops various digital finance products by using FinTech, and R&D results have obtained twenty-eight utility model patents from MOEA's Intellectual Property Office. Also, the implementation of these patents shall be applied to provide customers with safe and convenient services, improve information security, operation efficiency and risk management, and attract new customers as well as business opportunities.

② With respect to the Bank's big data promotion, digital finance business human resources, financial supervision, risk management and corporate governance, a total of 51 research reports were completed in 2016 and 2017, which are archived at the Bank's library for convenient access by all employees in order to enhance the utilization of professional skills and expertise in day-to-day operations and to effectively foster bank-wide reform, progress and development.

(3) Future R&D projects:

① To allocate resources effectively and reduce service costs, the development model of e-commerce finance will be studied, and the Bank will collaborate with e-commerce enterprises to provide financial value-added services for customers via e-commerce platforms.

② Timely introduce technologies with continuous attention, such as big data analysis, artificial intelligence development, biometrics, cloud services, social media, and mobile payments, and advance digital finance products for banking business, which results in digital transformation. At the same time, responding to the mobile communication technology expansion and devices popularity, the Bank will strengthen and optimize customers' experience by using mobile device.

e. Long- and Short-Term Business Plans

1. Short-term business plans:

Please refer to "I. Letter to Shareholders B. 2018 Highlights of Business Plans."

2. Long-term business plans:

The operational strategies for its long-term business development plans are summarized below:

(1) Treasury:

① Continue to provide customers with diversified foreign exchange financial products and strive to increase market share.

② Adjust portfolio composition flexibly to achieve the optimal balance between liquidity and revenue for optimal fund allocation.

③ Adjust investment portfolios in a timely manner depending on the political and economic environment at home and abroad, while paying attention to trends in various financial products.

(2) Wealth management:

① Use financial technology effectively as an auxiliary tool to enhance relevant professional skills.

② Cultivate Robo Advisory to meet the wealth management needs of customers at all levels.

③ Modify wealth management sales process from being product sales to customer demand-oriented.

④ Provide complete solutions for helping clients achieve long-term goals of investment and wealth management.

- (3) Retail/Corporate finance:
- ① Emphasize the ecology of industrial supply chain, with making group assessments based on overall supply and demand and end product market conditions, apply FinTech systems, conduct long-term in-depth analysis, and master critical core enterprises and upstream/downstream manufacturers' complete transaction process information, while building comprehensive financial services.
 - ② Increase the proportion of small and medium enterprises loans, and provide multiple integration services to facilitate customers' capital deployment, increase added value, and avoid low price competition.
- (4) Overseas financial services:
- ① Upgrade Yangon Representative Office (Myanmar) to a branch and actively organize a Phnom Penh subsidiary in Cambodia.
 - ② In addition to evaluating plans to establish local offices, branches or subsidiaries, the Bank actively searches for merger or acquisition objectives in ASEAN countries with potential development in financial market in coordination with government's new southward policy.
- (5) E-Banking:
- In order to follow FinTech trends and new products developments, the Bank's plans are as follows:
- ① Build a corporate e-banking APP to facilitate corporate users to keep abreast of account information through mobile devices.
 - ② Create LINE official accounts to construct a new virtual channel that expands the customer base on the business of lending, depository, credit card, etc. to improve overall financial goods merchandising effectiveness.
 - ③ Plan to build a call center firewall system to strengthen communication security and monitoring capability of our customer service network.
 - ④ Plan to build an Omni Channel customer service platform to enhance overall service effectiveness and fulfill a new generation of customers' service requirements.
 - ⑤ Plan to build an artificial intelligence robot system with providing multiple consulting channels and combine identity recognition mechanisms so as to offer credit card account information services to reduce labor costs.
- (6) Loan:
- Continuously improve the function and validity of enterprise credit rating, credit investigation management, and review management systems.
- (7) Trust:
- ① Prudently select potential domestic and foreign funds, foreign bonds and offshore ETFs to be on the market.
 - ② Actively develop diverse custodian services to increase transactions revenue.
 - ③ In response to the government's retirement and care policy, actively promote elderly retirement trust and disability trust businesses.
 - ④ Upgrade funds system in response to market trends.

B. Employee

a. Employee information for two most recent fiscal years as of the date of annual report publication

Unit: Person

Fiscal Year		2016	2017	As of February 28, 2018
Number of Employees		6,567	6,592	6,573
Average Age		42.49	42.61	42.73
Year of Experience		16.87	16.83	16.93
Education	PhD	2 (0.03%)	2 (0.03%)	2 (0.03%)
	Graduate School	1,108 (16.87%)	1,208 (18.33%)	1,202 (18.29%)
	University/College	4,875 (74.23%)	4,842 (73.45%)	4,829 (73.47%)
	Senior High School	546 (8.32%)	510 (7.74%)	510 (7.76%)
	Others	36 (0.55%)	30 (0.45%)	30 (0.45%)

Unit: Person

Fiscal Year		2016	2017	As of February 28, 2018
The list of employees' certificates	CPA & CPA (USA)	6	6	6
	CFA	3	3	3
	FRM	13	13	13
	CFP	7	8	9
	CIA	1	2	2
	CISA	1	1	1
	CAMS	4	24	25
	Senior Securities Specialist	1,104	1,110	1,119
	Securities Specialist	884	878	883
	Futures Specialist	1,156	1,145	1,149
	Individual Insurance Broker	7	7	7
	Individual Insurance Agent	10	11	11
	Individual Life Insurance Representative	5,676	5,696	5,742
	Property Insurance Broker	9	9	9
	Property Insurance Agent	8	8	8
	Property Insurance Representative	5,267	5,268	5,294
	Investment-Orient Insurance Product Representative	4,524	4,651	4,702
	Proficiency Test for Trust Operations	5,208	5,229	5,269
	Basic Proficiency Test on Bank Internal Controls	4,650	4,578	4,590
	Basic Proficiency Test for Bank Lending Personnel	3,054	2,969	2,973
	Advanced Proficiency Test for Bank Lending Personnel	63	58	58
	Basic Proficiency Test for International Banking Personnel	2,438	2,373	2,378
	Proficiency Test for Financial Planning Personnel	2,230	2,178	2,179

b. Career development and training

1. Annual employee training programs are in coordination with annual business development: The Bank provides employees training through hands-on and digital courses, assisting them to specialize in finance; the Bank provided 403,068.63 hours training in total, with the per capita training hours of 66.04 based on 6,103 employees (exclude assistants and drivers) as of December 31, 2017 at a total expense of NT\$ 38,352 thousand.
2. Complete knowledge inheritance, enhancing education and training synergies: Active training of internal lecturers of various professional skills, continuous standardized development of internal teaching system.
3. Diversified hands-on and digital training are provided, encouraging employees innovative learning and improving organizational performance: Enrichment of online learning system to provide a diverse training environment, and continuous encouragement of employees innovative learning; total of 101 hands-on courses, 690 digital courses, 380 expat trainings were given between January 1, 2017 and December 31, 2017.

C. Corporate Responsibility and Moral Behavior

a. Environmental concern measures

1. Efforts towards recycling, garbage sorting, improving the hygiene of employees' cafeteria, appearance of the office environment, and sponsorship of sidewalk-planting.
2. The Bank supported CITYFM's "Under the Moonlight" initiative which represents one of the Bank's many efforts to promote energy conservation.

b. Actively participated in charity activities and continuously supporting underprivileged groups

1. Sponsored "5th Charitable Carnival for Loving the Elderly" of Huashan Social Welfare Foundation by serving as volunteers to accompany the elderly to pass challenges and encourage the disadvantaged to have a healthy lifestyle.
2. Made donations to "Community Course for Both Young and Old People" of Taichung Municipal Shan Shui Primary and Junior High School, which cared for disadvantaged families and guided dropouts' adaptive development.

3. Made donations to the various athletes training programs organized by Taitung County Athletics Committee, which assisted the development of sports and athletics.
 4. Sponsored the efforts of Huashan Social Welfare Foundation in delivering new year meals, sweeping houses, pasting Spring Festival couplets and mobilizing volunteer services to underprivileged elders.
 5. Established "CHB Tuition Support Program" organized by Taiwan Fund for Children and Families, which assisted financially disadvantaged elementary school and junior high school students in their studies.
 6. Made donations to the program - "Tuition Subsidy for Financially Disadvantaged High School Students" organized by Twilight Elite Development Association.
 7. Participated in "2017 Financial Services for charitable Carnival" held by Taiwan Financial Services Roundtable in Taichung and Kaohsiung to promote financial knowledge and education.
 8. Sponsored "FinTech Days" held by Taiwan Academy of Banking and Finance to create a new FinTech era in Taiwan.
 9. Sponsored "2017 Nanyang Picnic Fun ~ Cherish New Baby" held by Pearl S. Buck Foundation to encourage the public to respect diverse cultures and care for the children of new immigrants.
 10. Collaborated with Economic Daily News on publishing "Hidden Champions" to support the government's policy of fostering SMEs and help improve the brand image and competitiveness of SMEs in Taiwan.
 11. Participated in the 2017 Taiwan Lantern Festival Small Handheld Lantern Event subscribed by Tourism Bureau, Ministry of Transportation and communications, Republic of China and 2017 Taipei Lantern Festival to actively involved in local cultural activities.
 12. Sponsored the Keelung City in organizing "26th Union Cup Basketball Championship," which promoted citizens' physical and mental health, and carried out the objective of nurturing basketball talents and country-wide exercise.
 13. Made donations to "Taiwan Small Business Integrated Assistance Foundation," which assisted in counseling SMEs development, enabled SMEs to strengthen its financial structure and operating constitution.
 14. Made donations to "Small and Medium Enterprise Credit Guarantee Fund," which helped SMEs obtain the funding they needed and contributed to the growth of the nation's economy and the social stability.
 15. Made donations to "Overseas Credit Guarantee Fund," which helped overseas Chinese and Chinese enterprises obtain funding in ASEAN countries from Chinese financial institutions.
 16. In order to maintain good employee health, the Bank united public welfare donations with "Smart Eating, Happy Exercise, and Lose Weight Healthily" activities to encourage employees to lose weight and donate money and rice to charity organizations.
 17. Sponsored Taipei Foundation of Finance in organizing "22nd Cross-strait Banking Collaboration Conference."
- c. Internship opportunities offered to financially disadvantaged youths and university students
1. As support to "2017 Internship Program for the Financially Disadvantaged Youths" organized by Youth Department Administration, Ministry of Education, the Bank had offered 35 internship opportunities for existing students during the summer vacation, and catered to the needs of financially disadvantaged youths by helping them learn, experience, explore, and develop their own competitiveness in future careers, which may potentially reduce wealth inequality within the nation.
 2. During summer break of 2017, the Bank joined China Youth Corps in offering 10 internship opportunities to university students. The internship program was aimed at cultivating independence and banking knowledge early in young adults and increasing their experiences.
- d. Community participation
- The Bank provided venue support or presents to regular blood donation event or other activities held by local communities.

D. Number of Non-manager Position Employee and Annual Benefits Expense in Two Most Recent Fiscal Years

Unit: NT\$ thousand

Salary and Benefits	2017	2016	Growth (%)
Non-manager position employee annual benefits expense	6,322,748	6,078,416	4.02
Average non-manager position employee annual benefits expense	1,159	1,119	3.57

Note : There were 5,434 non-manager position employees in 2016 and 5,451 non-manager position employees in 2017.

E. IT Equipment

a. The software and hardware configurations and maintenance of our principal information systems

1. Configurations:

Core banking system, data warehouse system, reporting presentation system, internet banking system, customer credit automatic system, video conference system, CHB intranet, e-mail system, credit card system, short-term Bill clearing system, Trust operation system, securities operation system, Human Resource Management System (HRMS), overseas banking system, disaster recovery center, BASEL II management system, Information Security Management Systems, forex centralized operation system, centralized operation system, centralized operation system of seal, remittance and check collection, wealth management system, the second forex operation center, financial commodity trading and management system, factoring system, electronic opening account system, collection and payment system, internet ATM system, electronic official documentations system, BS10012 personal information management system, Taiwan Corporate Credit Risk Index system, dual currency investment (DCI) management system, essential accessibility internet system, structured products option system, Data Loss Prevention system, online learning system, mobile payment system, safe deposit box system, domestic internet third-party payment system, watch list filtering system, China online bank, global funds transfer system, CHB new official website, supply chain financing system, digital savings system, cross-border electronic payment system and system center configuration management.

2. Maintenance:

The Bank has entered into maintenance agreements with vendors, which will provide both on-demand repair services and regular maintenance services to ensure that our IT systems are operating satisfactorily and without interruption.

b. Future Development and Procurement Plans

In 2018, the Bank will continue the implementation of mobile banking system and Security Information and Event management system (SIEM) and plans for the expansion of anti-money laundering system, big data, intelligent robotics system and highest authority management system.

c. Emergency Backup and Security Protection Strategies

1. Emergency Back-Up Center:

The Bank's IT Data Center is located in Taipei that connects with the Emergency Back-Up Center in Taichung, utilizing ROADM (Reconfigurable Optical Add-Drop Multiplexer) network to synchronously replicate critical data for disaster recovery purpose. The emergency back-up center with transferred information system is activated when the Bank's IT Data Center is unable to continue normal operations due to disasters. The Bank has established standard procedures and drills according to "Information Operations Disaster Recovery Plan," in principle, two drills will be carried out in the off-site back-up center on a yearly basis to ensure the successful implementation of the recovery procedures.

2. Strengthen information security:

(1) The Bank's Information Security Management System passed the ISO 27001: 2005 Information Security Management System (ISMS) certification in Oct. 2008 and acquired the ISO 27001: 2013 conversion certification to PDCA (Plan, Do, Check, Act) of the circular mode of operation in Aug. 2014 continuously enhancing information international security management system.

- (2) The Bank obtained the BS 10012 international standard verification in Jul. 2013 to provide customers with safe and secure financial service environments.
- (3) The Bank conducts annual information security testing and assessment operations every year to identify potential information security problems, which continuously improves and enhances the Bank's network and information system security protection capability through technical and management-related control guidelines.

F. Labor Relations

a. Benefits, Training and Pensions Offered by the Bank, Retirement Scheme and Implementation Status, and Policies on Employer-employee Negotiations and the Protection of Workers

1. Benefits:

(1) Labor insurance:

Labor insurance is for employees, with the Bank paying 70% of the premium, the employees paying 20%, and the government paying 10%.

(2) Health insurance:

Health insurance is for employees and their dependents (parents, spouse and single/disabled children included), with the Bank paying 60% of the premium, the employees paying 30%, and the government paying 10%.

(3) Paid vacations:

Employees are entitled to a paid vacation of 3 to 30 days, depending on their job tenure at the Bank.

(4) Recreation:

The Bank has recreation committees, which organize annual sports, hiking, observation of art and culture activities in their territories for the betterment of employees' physical and mental health.

(5) Welfare committee:

The Bank has the 21-member welfare committee. An Executive Vice President occupies one of the seats as appointed by the general manager of the Bank, and the rest of the seats shall be filled by representatives selected from the Bank and the employee union respectively through elections according to election regulation. The committee oversees collecting, keeping and managing a fund for the betterment of employees' welfare. The Bank has established an employee commissary providing daily necessities.

(6) Library:

A library is located in Taipei headquarters where books and periodicals are kept for employees to read or to borrow, in order to accumulate knowledge and enrich one's self.

2. Retirement Scheme and Implementation Status:

(1) The Bank provides policies on employee retirement and pension plans, and unmentioned regulation under the plans shall be bound by the Labor Standards Act and related labor laws and regulations.

(2) 97 people (including 10 voluntary and 87 compulsory) in total applied for retirement in 2017.

(3) For the purpose of improving business performances, accelerating human resources replacements, enhancing efficiencies and attending to early retirement employees, the Bank established "Chang Hwa Bank Employee Preferential Retirement Regulation," and received total of 48 applicants in 2017.

3. Protection of employees' safety:

(1) Insure employees with an "Employer's Liability Insurance" so that employees are protected while carrying out duties. The premium is entirely covered by the Bank.

(2) All units have been requested to regularly hold security meetings and employee self-defense drills to enhance security protection.

- (3) The Bank requires security service companies and suppliers of alarm system and monitoring cameras to maintain relevant equipment based on the need of related units.
- (4) The Bank has each division well-guarded by security professionals from outside firms, who receive job-related training periodically to improve their skills under supervision and are assessed quarterly.
- (5) All cash transporting and replenishing operations outside of branches are outsourced to security companies.
- (6) The Bank supervises each division to strengthen the maintenance and management of firefighting safety and escape equipment with safety check and training.

4. Employer-employee negotiations:

The Bank has organized regular employee-management meetings since July 28, 1999 in accordance with Chang Hwa Bank's Guidelines for Employee-Management Meetings. In the meetings, the management and the employees will jointly decide on proposals and negotiate. The Bank's employee-management relationship is harmonious and stable, thanks to communication in employee-management meetings.

5. Employees' rights and responsibilities:

The Bank has issued a "rights and responsibilities" handbook to employees; Policies on hiring, work hours, evaluations, wages and benefits shall be bound to the content of the handbook.

6. Labor inspection results against Labor Standards Act:

None.

- b. Losses suffered due to employer-employee disputes during the latest year as of the date of annual report publication, disclosure of estimated contingent losses from current and future disputes, and response measures

None.

G. Important Contracts

Contract Title	Contract Firm	Period	Contents	Restriction Terms
Outsourced data processing	Belton Technology Corp.	August 1, 2017 to July 31, 2018	Printing, enveloping and mailing of credit card related statements	Terms of Confidentiality
	Yung Hsing Ent. Co., Ltd.	August 28, 2017 to August 27, 2018	Printing and mailing mutual fund notifications and statements	
Contract for troubleshooting ATMs, including replenishing cash	Taiwan Security Co., Ltd. Lien-An Service Co., Ltd.	December 16, 2017 to December 15, 2018	Troubleshooting ATMs off the Bank's premises and replenishing cash	
Commissioning of an express delivery company to ship notes	CHUNG HWA Express Corp.	December 10, 2017 to December 9, 2018	Commissioning of an express delivery company to ship notes and documents	
Contract for security transport services	Lee Bao Security Co., Ltd.	January 1, 2017 to December 31, 2017	Outsourcing of cash transporting operations	
Contract for issuing credit card with EasyCard function	EasyCard Corporation	July 1, 2015 to June 30, 2018	Authorizing to issue e-card with EasyCard function	
Contract for issuing credit card with iPASS function	iPASS Corporation	January 23, 2015 to January 22, 2020	Authorizing to issue e-card with iPASS function	
Installment Contract of computer (Corporate Internet Banking APP implementation project)	IBM Taiwan Corporation	December 26, 2017 to October 10, 2018	Expand business promotion, provide new product features, strengthen risk management, and improve system efficiency	
Installment Contract of computer (big data platform implementation project)	Systex Software & Service Corporation	November 17, 2016 to July 16, 2017	Expand business promotion, provide new product features, strengthen risk management, and improve system efficiency	

H. Categories and Relevant Information of Securitization Commodities Launched in Accordance with Financial Asset Securitization Act or the Real Estate Securitization Act, and with Approval of the Competent Authority

None.

VI | Financial Status

A. Brief Balance Sheets and Comprehensive Income Statements of Recent Five Years

a. Brief Balance Sheets:

Unit: NT\$ 1,000

Items	FY	Financial Information of Recent Five Years				
		2017	2016	2015	2014	2013
Cash, Cash Equivalents, Due from Central Bank and Call Loans to Banks		239,850,189	240,024,553	177,879,891	148,863,891	133,629,095
Financial Assets Measured at FVTPL		13,552,513	34,699,024	43,518,615	37,825,737	60,001,473
Available-For-Sale Financial Assets		73,175,886	76,824,866	67,415,202	46,145,608	37,884,111
Derivative Financial Assets for Hedging		243,372	86,265	192,521	27,629	62,494
Bonds and Securities Purchased under Resell Agreements		0	0	0	0	0
Receivables, net		24,670,023	20,280,261	19,729,443	21,809,314	20,208,734
Income Tax Assets		135,714	56,689	55,436	581,958	780,220
Available for Sale Financial Assets, net		0	0	0	0	0
Loans, net		1,377,040,660	1,367,259,890	1,321,934,363	1,259,366,749	1,142,867,165
Held-To-Maturity Financial Assets		237,412,046	204,864,541	205,777,255	183,637,059	226,989,182
Investments Accounted For Using Equity Method		0	0	0	0	0
Restricted Assets		0	0	0	0	0
Other Financial Assets, net		31,247,373	23,097,828	31,748,420	78,722,662	39,272,679
Real Estate and Equipment, net (Note 1)		20,639,732	20,801,823	22,253,008	23,822,844	23,935,458
Investment in Real Estate, net (Note 1)		13,747,787	13,753,981	12,536,509	11,012,440	10,937,868
Intangible Assets, net		436,176	423,465	500,710	473,336	80,006
Deferred Income Tax Assets, net		3,175,050	2,447,734	2,367,489	3,186,032	3,107,599
Other Assets		931,879	530,584	348,357	397,708	299,457
Total Assets		2,036,258,400	2,005,151,504	1,906,257,219	1,815,872,967	1,700,055,541
Due to Central Bank and Banks		108,151,867	139,162,582	124,025,228	124,155,182	126,829,032
Financing from Central Bank and Banks		0	0	3,879,840	950,100	0
Financial Liabilities Measured at FVTPL		12,309,330	18,093,146	22,732,139	20,858,363	1,715,364
Derivative Financial Liability for Hedging		0	0	0	0	0
Bonds and Securities Sold Under Repurchase Agreements		3,118,536	2,954,981	4,612,047	4,526,694	4,504,591
Payables		34,849,855	33,834,971	23,164,932	29,505,168	25,233,888
Income Tax Liabilities		954,609	550,984	146,692	849,381	125,334
Liabilities Related to Assets Classified as Held for Sale		0	0	0	0	0
Deposits and Remittances		1,672,079,784	1,624,429,817	1,547,739,711	1,452,969,285	1,372,890,099
Bank note payables		41,739,657	31,375,226	35,176,580	48,463,938	43,322,818
Preferred Liability		0	0	0	0	0
Other Financial Liabilities		3,662,600	2,718,964	1,075,196	624,416	672,028
Reserve for Liabilities		4,758,835	4,524,224	4,371,316	4,034,679	3,673,201
Deferred Income Tax Liabilities		7,019,970	6,672,201	6,644,859	6,738,024	6,461,749
Other Liabilities		2,665,793	3,310,883	3,213,720	2,956,636	2,224,107
Total Liabilities	Before Distribution	1,891,310,836	1,867,627,979	1,776,782,260	1,696,631,866	1,587,652,211
	After Distribution (Note 2)	1,895,546,686	1,871,393,179	1,779,742,323	1,698,212,674	1,592,301,646
Equity Attributable to Owners of The Parent Company		144,947,564	137,523,525	129,474,959	119,241,101	112,403,330
Capital	Before Distribution	94,130,007	89,647,626	84,573,232	79,040,404	77,490,592
	After Distribution (Note 2)	97,895,207	94,130,007	89,647,626	84,573,232	79,040,404
Capital Surplus		0	0	0	0	0
Retained Earnings	Before Distribution	51,271,528	47,775,705	43,926,296	39,766,371	35,279,846
	After Distribution (Note 2)	43,270,478	39,528,123	35,891,839	32,652,735	29,080,599
Other Equities		(453,971)	100,194	975,431	434,326	(367,108)
Treasury Stock		-	-	-	-	-
Non-controlling Interests		-	-	-	-	-
Total Shareholders' Equity	Before Distribution	144,947,564	137,523,525	129,474,959	119,241,101	112,403,330
	After Distribution (Note 2)	140,711,714	133,758,325	126,514,896	117,660,293	107,753,895

Note 1: The revaluation surplus on land on February 24, 2012, which revaluation surplus on fixed assets was 742,093,000. IFRSs recognize the leased assets as revaluation surplus of the investment property which is 226,034,000.

Note 2: The earnings distribution for year 2017 hasn't been approved by the 2018 General Shareholders' Meeting.

b. Brief Statements of Comprehensive Income:

Unit: NT\$ 1,000

Items	FY	Financial Information of Recent Five Years				
		2017	2016	2015	2014	2013
Interest Income		34,602,915	32,589,526	32,991,503	31,862,471	27,321,411
Interest Expense		11,946,045	10,862,757	12,075,574	12,524,515	10,240,983
Net Interest Income		22,656,870	21,726,769	20,915,929	19,337,956	17,080,428
Net Income Other Than Interest Income		8,139,849	9,281,712	8,741,105	7,062,838	6,742,781
Net Income		30,796,719	31,008,481	29,657,034	26,400,794	23,823,209
Provisions for Bad Debt Expense & Guarantee Liability		791,185	1,138,044	329,372	(884,084)	(637,773)
Operating Expenses		15,821,315	15,787,396	15,581,461	14,860,793	13,713,262
Income Before Income Tax of Continued Operations		14,184,219	14,083,041	13,746,201	12,424,085	10,747,720
Income Tax (Expense) Benefit		(2,091,113)	(1,997,069)	(2,102,864)	(1,526,905)	(1,929,471)
Net Income of Continued Operations		12,093,106	12,085,972	11,643,337	10,897,180	8,818,249
Gain (Loss) from Discontinued Operations		0	0	0	0	0
Net Income (Loss)		12,093,106	12,085,972	11,643,337	10,897,180	8,818,249
Other Comprehensive Income		(903,865)	(1,077,343)	171,329	590,026	(586,318)
Total Comprehensive Income		11,189,241	11,008,629	11,814,666	11,487,206	8,231,931
Net Income Attributed to Owners of The Parent Company		12,093,106	12,085,972	11,643,337	10,897,180	8,818,249
Net Income Attributed to Non-controlling Interests		0	0	0	0	0
Total Comprehensive Net Income Attributed to Owners of The Parent Company		11,189,241	11,008,629	11,814,666	11,487,206	8,231,931
Total Comprehensive Income Attributed to Non-controlling Interests		0	0	0	0	0
Basic EPS (NT\$) (Note)		1.28	1.28	1.24	1.16	0.94
Diluted EPS (NT\$) (Note)		1.28	1.28	1.23	1.15	0.93

Note : EPS is based on the unit of NT\$1 and adjusted retrospectively for the effects of bonus stock.

c. Key Performance Indicator:

Items	FY	2017	2016	2015	2014	2013
Return on Asset (ROA) (%)		0.60	0.62	0.63	0.62	0.53
Return on Equity Ratio (ROE) (%)		8.56	9.05	9.36	9.41	8.12
Capital Adequacy Ratio (%)		13.56	12.01	11.78	11.45	11.17
Non-performing Loan Ratio (%)		0.30	0.25	0.21	0.22	0.32

d. CPA-Auditor of the Consolidated Financial Report:

Items	FY	2017	2016	2015	2014	2013
CPA Firm		Deloitte & Touche				
CPA-Auditor		Jerry Gung Titan Lee	Jerry Gung Walter Liu			
Independent Auditors' Opinion		Standard unqualified opinions.				

B. Financial Analysis of Recent Five Years

a. Financial Analysis

Unit: NT\$ 1,000

Items (Note 1)		FY	Financial Analysis of Recent Five Years				
			2017	2016	2015	2014	2013
Operating Ability	Ratio of Loans to Deposits		83.03	86.77	87.82	86.17	85.57
	Ratio of Non-performing Loan		0.30	0.25	0.21	0.22	0.32
	Ratio of Interest Expense to Annual Average Deposits		0.59	0.59	0.69	0.71	0.63
	Ratio of Interest Income to Annual Average Lending		2.00	1.94	2.03	2.01	1.97
	Total Assets Turnover ratio (Times)		0.015	0.016	0.016	0.015	0.010
	Average Revenue Per Employee (NT\$1,000) (Note 2)		4,672	4,722	4,542	4,058	3,661
	Average Profit Per Employee (NT\$1,000)		1,835	1,840	1,783	1,675	1,355
Profitability	Return on Tier I Capital		11.17	11.79	12.41	12.04	11.03
	Return on Assets		0.60	0.62	0.63	0.62	0.53
	Return on Equity Ratio		8.56	9.05	9.36	9.41	8.12
	Ratio of Net Income		39.27	38.98	39.24	41.28	37.02
	Basic Earnings Per Share (NT\$) (Note 3)		1.28	1.28	1.24	1.16	0.94
	Diluted Earnings Per Share (NT\$) (Note 3)		1.28	1.28	1.23	1.15	0.93
Financial Structure	Ratio of Liabilities to Assets		92.88	93.14	93.21	93.43	93.37
	Ratio of Real Estate and Equipment to Shareholders' Equity		14.24	15.13	17.19	19.98	21.29
Growth Rate	Ratio of Asset Growth		1.55	5.19	4.98	6.81	5.34
	Ratio of Profit Growth		0.72	2.45	10.64	15.60	4.92
Cash Flow	Ratio of Cash Flow		24.26	26.88	41.53	1.77	-29.56
	Net Cash Flow Adequacy Ratio		565.94	618.85	406.99	-180.10	-615.68
	Cash Flow Satisfaction Ratio		-5,126	-10,706	-8,928	-263	-150,213
Ratio of Liquid Reserve			16.42	16.14	16.48	16.47	19.55
Related Party Secured Loan			41,115,344	14,576,761	14,939,802	10,751,436	44,676,447
Ratio of Related Party Secured Loan of Total Loan			2.95	1.00	1.06	0.80	3.65
Operating Scale	Market Share of Assets		4.34	4.55	4.45	4.41	4.40
	Market Share of Net Worth		4.18	4.11	4.10	4.13	4.33
	Market Share of Deposits		4.34	4.36	4.40	4.42	4.43
	Market Share of Lending		4.79	5.04	4.97	4.83	4.69
Reasons for changes of financial ratios for the last two years:							
The growth rate of profit goes down because the growth of income before income tax in 2017 slowed down compared to 2016. The related ratio of cash flow were in excess of 20% in 2017 because net cash out-flows of financing activities in 2017 increased compared to 2016.							

Note 1:1. Operating Ability:

- (1) Ratio of Loans to Deposits = Total Loans / Total Deposits
- (2) Ratio of Non-performing loan = Non-performing loan / Total Loans
- (3) Ratio of Interest expense to Annual Average Deposits = Interest expense Related to Deposits / Annual Average Deposits
- (4) Ratio of Interest Income to Annual Average Lending = Interest Income Related to Lending / Annual Average Lending
- (5) Total Assets Turnover ratio = Net Revenue / Average Total Assets
- (6) Average Revenue Per Employee = Net Revenue / Number of Employees
- (7) Average Profit Per Employee = After-tax net Income / Total Number of Employees

2. Profitability:

- (1) Return on Tier I Capital = Before-tax Earnings or Losses / Net Average Tier I Capital
- (2) Return On Assets = Net Income / Average of Total Assets
- (3) Return On Equity = Net income / Net Average of Total Shareholders' Equity
- (4) Ratio of Net Income = After-tax Net Income / Net Income
- (5) Earnings Per Share = (Equity Attributable to Owners of The Parent Company – Preferred stock Dividend) / Average Weighted Outstanding Stock

3. Financial Structure:

- (1) Ratio of Liabilities to Total Assets = Liabilities / Total Assets
- (2) Ratio of Real Estate and Equipment to Shareholders' Equity = Real Estate and Equipment / Shareholders' Equity

4. Growth Rate:

- (1) Asset Growth Rate = (Total Assets of the Year – Total Assets of Previous Year) / Total Assets of Previous Year
- (2) Profit Growth Rate = (Income Before-tax – Income Before-tax of Previous Year) / Income Before-tax of Previous Year

5. Cash Flow:

- (1) Ratio of Cash Flow = Net cash flow from business activities / (call loans to banks and banks overdrafts + commercial paper payable + financial liabilities measured at FVTPL + Changes in Notes and Bonds Issued under Repurchase Agreement + account payable due in 1 year)
- (2) Net Cash Flow Adequacy Ratio = Net cash flow from operating activities for the past five years / (capital expenditures + cash dividends) for the past five years
- (3) Cash Flow satisfaction Ratio = current assets regulated by central bank / all liability need liquid reserves

6. Liquid Reserves Ratio = Liquid Assets regulated by Central Bank / all liability need liquid reserve

7. Operating Scale:

- (1) Market Share of Asset = Total Assets / Total Assets of all financial institutions allowed to operate deposit / lending business
- (2) Market Share of Net Worth = Net Worth / Total Assets of all financial institutions allowed to operate deposit / lending business
- (3) Market Share of Deposit = Total Deposits / Total deposit of all major financial institutions allowed to operate deposit / lending business
- (4) Market Share of Lending = Total Lending / Total lending of the all financial institutions allowed to operate deposit / lending business

Note 2: Revenue refers to the sum of interest and non-interest revenues.

Note 3: Calculations for earnings per share must take into account the following:

1. Use weighted average outstanding ordinary shares instead of year-end outstanding shares.
2. To calculate the weighted average outstanding shares must take into account the effects of time when issuing common stock for cash or treasury stocks.
3. If any additional shares were issued against capitalized earnings or reserves, the full-year or half-year earnings per share must be adjusted retrospectively, regardless of when the additional shares were issued.
4. Where preferred shares are issued on a non-convertible and cumulative basis, the current year dividends (whether distributed or not) must be either deducted from after-tax net profit or added to after-tax losses.
5. Where preferred shares are issued on a non-cumulative basis, preferred share dividends shall be deducted from after-tax profit, but no adjustment is required for after-tax losses.

b. Adequacy of Capital (Note 1):

Unit: NT\$ 1,000

FY Items (Note 2)			Capital Adequacy Ratio of Recent Five Years				
			2017	2016	2015	2014	2013
Regulatory Capital	Common Equity Tier 1		128,325,492	121,271,653	112,853,258	102,963,876	96,663,815
	Additional Tier 1 Capital		1,853,200	2,332,643	2,606,267	3,115,460	3,601,246
	Tier II Capital		58,525,280	43,971,841	38,454,781	38,124,697	26,287,046
	Regulatory Capital		188,703,972	167,576,137	153,914,306	144,204,033	126,552,107
Total Risk-Weighted Assets	Credit Risk	Standardized Approach	1,318,331,599	1,330,834,716	1,249,155,462	1,202,332,050	1,073,451,974
		Internal Ratings-Based Approach					
		Asset Securitization	12,922	17,711	22,558	27,727	59,772
	Operational Risk	Basic Indicator Approach					
		Standardized Approach/ Alternative Standardized Approach	53,616,863	50,906,050	46,064,950	41,779,613	39,393,925
		Advanced Measurement Approach					
	Market Risk	Standardized Approach	19,542,238	13,292,788	11,798,713	14,883,813	20,542,888
		Internal Models Approach					
	Total Risk-Weighted Assets		1,391,503,622	1,395,051,265	1,307,041,683	1,259,023,203	1,133,448,559
	Capital Adequacy Ratio (%)			13.56	12.01	11.78	11.45
Tier I Capital to Risk Assets Ratio (%)			9.36	8.86	8.83	8.43	8.85
Common Equity to Risk Assets Ratio (%)			9.22	8.69	8.63	8.18	8.53
Leverage Ratio (%)			5.96	5.76	5.65		
Reasons for changes of capital adequacy ratios for the last two years: None.							

Note 1: The definition of Regulatory Capital, Risk-Weighted Assets and exposure measure hereby shall be in compliance with the "Regulations Governing the Capital Adequacy Ratio and Capital Category of Banks" and "Calculation Method and table for Regulatory Capital and Risk-Weighted Assets of Banks."

Note 2: Calculation formulas as follows:

1. Regulatory Capital = Common Equity + Tier 1 Capital other than Common Equity + Tier II Capital
2. Total Risk-Weighted Asset = Credit Risk-Weighted Risk Asset + (Operational Risk + Market Risk) Capital Requirement × 12.5
3. Capital Adequacy Ratio = Regulatory Capital / Total Risk-Weighted Asset
4. Tier I Capital to risk assets Ratio = (Common Equity Tier 1 + Additional Tier 1 Capital) / Total Risk – Weighted Asset
5. Common equity to risk assets Ratio = Common Equity Tier 1 / Total Risk – Weighted Asset
6. Leverage Ratio = Tier I Capital / Exposure Measurement

C. Any Financial Crunch Confronted by the Bank or Its Subsidiaries and the Related Impacts in Recent Years and as of the Date of Annual Report Publication

None.

D. Audit Committee's Audit Report on the Financial Statements of Recent Years

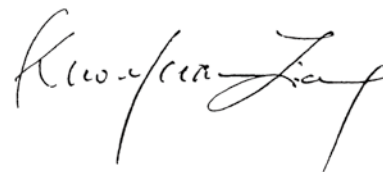
Chang Hwa Commercial Bank, Ltd.
Audit Report of Audit Committee
February 12, 2018

To: Shareholders of Chang Hwa Commercial Bank, Ltd.

The Board of Directors has prepared the 2017 Report on Business Operations and various financial statements (including Balance Sheet, Statement of Comprehensive Income, Statement of Changes in Equity, and Cash Flow Statement). All the financial statements have been certified by Jerry Gung, CPA and Titan Lee, CPA of Deloitte & Touche, and upon which a Standard Unqualified Opinion has been issued. These statements referred to above present fairly the financial position as of December 31, 2017 and the operation results and cash flows in 2017 of the company. The Audit Committee has reviewed the above-mentioned statements in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act and hereby provides such audit report.

The Audit Committee, Chang Hwa Commercial Bank, Ltd.

Independent Director & Chairman : Kuo-Yuan Liang



Independent Director : Jung-Chun Pan



Independent Director : Chi-Chang Yu



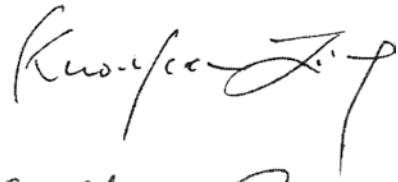
Chang Hwa Commercial Bank, Ltd.
Audit Report of Audit Committee
April 23, 2018

To: Shareholders of Chang Hwa Commercial Bank, Ltd.

The Board of Directors has prepared the 2017 Earnings Distribution Proposal. The Audit Committee has reviewed the aforementioned Proposal in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, and confirmed its consistency with related laws and rules. The Audit Committee hereby provides the said audit report.

The Audit Committee, Chang Hwa Commercial Bank, Ltd.

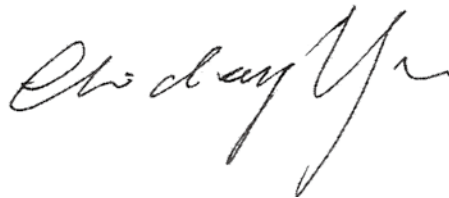
Independent Director & Chairman : Kuo-Yuan Liang



Independent Director : Jung-Chun Pan



Independent Director : Chi-Chang Yu



E. Financial Statements of Recent Years

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Chang Hwa Commercial Bank, Ltd.

Opinion

We have audited the accompanying financial statements of Chang Hwa Commercial Bank, Ltd. (the “Bank”), which comprise the balance sheets as of December 31, 2017 and 2016, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2017 and 2016, 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, Regulations Governing the Preparation of Financial Reports by Securities Firms and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation 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 Financial Statements section of our report. We are independent of the Bank in accordance with The Norm of Professional Ethics for Certified Public Accountant of 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 financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following are the descriptions of the key audit matters in the audit of the financial statements of the Bank for the year ended December 31, 2017.

Impairment Assessment of Loans and Receivables

Loans and receivables are the most important assets of the Bank. As of December 31, 2017, the total amount of loans and receivables was \$1,401,710,683 thousand, accounting for 69% of the Bank's total assets. Refer to Notes 4, 5, 8 and 9 to the Bank's financial statements for related information. In addition, evaluating the impairment of loans and receivables depends on management's estimation of future cash flows. Therefore, we considered the impairment assessment of loans and receivables to be a key audit matter.

When assessing the appropriateness of the impairment of loans and receivables, we understood the internal controls for lending operations and determining provisions for impairment losses. We collected publicly available market information to identify whether there are any instances in which a company may have objective evidence of impairment relating to the loans and receivables of the Bank but has not been included in the Bank's individual impairment assessment. We reviewed whether the Bank considered the value of the collateral appropriately when evaluating the impairment. For the collective impairment assessment, we evaluated the rationality of the assessment with regard to the main assumptions and the input value used by the Bank. Finally, we examined the rationality and consistency of the incidence of impairment, the account recovery rate, and other parameters which were used by the Bank.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (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 enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Tza Li Gung and Tung Feng Lee.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 12, 2018

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in 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 financial statements shall prevail.

CHANG HWA COMMERCIAL BANK, LTD.

BALANCE SHEETS DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

ASSETS	2017		2016	
	Amount	%	Amount	%
Cash and cash equivalents (Notes 4, 6 and 36)	\$ 74,835,132	4	\$ 45,199,330	2
Due from the Central Bank and call loans to banks (Notes 4, 6 and 36)	165,015,057	8	194,825,223	10
Financial assets at fair value through profit or loss (Notes 4 and 7)	13,552,513	1	34,699,024	2
Derivative financial assets for hedging (Notes 4 and 12)	243,372	-	86,265	-
Receivables, net (Notes 4, 8 and 9)	24,670,023	1	20,280,261	1
Current tax assets (Notes 4 and 30)	135,714	-	56,689	-
Loans, net (Notes 4, 5, 9, 35 and 36)	1,377,040,660	68	1,367,259,890	68
Available-for-sale financial assets, net (Notes 4, 10 and 37)	73,175,886	3	76,824,866	4
Held-to-maturity financial assets, net (Notes 4, 5, 11 and 37)	237,412,046	12	204,864,541	10
OTHER FINANCIAL ASSETS, NET				
Financial assets carried at cost (Notes 4 and 13)	4,167,009	-	4,167,009	-
Debt investments without active market (Notes 4 and 14)	64,609	-	88,555	-
Other miscellaneous financial assets (Notes 4, 15 and 37)	<u>27,015,755</u>	<u>1</u>	<u>18,842,264</u>	<u>1</u>
Other financial assets, net	<u>31,247,373</u>	<u>1</u>	<u>23,097,828</u>	<u>1</u>
Property and equipment, net (Notes 4 and 16)	20,639,732	1	20,801,823	1
Investment property, net (Notes 4 and 17)	13,747,787	1	13,753,981	1
Intangible assets, net (Notes 4 and 18)	436,176	-	423,465	-
Deferred tax assets (Notes 4 and 30)	3,175,050	-	2,447,734	-
Other assets, net (Notes 19, 32 and 37)	<u>931,879</u>	<u>-</u>	<u>530,584</u>	<u>-</u>
TOTAL	<u>\$ 2,036,258,400</u>	<u>100</u>	<u>\$ 2,005,151,504</u>	<u>100</u>
LIABILITIES AND EQUITY				
Due to the Central Bank and banks (Notes 4, 20 and 36)	\$ 108,151,867	5	\$ 139,162,582	7
Financial liabilities at fair value through profit or loss (Notes 4 and 7)	12,309,330	1	18,093,146	1
Securities sold under repurchase agreements (Note 4)	3,118,536	-	2,954,981	-
Payables (Notes 4, 21 and 28)	34,849,855	2	33,834,971	2
Current tax liabilities (Notes 4 and 30)	954,609	-	550,984	-
Deposits and remittances (Notes 4, 22 and 36)	1,672,079,784	82	1,624,429,817	81
Bank note payables (Notes 4 and 23)	41,739,657	2	31,375,226	2
Other financial liabilities (Notes 4 and 24)	3,662,600	-	2,718,964	-
Reserve for liabilities (Notes 4, 5 and 26)	4,758,835	-	4,524,224	-
Deferred tax liabilities (Notes 4 and 30)	7,019,970	1	6,672,201	-
Other liabilities (Notes 4, 25 and 32)	<u>2,665,793</u>	<u>-</u>	<u>3,310,883</u>	<u>-</u>
Total liabilities	<u>1,891,310,836</u>	<u>93</u>	<u>1,867,627,979</u>	<u>93</u>
EQUITY (Notes 4, 28 and 30)				
Capital stock				
Common stock	94,130,007	5	89,647,626	5
Retained earnings				
Legal reserve	27,410,736	1	23,784,945	1
Special reserve	12,080,950	1	12,020,521	1
Unappropriated earnings	11,779,842	-	11,970,239	-
Other equity				
Exchange differences on translation of foreign financial statements	(1,251,858)	-	(8,125)	-
Unrealized gains on available-for-sale financial assets	797,969	-	108,319	-
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	<u>(82)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total equity	<u>144,947,564</u>	<u>7</u>	<u>137,523,525</u>	<u>7</u>
TOTAL	<u>\$ 2,036,258,400</u>	<u>100</u>	<u>\$ 2,005,151,504</u>	<u>100</u>

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

CHANG HWA COMMERCIAL BANK, LTD.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
INTEREST INCOME (Notes 4, 29 and 36)	\$ 34,602,915	113	\$ 32,589,526	105
INTEREST EXPENSES (Notes 29 and 36)	<u>(11,946,045)</u>	<u>(39)</u>	<u>(10,862,757)</u>	<u>(35)</u>
NET INTEREST INCOME	<u>22,656,870</u>	<u>74</u>	<u>21,726,769</u>	<u>70</u>
NET INCOME OTHER THAN NET INTEREST INCOME				
Net service fee and commission income (Notes 4 and 29)	4,798,618	15	5,411,772	17
Gain on financial assets and liabilities at fair value through profit or loss (Notes 4, 7 and 29)	2,342,942	7	2,071,330	7
Realized gains on available-for-sale financial assets (Notes 4 and 29)	564,466	2	432,225	1
Foreign exchange gains (losses) (Notes 4 and 34)	(76,604)	-	279,662	1
Other miscellaneous net income (Note 12)	<u>510,427</u>	<u>2</u>	<u>1,086,723</u>	<u>4</u>
Net income other than net interest income	<u>8,139,849</u>	<u>26</u>	<u>9,281,712</u>	<u>30</u>
NET REVENUE AND GAINS	<u>30,796,719</u>	<u>100</u>	<u>31,008,481</u>	<u>100</u>
BAD DEBTS EXPENSES AND GUARANTEE LIABILITY PROVISIONS (Notes 4 and 9)	<u>(791,185)</u>	<u>(3)</u>	<u>(1,138,044)</u>	<u>(4)</u>
OPERATING EXPENSES				
Employee benefits expenses (Notes 4 and 29)	(10,607,874)	(34)	(10,549,116)	(34)
Depreciation and amortization expenses (Notes 4 and 29)	(718,826)	(2)	(717,900)	(2)
Other general and administrative expenses	<u>(4,494,615)</u>	<u>(15)</u>	<u>(4,520,380)</u>	<u>(15)</u>
Total operating expenses	<u>(15,821,315)</u>	<u>(51)</u>	<u>(15,787,396)</u>	<u>(51)</u>
INCOME BEFORE INCOME TAX	14,184,219	46	14,083,041	45
INCOME TAX EXPENSE (Notes 4 and 30)	<u>(2,091,113)</u>	<u>(7)</u>	<u>(1,997,069)</u>	<u>(6)</u>
NET INCOME	<u>12,093,106</u>	<u>39</u>	<u>12,085,972</u>	<u>39</u>

(Continued)

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
OTHER COMPREHENSIVE LOSS				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 27)	\$ (421,325)	(1)	\$ (243,501)	-
Changes in the fair value attributable to changes in the credit risk of financial liabilities designated as at fair value through profit or loss	(82)	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 30)	71,625	-	41,395	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Note 4)	(1,383,702)	(4)	(883,139)	(3)
Unrealized gains on available-for-sale financial assets (Note 4)	701,409	2	(127,868)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 30)	<u>128,210</u>	<u>-</u>	<u>135,770</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(903,865)</u>	<u>(3)</u>	<u>(1,077,343)</u>	<u>(3)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 11,189,241</u>	<u>36</u>	<u>\$ 11,008,629</u>	<u>36</u>
EARNINGS PER SHARE (Note 31)				
Basic	<u>\$ 1.28</u>		<u>\$ 1.28</u>	
Diluted	<u>\$ 1.28</u>		<u>\$ 1.28</u>	

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

(Concluded)

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Bank										Other Equity		Changes in the Fair Value Attributable to Changes in the Credit Risk of Financial Liabilities Designated as at Fair Value through Profit or Loss	Total Equity
	Capital Stock		Retained Earnings			Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets						
	Shares (Thousand)	Amount	Legal Reserve	Special Reserve										
BALANCE, JANUARY 1, 2016	8,457,323	\$ 84,573,232	\$ 20,291,944	\$ 12,020,521	\$ 11,613,831	\$ 733,874	\$ 241,557	\$ -	\$ -	\$ -	\$ 129,474,959			
Appropriation of 2015 earnings														
Legal reserve	-	-	3,493,001	-	(3,493,001)	-	-	-	-	-	-			
Cash dividends	-	-	-	-	(2,960,063)	-	-	-	-	-	(2,960,063)			
Stock dividends	507,439	5,074,394	-	-	(5,074,394)	-	-	-	-	-	-			
Net income for the year ended December 31, 2016	-	-	-	-	12,085,972	-	-	-	-	-	12,085,972			
Other comprehensive loss for the year ended December 31, 2016, net of tax	-	-	-	-	(202,106)	(741,999)	(133,238)	-	-	(1,077,343)	-			
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	11,883,866	(741,999)	(133,238)	-	-	11,008,629	-			
BALANCE, DECEMBER 31, 2016	8,964,762	89,647,626	23,784,945	12,020,521	11,970,239	(8,125)	108,319	-	-	137,523,525	-			
Appropriation of 2016 earnings														
Legal reserve	-	-	3,625,791	-	(3,625,791)	-	-	-	-	-	-			
Special reserve	-	-	-	60,429	(60,429)	-	-	-	-	-	-			
Cash dividends	-	-	-	-	(3,765,202)	-	-	-	-	(3,765,202)	-			
Stock dividends	448,239	4,482,381	-	-	(4,482,381)	-	-	-	-	-	-			
Net income for the year ended December 31, 2017	-	-	-	-	12,093,106	-	-	-	-	12,093,106	-			
Other comprehensive income (loss) for the year ended December 31, 2017, net of tax	-	-	-	-	(349,700)	(1,243,733)	689,650	(82)	-	(903,865)	-			
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	11,743,406	(1,243,733)	689,650	(82)	-	11,189,241	-			
BALANCE, DECEMBER 31, 2017	9,413,001	\$ 94,130,007	\$ 27,410,736	\$ 12,080,950	\$ 11,779,842	\$ (1,251,858)	\$ 797,969	\$ (82)	\$ -	\$ 144,947,564	-			

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

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 14,184,219	\$ 14,083,041
Non-cash (income and gains) or expenses and losses		
Bad debts expenses and guarantee liability provisions	791,185	1,138,044
Depreciation expenses	539,021	557,514
Amortization expenses	179,805	160,386
Interest income	(34,602,915)	(32,589,526)
Interest expenses	11,946,045	10,862,757
Dividends income	(366,054)	(789,842)
Net gain on financial assets and liabilities at fair value through profit or loss	(818,409)	(2,378,874)
Gain on disposal of investments	(434,481)	(288,460)
Unrealized foreign exchange (gains) losses	(1,524,533)	307,544
Other adjustments	(57,237)	(366,905)
Changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank	5,014,917	(12,866,982)
Decrease in financial assets at fair value through profit or loss	18,374,678	9,520,686
Increase in receivables	(4,320,831)	(1,037,630)
Increase in loans	(10,101,128)	(45,806,771)
Decrease (increase) in available-for-sale financial assets	6,473,481	(7,595,267)
(Increase) decrease in held-to-maturity financial assets	(32,547,505)	912,772
(Increase) decrease in other financial assets	(8,568,278)	8,626,729
Increase in other assets	(399,581)	(181,428)
Decrease in due to the Central Bank and banks	(39,852)	(3,121,308)
Increase in deposits and remittances	47,649,967	76,690,106
Increase in payables	621,026	10,837,328
Decrease in financial liabilities at fair value through profit or loss	(928,116)	(3,760,030)
Decrease in reserve for liabilities	(153,811)	(177,474)
Increase in other financial liabilities	943,636	1,643,768
(Decrease) increase in other liabilities	(614,310)	78,779
Cash flows generated from operations	11,240,939	24,458,957
Interest received	32,988,589	31,386,075
Dividends received	366,054	789,842
Interest paid	(11,553,981)	(11,030,981)
Income taxes refunded	31,183	-
Income taxes paid	(1,867,200)	(1,468,515)
Net cash flows generated from operating activities	31,205,584	44,135,378
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(430,775)	(333,887)
Acquisition of investment property	(390)	(1,122)
Acquisition of intangible assets	(181,941)	(77,281)
Proceeds from disposal of property and equipment	4,287	38
Net cash used in investing activities	(608,819)	(412,252)

(Continued)

CHANG HWA COMMERCIAL BANK, LTD.**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(In Thousands of New Taiwan Dollars)**

	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in due to the Central Bank and call loans from banks	\$ (30,970,863)	\$ 14,378,822
Proceeds from issuance of bank notes	10,200,000	6,300,000
Repayment of bank notes	-	(9,624,000)
Cash dividends distributed	(3,765,202)	(2,960,063)
Increase (decrease) in securities sold under repurchase agreements	<u>163,555</u>	<u>(1,657,066)</u>
Net cash (used in) generated from financing activities	<u>(24,372,510)</u>	<u>6,437,693</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(1,383,702)</u>	<u>(883,139)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,840,553	49,277,680
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>167,977,705</u>	<u>118,700,025</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 172,818,258</u>	<u>\$ 167,977,705</u>
	December 31	
	2017	2016
Reconciliation of cash and cash equivalents		
Cash and cash equivalents in balance sheet	\$ 74,835,132	\$ 45,199,330
Call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 permitted by the Financial Supervisory Commission	<u>97,983,126</u>	<u>122,778,375</u>
Cash and cash equivalents at end of period	<u>\$ 172,818,258</u>	<u>\$ 167,977,705</u>

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

(Concluded)

CHANG HWA COMMERCIAL BANK, LTD.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND BUSINESS SCOPE

Chang Hwa Commercial Bank, Ltd. (the “Bank”) was incorporated under Banking Law, Securities and Exchange Law and Taiwan Company Law on March 1, 1947 and got license from the Ministry of Economic Affairs in July 1950. Since February 1962 the Bank’s shares have been listed and traded on the Taiwan Stock Exchange (“TWSE”).

The Bank mainly engages in the following business:

- a. All commercial banking operations allowed by the Banking Law;
- b. Trust operations;
- c. International banking operations;
- d. Overseas branch operations authorized by the respective foreign governments; and
- e. Other operations authorized by the central authority.

The Bank’s head office is located in Taichung City, Taiwan. The Bank has 9 overseas branches in New York, Los Angeles, Tokyo, London, Hong Kong, Singapore, Kunshan China, Dongguan and Fuzhou and a representative office in Yangon.

CHB Life Insurance Agency Co., Ltd. (“CHB Life Insurance Agency”) was established on October 3, 2001 to provide life insurance agent service. CHB Insurance Brokerage Co., Ltd. (“CHB Insurance Brokerage”) established on April 7, 2003 to provide property insurance broker service.

To integrate resources and to create comprehensive benefits, the Bank had merged CHB Life Insurance Agency and CHB Insurance Brokerage on April 1, 2016. CHB Life Insurance Agency Company and CHB Insurance Brokerage Company are 100% owned subsidiaries by Chang Hwa Commercial Bank. There would be no impact on the equity after the merger.

The assets and the liabilities on the accounts and any rights and obligations as of yet valid on the reference date of the merger of CHB Life Insurance Agency Company and CHB Insurance Brokerage Company were generally assumed by Chang Hwa Commercial Bank.

After the merger, the Bank has no other subsidiaries and will not issue consolidated and standalone financial statements. Thereby, the Bank shall issue individual financial statements starting from June 30, 2016. The merger between the Bank and CHB Life Insurance Agency and CHB Insurance Brokerage was done for the sake of organizational restructuring and according to the interpretation of the relevant provisions which were released by the Accounting Research and Development Foundation. As such, the preparation of comparative financial statements should be regarded as the beginning of the already-consolidated subsidiaries, and the previous annual financial statements were restated. However, due to the similarity of the Bank’s organizational structure post-merger and pre-merger, the Bank should restate the prior year (quarter) financial statements as the previous year (quarter) consolidated financial information.

The financial statements are presented in the Bank’s functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Bank’s board of directors on February 12, 2018.

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

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

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the Bank’s accounting policies.

- b. The Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed by the FSC for application starting from 2018 and the amendments to IFRS 9 for early adoption starting from 2018

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
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	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 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 3)
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments 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 retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

Note 3: The amendments to IFRS 9 are not yet endorsed by the FSC; however, the FSC permits that entities may elect to early adopt the amendments starting from 2018.

1) IFRS 9 “Financial Instruments” and related amendment

Recognition and measurement of financial assets

With regard 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 Bank’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 debt 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, if any. Interest revenue is recognized in profit or loss by using the effective interest method;
- b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of 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 shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Bank 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, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

The Bank elects to early adopt the amendments to IFRS 9 “Prepayment Features with Negative Compensation” when it first applies IFRS 9. The amendments stipulated that for the purpose of assessing whether contractual cash flows are solely payments of principal and interest on the principal amount outstanding, the prepayment amount of a contractual term may include reasonable compensation that shall be paid or received by either of the parties, i.e. a party may receive reasonable compensation when it chooses to terminate the contract early.

The Bank analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

- a) Listed bank note as fair value through profit or loss and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because, on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows;
- b) Listed shares, emerging market shares, and unlisted shares classified as available-for-sale will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal;

- c) Debt investments classified as available-for-sale, held-to-maturity financial assets, debt investments with no active market and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because, on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows and will be classified as at fair value through other comprehensive income under IFRS 9, because, on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets will be classified as at fair value through profit or loss, because, on initial recognition, the contractual cash flows are solely payments of principal and interest on the principal outstanding but the objective of the Bank's business model is not to collect contractual cash flows and neither is it achieved both by collecting contractual cash flows and selling financial assets and will be classified as at fair value through profit or loss, because, on initial recognition, the contractual cash flows are not solely payments of principal and interest on the principal outstanding.

IFRS 9 requires impairment loss on financial assets to be recognized by using the "Expected Credit Losses Model". The 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 Bank 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.

The Bank elects not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

The anticipated impact on assets, liabilities and equity of retrospective application of the requirements for the classification, measurement and impairment of financial assets as of January 1, 2018 is set out below:

	Carrying Amount as of December 31, 2017	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2018
<u>Impact on assets, liabilities and equity</u>			
Financial assets at fair value through profit or loss	\$ 13,552,513	\$ (4,967,089)	\$ 8,585,424
Financial assets at fair value through other comprehensive income	-	76,011,561	76,011,561
Available-for-sale financial assets, net	73,175,886	(73,175,886)	-
Held-to-maturity financial assets, net	237,412,046	(237,412,046)	-
Financial assets measured at amortized cost	-	246,755,365	246,755,365
Derivative financial assets for hedging, net	243,372	(243,372)	-
Financial assets for hedging	-	243,372	243,372
Financial assets carried at cost	4,167,009	(4,167,009)	-
Debt investments without active market	64,609	(64,609)	-
Receivables, net	<u>24,670,023</u>	<u>515,077</u>	<u>25,185,100</u>
Total effect on assets	<u>\$ 353,285,458</u>	<u>\$ 3,495,364</u>	<u>\$ 356,780,822</u>
Reserve for loan commitments	\$ -	\$ 472,742	\$ 472,742
Deferred tax liabilities	<u>7,019,970</u>	<u>(71,226)</u>	<u>6,948,744</u>
Total effect on liabilities	<u>\$ 7,019,970</u>	<u>\$ 401,516</u>	<u>\$ 7,421,486</u>
Retained earnings	\$ 51,271,528	\$ (347,751)	\$ 50,923,777
Other equity	<u>(453,971)</u>	<u>3,441,599</u>	<u>2,987,628</u>
Total effect on equity	<u>\$ 50,817,557</u>	<u>\$ 3,093,848</u>	<u>\$ 53,911,405</u>

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 the hedging cost of 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.

The assessment of the Banks's current hedging relationships indicates that they will qualify as continuing hedging relationships upon application of IFRS 9.

2) 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 Bank 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 Bank 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 as 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 Bank’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Bank will achieve the higher amount, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

In assessing deferred tax asset, the Bank currently assumes it will recover the asset at its carrying amount when estimating probable future taxable profit; the amendment will be applied retrospectively in 2018.

Except for the above impact, as of the date the financial statements were authorized for issue, the Bank is continuously assessing the possible impact that the application of other standards and interpretations will have on the Bank’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
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 16 “Leases”	January 1, 2019 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

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

Note 2: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

1) 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 Bank is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the balance sheets except for low-value and short-term leases. The Bank 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 statements of comprehensive income, the Bank 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 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 Bank as lessor.

When IFRS 16 becomes effective, the Bank 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.

2) IFRIC 23 “Uncertainty Over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Bank should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Bank concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Bank should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Bank should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Bank has to reassess its judgments and estimates if facts and circumstances change.

On initial application, the Bank shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

Except for the above impact, as of the date the financial statements were authorized for issue, the Bank is continuously assessing the possible impact that the application of other standards and interpretations will have on the Bank’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

Current/Noncurrent Assets and Liabilities

Because of its business characteristics, assets and liabilities of the Bank are classified according to their liquidity rather than classified as current or noncurrent assets or liabilities.

Foreign Currencies

In preparing the Bank's financial statements, transactions in currencies other than the Bank'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 from 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 cases, 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 purpose of presenting financial statements, the functional currencies of the Bank entities are translated into the presentation currency - the New Taiwan dollar as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

Property and Equipment

Property and equipment are stated at cost, less subsequent accumulated depreciation and accumulated impairment loss.

Property and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property and equipment when completed and ready for intended use.

Freehold land is not depreciated.

Depreciation of property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property and equipment, the difference between the sales proceeds and the carrying amount of the asset 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.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

Intangible Assets

a. Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

b. Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

Impairment of Tangible and Intangible Assets

At the end of each reporting period, the Bank reviews the carrying amounts of its tangible and intangible assets, 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 Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The 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, with the resulting impairment loss recognized in profit or loss.

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

Financial Instruments

Financial assets and financial liabilities are recognized when the bank 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 date basis.

1) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets, and loans and receivables.

a) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

A financial asset may be designated as at fair value through profit or loss upon initial recognition if:

- i. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- ii. The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and has performance evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the Banking is provided internally on that basis; or
- iii. The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Fair value is determined in the manner described in Note 34.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 34.

b) Held-to-maturity investments

Corporate bonds, and foreign bonds, which are above specific credit ratings and the Bank has positive intent and ability to hold to maturity, are classified as held-to-maturity investments.

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

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at 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 Bank's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

d) Loans and receivables

Loans and receivables (including trade receivables, loans, cash and cash equivalent, debt investments with no active market, and other receivables) 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.

Cash equivalent includes time deposits with original maturities within 3 months from the date of acquisition, highly liquid, readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

2) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, 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.

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

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

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, the impairment loss is 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.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and loans, where the carrying amount is reduced through the use of an allowance account. When a trade receivable and loans 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 except for uncollectible trade receivables and loans that are written off against the allowance account.

3) Derecognition of financial assets

The Bank 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 is recognized in profit or loss.

b. Equity instruments

Debt and equity instruments issued by a bank entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a bank entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Bank's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

c. Financial liabilities

1) Subsequent measurement

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method:

a) Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 34.

A financial liability may be designated as at fair value through profit or loss upon initial recognition when doing so results in more relevant information and if:

- i. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- ii. The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- iii. The contract contains one or more embedded derivatives so that the entire combined contract (asset or liability) can be designated as at fair value through profit or loss.

For a financial liability designated as at fair value through profit or loss, the amount of changes in fair value attributable to changes in the credit risk of the liability is presented in other comprehensive income, and it will not be subsequently reclassified to profit or loss. The remaining amount of changes in the fair value of that liability which incorporates any interest or dividend paid on the financial liability is presented in profit or loss. The gain or loss accumulated in other comprehensive income will be transferred to retained earnings when the financial liabilities are derecognized. If this accounting treatment related to credit risk would create or enlarge an accounting mismatch, all changes in fair value of the liability are presented in profit or loss. Fair value is determined in the manner described in Note 34.

b) Financial guarantee contracts

Financial guarantee contracts issued by the Bank 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, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

d. Derivative financial instruments

The Bank enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, FX swap, cross currency swap, interest rate swaps and currency option.

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 instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments 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.

Bonds or Securities Purchased/Sold under Specific Agreements

Bonds or securities sold under repurchase agreement are recorded at sale price. Interest revenues and expenses are recorded on accrual basis.

Hedge Accounting

The Bank designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges. Hedges of foreign exchange risk on firm commitments are accounted for as fair value hedge.

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 Bank revokes the designated hedging relationship; when the hedging instrument expires or is sold, terminated, or exercised, or when the hedging instrument no longer meets the criteria for hedge accounting. The fair value adjustment to the carrying amount of the hedged instrument arising from the hedged risk for which the effective interest method is used is amortized to profit or loss from the date of hedge accounting is discontinued. The adjustment is based on a recalculated effective interest rate at the date amortization begins and will be amortized fully by maturity of the financial instrument.

Provisions

Provisions, including those arising from reserve for default losses, reserve for employee benefits and reserve for guarantees, are measured at the best estimate of the discounted cash flows 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 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.

Bank Notes Payable

The notes payable issued by the Bank are measured at amortized cost using the effective interest method.

To follow the risk management policy of the Bank, part of the bank notes payable with fixed interest rate were hedged by using interest rate swaps.

Revenue Recognition

a. Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Bank and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Bank and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the applicable effective interest rate.

When the loans become past due and are considered uncollectible, the principal and interest receivable are transferred to delinquent loan accounts, and the accrual of interest income is stopped. Interest income will be recognized when the delinquent interest is collected. If the repayment of loan is extended under an agreement, the related interest should be recognized as deferred revenue, classified into other liability and recognized as income when collected.

b. Service fee

Service revenue and real estate management service revenue are recognized at once after providing loans or other services. If the service revenue belongs to several significant items, it is recognized when the significant items accomplished, such as the service revenue which the lead arranger bank of syndication loan received. If the service revenue is for further loan service and of significant amount, it is allocated during the period of the service or included in the base of calculation the effective interest rate of loans and receivables.

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 Bank as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Contingent rents are recognized as income in the period in which they are incurred.

b. The Bank as lessee

Assets held under finance leases are initially recognized as assets of the Bank at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized.

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

Contingent rents are recognized as an expense in the period in which they are incurred.

Employee Benefits

a. Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

b. Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost, and net interest cost) and net interest on the net defined benefit liability 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 it occurs. 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 represents the actual deficit 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.

The Bank provides employees with high-yield savings account. The premium interest rate applies to a fixed amount of principal and the interest is paid to present employees (within employment and retirement) and retired employees. The difference between the premium rate and the market rate is classified as employee benefits.

According to the "Regulations Governing the Preparation of Financial Reports by Public Banks" Rule No. 28, the premium interest resulting from the yield between the premium rate and the general market rate shall immediately be actuarially calculated based on the FSC-recognized IAS 19 when employees retire. However, if there are authorized regulations from the government regarding the actuarial assumption parameters, the regulations shall prevail. Actuarial benefits and service cost from prior periods are recognized as profit or loss when they are incurred.

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 year's tax provision.

b. Deferred tax

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

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 asset 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 Bank 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 for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the bank's accounting policies, 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 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 estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimated Impairment of Loans and Receivables

When there is objective evidence of impairment loss, the Bank takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

Information about the book value of loans as of December 31, 2017 and 2016 is disclosed in Note 9.

6. CASH AND CASH EQUIVALENTS/DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS

a. Cash and cash equivalents

	December 31	
	2017	2016
Cash on hand	\$ 10,579,908	\$ 11,036,052
Checks for clearing	18,097,350	17,454,559
Due from banks	44,672,316	15,083,232
Foreign currencies on hand	<u>1,485,558</u>	<u>1,625,487</u>
	<u>\$ 74,835,132</u>	<u>\$ 45,199,330</u>

b. Due from Central Bank and call loans to banks

	December 31	
	2017	2016
Call loans to banks	\$ 97,983,126	\$ 122,778,375
Reserve for checking accounts	18,418,622	25,184,329
Reserve for demand accounts	42,558,656	39,605,276
Reserve for foreign deposits	438,550	401,760
Others	<u>5,616,103</u>	<u>6,855,483</u>
	<u>\$ 165,015,057</u>	<u>\$ 194,825,223</u>

7. FINANCIAL INSTRUMENTS AT FVTPL

Financial Assets at FVTPL

	December 31	
	2017	2016
Financial assets designated as at FVTPL		
Interest rate-linked combination instruments	\$ <u>5,325,880</u>	\$ <u>5,448,301</u>
Derivative financial assets (not applying hedge accounting)		
Futures	182,565	77,803
Forward exchange contracts	220,037	221,512
Interest rate swaps	713,446	1,464,398
Cross-currency swaps	544,088	922,514
Currency swaps	1,507,886	3,340,446
Currency call option premiums	182,600	346,116
Non-derivative financial assets		
Investments in bills	3,026,213	20,970,079
Mutual funds	-	190,941
Government bonds	1,849,798	1,700,629
Corporate bonds	<u>-</u>	<u>16,285</u>
	<u>8,226,633</u>	<u>29,250,723</u>
	<u>\$ 13,552,513</u>	<u>\$ 34,699,024</u>

The par values of bonds and notes provided for transactions with repurchase agreements were \$1,176,200 thousand and \$982,300 thousand as of December 31, 2017 and 2016, respectively.

Financial Liabilities at FVTPL

	December 31	
	2017	2016
Financial liabilities designated as at FVTPL		
Unsecured U.S. dollar-denominated bank notes	\$ 8,759,276	\$ 12,606,694
Derivative financial liabilities (not applying hedge accounting)		
Forward contracts	49,782	259,933
Interest rate swaps	685,128	1,415,178
Cross-currency swaps	305,686	1,104,589
Currency swaps	2,325,169	2,357,964
Currency put option premiums	184,289	348,788
	<u>3,550,054</u>	<u>5,486,452</u>
	<u>\$ 12,309,330</u>	<u>\$ 18,093,146</u>

- a. The unsecured U.S. dollar-denominated bank notes issued by the Bank were as follows:
- 1) Note A, 20-year term, US\$140,000 thousand, issued at par value with no interest payment, callable 2 years after issue date with interest payment, maturity: 2034.12.19. The note was redeemed on December 19, 2016.
 - 2) Note B, 20-year term, US\$100,000 thousand, issued at par value with no interest payment, callable 3 years after issue date with interest payment, maturity: 2034.12.18. The note was redeemed on December 19, 2017.
 - 3) Note C, 20-year term, US\$260,000 thousand, issued at par value with no interest payment, callable 5 years after issue date with interest payment, maturity: 2034.12.17.
- b. The Bank designated the unsecured U.S. dollar-denominated banks notes as financial liabilities at FVTPL to reduce a measurement or recognition inconsistency.

The Bank entered into derivative contracts during the years ended December 31, 2017 and 2016 to manage exposures due to exchange rate and interest rate fluctuations. The financial risk management objective of the Bank is to minimize risks due to changes in fair value and cash flows.

The nominal principal amounts of outstanding derivative contracts as of December 31, 2017 and 2016 were as follows:

	December 31	
	2017	2016
Currency swaps	\$ 317,193,943	\$ 363,182,300
Currency options	43,390,297	117,144,777
Forward exchange contracts	18,480,944	27,481,811
Interest rate swaps	389,538,301	412,196,722
Cross-currency swaps	13,063,953	52,851,494

8. RECEIVABLES, NET

	December 31	
	2017	2016
Accounts receivable	\$ 14,277,857	\$ 8,990,029
Revenue receivables	3,471	3,316
Interest receivables	3,549,809	3,395,881
Acceptance receivables	4,262,347	5,589,590
Credit card receivables	1,783,596	1,766,729
Settlement prices	440,397	426,554
Settlement price receivables	285,538	582,536
Other receivables	648,341	98,657
Less allowance for receivables	<u>(581,333)</u>	<u>(573,031)</u>
	<u>\$ 24,670,023</u>	<u>\$ 20,280,261</u>

Refer to Note 9 for the movements of allowance for receivables.

9. LOANS, NET

a. The details of loans are as follows:

	December 31	
	2017	2016
Negotiated	\$ 5,010,733	\$ 6,139,403
Overdraft	1,441,350	1,531,820
Short-term loans	363,295,585	358,167,831
Receivable amount for margin loans	368,478	259,931
Medium-term loans	454,955,547	467,363,994
Long-term loans	564,200,949	546,771,155
Delinquent loans	<u>4,134,997</u>	<u>3,148,731</u>
	1,393,407,639	1,383,382,865
Less allowance for loan losses	<u>(16,366,979)</u>	<u>(16,122,975)</u>
	<u>\$ 1,377,040,660</u>	<u>\$ 1,367,259,890</u>

b. Movements of allowance for receivables and loans are as follows:

	For the Year Ended December 31, 2017			
	Receivables	Loans	Other Financial Assets	Total
Balance, January 1, 2017	\$ 573,031	\$ 16,122,975	\$ 25,937	\$ 16,721,943
Recovery of loans written off	5,483	2,616,196	14,129	2,635,808
Provision for loan losses	84,997	320,358	418,114	823,469
Loans written off	(49,251)	(2,481,007)	(50,099)	(2,580,357)
Others	<u>(32,927)</u>	<u>(211,543)</u>	<u>619</u>	<u>(243,851)</u>
Balance, December 31, 2017	<u>\$ 581,333</u>	<u>\$ 16,366,979</u>	<u>\$ 408,700</u>	<u>\$ 17,357,012</u>

For the Year Ended December 31, 2016

	Receivables	Loans	Other Financial Assets	Total
Balance, January 1, 2016	\$ 100,649	\$ 16,134,892	\$ 45,040	\$ 16,280,581
Recovery of loans written off	926	1,533,508	10,635	1,545,069
Provision for loan losses	536,056	481,243	22,293	1,039,592
Loans written off	(77,158)	(1,956,205)	(53,601)	(2,086,964)
Others	<u>12,558</u>	<u>(70,463)</u>	<u>1,570</u>	<u>(56,335)</u>
Balance, December 31, 2016	<u>\$ 573,031</u>	<u>\$ 16,122,975</u>	<u>\$ 25,937</u>	<u>\$ 16,721,943</u>

The delinquent loans of which the accrual of interest income was stopped internally as of December 31, 2017 and 2016 were \$4,134,997 thousand and \$3,148,731 thousand, respectively. The interest income on delinquent loans not accrued in the years ended December 31, 2017 and 2016 were \$110,404 thousand and \$84,386 thousand, respectively.

The Bank did not write off any loans without legal claim process in the years ended December 31, 2017 and 2016.

- c. Details of provision for loan losses for the years ended December 31, 2017 and 2016 were as follows:

	For the Year Ended December 31 2017	2016
Provision for receivable and loan (including delinquent loan) losses	\$ 823,469	\$ 1,039,592
(Reversal) provision for guarantees	<u>(32,284)</u>	<u>98,452</u>
	<u>\$ 791,185</u>	<u>\$ 1,138,044</u>

- d. Details of receivables and allowance for loan accounts as of December 31, 2017 and 2016 were as follows:

Receivables

Item		Total Receivable	
		December 31, 2017	December 31, 2016
Objective evidence of impairment	Individual assessment of impairment	\$ 830,674	\$ 438,101
	Combined assessment of impairment	62,617	50,980
None objective evidence of impairment	Combined assessment of impairment	24,358,065	20,364,211
Total		\$ 25,251,356	\$ 20,853,292

Item		Total Allowance	
		December 31, 2017	December 31, 2016
Objective evidence of impairment	Individual assessment of impairment	\$ 369,671	\$ 398,440
	Combined assessment of impairment	33,122	18,182
None objective evidence of impairment	Combined assessment of impairment	178,540	156,409
Total		\$ 581,333	\$ 573,031

Note: The amount of receivable did not include the amount of allowance for receivables and adjustment for discount (premium).

Loans

Item		Total Loans	
		December 31, 2017	December 31, 2016
Objective evidence of impairment	Individual assessment of impairment	\$ 9,579,673	\$ 9,219,054
	Combined assessment of impairment	3,487,746	3,690,862
None objective evidence of impairment	Combined assessment of impairment	1,380,340,220	1,370,472,949
Total		\$ 1,393,407,639	\$ 1,383,382,865

Item		Total Allowance	
		December 31, 2017	December 31, 2016
Objective evidence of impairment	Individual assessment of impairment	\$ 4,077,983	\$ 3,322,891
	Combined assessment of impairment	743,558	1,032,540
None objective evidence of impairment	Combined assessment of impairment	11,545,438	11,767,544
Total		\$ 16,366,979	\$ 16,122,975

Note: The amount of loans did not include the amount of allowance for loans and adjustment for discount (premium).

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2017	2016
Domestic quoted stocks	\$ 3,643,572	\$ 2,993,065
Government bonds	16,108,800	27,813,944
Corporate bonds	18,564,075	12,418,531
Bank notes	32,409,743	31,719,418
Bonds issued by international organizations	879,046	229,325
Investment in bills	<u>1,570,650</u>	<u>1,650,583</u>
	<u>\$ 73,175,886</u>	<u>\$ 76,824,866</u>

The par values of bonds provided for transactions with repurchase agreements were \$1,784,800 thousand and \$1,813,100 thousand as of December 31, 2017 and 2016, respectively.

Government bonds placed as deposits in courts were \$281,100 thousand and \$421,200 thousand as of December 31, 2017 and 2016, respectively. Government bonds placed as operating deposits were all \$330,000 thousand as of December 31, 2017 and 2016. Government bonds placed as reserve fund for trust compensation were all \$170,000 thousand as of December 31, 2017 and 2016. Government bonds pledged for call loans from banks were all \$5,000,000 thousand as of December 31, 2017 and 2016.

Refer to Note 37 for information relating to available-for-sale financial assets pledged as security.

11. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2017	2016
Investment in bills	\$ 227,528,720	\$ 190,725,273
Bank notes	1,972,932	2,645,392
Corporate bonds	7,910,394	10,524,271
Government bonds	-	969,605
	<u>\$ 237,412,046</u>	<u>\$ 204,864,541</u>

The overseas branches' bonds as collateral for operations as of December 31, 2017 and 2016 were \$449,428 thousand, \$519,687 thousand, respectively.

Certificate of deposits placed as reserves for clearing at the Central Bank were all \$36,000,000 thousand as of December 31, 2017 and 2016. Certificate of deposits which was issued by the Central Bank pledged for call loans from banks were all \$300,000 thousand as of December 31, 2017 and 2016.

Refer to Note 37 for information relating to held-to-mature financial assets pledged as security.

12. DERIVATIVE FINANCIAL ASSETS FOR HEDGING

	December 31	
	2017	2016
<u>Derivative financial assets under hedge accounting</u>		
Fair value hedges - interest rate swaps	<u>\$ 243,372</u>	<u>\$ 86,265</u>

The Bank used interest rate swaps to minimize its exposure to changes in the fair value of its fixed-rate borrowings by entering into fixed-to-floating interest rate swap contracts. The interest swaps and the corresponding borrowings have the same terms, and management believes the interest rate swaps are highly effective hedging instruments. The nominal principal amount of the outstanding interest rate swaps of the Bank at the end of December 31, 2017 and 2016 were \$8,200,000 thousand and \$5,200,000 thousand, respectively.

The fixed-to-floating interest swaps were designated and effective fair value hedge instruments. During the years ended December 31, 2017 and 2016, the swaps were effective in hedging the fair value exposure to interest rate movements and as a result the carrying amount of the fixed-rate borrowings was adjusted by \$239,657 thousand and \$75,226 thousand as of December 31, 2017 and 2016, respectively; these amounts were included in profit or loss at the same time that the fair value of the interest rate swap was included in profit or loss.

The information of hedging transaction was as follows:

- Hedging type: Fair value hedging.
- Hedging objective: To minimize risks of the Bank from the variation of fair value due to fluctuation of interest rate, by converting fixed-rate note to floating-rate note.
- Hedging method: By signing interest rate swap contract.

- d. Hedging effect: The actual offset result is within 80%-125%, which has met the hedging accounting criterion suggested in IFRSs. The realized gain or loss from hedging tools were \$221,516 thousand and \$(64,613) thousand for the years ended December 31, 2017 and 2016, respectively, and the realized gain or loss from fair-value hedging were \$(164,431) thousand and \$108,354 thousand, accounted for as other non-interest net income and losses, for the years ended December 31, 2017 and 2016, respectively.

13. FINANCIAL ASSETS CARRIED AT COST

	December 31	
	2017	2016
Domestic unquoted common stocks	<u>\$ 4,167,009</u>	<u>\$ 4,167,009</u>

Management believed that the above unlisted equity investments held by the Bank, whose fair value cannot be reliably measured due to the range of reasonable fair value estimates was so significant; therefore, they were measured at cost less impairment at the end of reporting period.

14. DEBT INVESTMENTS WITHOUT ACTIVE MARKET

	December 31	
	2017	2016
Beneficiary securities and asset based securities	<u>\$ 64,609</u>	<u>\$ 88,555</u>

15. OTHER MISCELLANEOUS FINANCIAL ASSETS

	December 31	
	2017	2016
Time deposits with original maturity more than 3 months	\$ 26,806,884	\$ 18,652,054
Inward remittance	3,210	11,953
Delinquent loans reclassified from other accounts (excluding loans)	465,961	43,094
Call loans to securities company	148,400	161,100
Less allowance for loan losses	<u>(408,700)</u>	<u>(25,937)</u>
	<u>\$ 27,015,755</u>	<u>\$ 18,842,264</u>

The market rates of time deposits with original maturity more than 3 months were 1.85%-5.40% and 0.98%-3.60% for the years ended December 31, 2017 and 2016, respectively. Refer to Note 37 for information relating to other miscellaneous financial assets pledged as security.

Refer to Note 9 for the movement of the allowance for delinquent loans reclassified from other accounts (excluding loans).

16. PROPERTY AND EQUIPMENT

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvement	Leased Assets	Construction in Progress and Prepayment for Building and Equipment	Total
Cost									
Balance at January 1, 2017	\$ 14,657,121	\$ 9,108,129	\$ 4,652,958	\$ 708,565	\$ 1,430,509	\$ 945,920	\$ 4,253	\$ 53,494	\$ 31,560,949
Additions	-	59,058	144,484	25,107	48,689	63,351	422	89,664	430,775
Disposals	-	(44,876)	(132,906)	(12,909)	(28,117)	(33,801)	-	-	(252,609)
Reclassification	-	1,297	8,087	3,667	196	155	(3,668)	(20,940)	(11,206)
Effect of foreign currency exchange differences	-	(16,155)	(4,529)	(829)	(2,878)	(7,632)	-	(2,089)	(34,112)
Balance at December 31, 2017	<u>\$ 14,657,121</u>	<u>\$ 9,107,453</u>	<u>\$ 4,668,094</u>	<u>\$ 723,601</u>	<u>\$ 1,448,399</u>	<u>\$ 967,993</u>	<u>\$ 1,007</u>	<u>\$ 120,129</u>	<u>\$ 31,693,797</u>
Accumulated depreciation and impairment									
Balance at January 1, 2017	\$ -	\$ 4,113,645	\$ 3,986,898	\$ 570,966	\$ 1,273,907	\$ 811,544	\$ 2,166	\$ -	\$ 10,759,126
Depreciation expense	-	179,282	216,242	44,651	47,604	44,436	222	-	532,437
Disposals	-	(22,365)	(131,159)	(12,756)	(27,627)	(33,357)	-	-	(227,264)
Reclassification	-	-	-	2,037	-	-	(2,039)	-	(2)
Effect of foreign currency exchange differences	-	(771)	(2,392)	(449)	(2,116)	(4,504)	-	-	(10,232)
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 4,269,791</u>	<u>\$ 4,069,589</u>	<u>\$ 604,449</u>	<u>\$ 1,291,768</u>	<u>\$ 818,119</u>	<u>\$ 349</u>	<u>\$ -</u>	<u>\$ 11,054,065</u>
Carrying amounts at December 31, 2017	<u>\$ 14,657,121</u>	<u>\$ 4,837,662</u>	<u>\$ 598,505</u>	<u>\$ 119,152</u>	<u>\$ 156,631</u>	<u>\$ 149,874</u>	<u>\$ 658</u>	<u>\$ 120,129</u>	<u>\$ 20,639,732</u>
Cost									
Balance at January 1, 2016	\$ 15,880,100	\$ 9,050,292	\$ 5,206,912	\$ 619,887	\$ 1,498,860	\$ 943,230	\$ 112,232	\$ 16,487	\$ 33,328,000
Additions	-	62,367	146,489	17,546	43,174	21,007	-	43,304	333,887
Disposals	-	-	(704,522)	(36,512)	(104,044)	(18,234)	-	-	(863,312)
Reclassification	(1,222,979)	(537)	5,639	108,094	(5,753)	-	(107,979)	(6,050)	(1,229,565)
Effect of foreign currency exchange differences	-	(3,993)	(1,560)	(450)	(1,728)	(83)	-	(247)	(8,061)
Balance at December 31, 2016	<u>\$ 14,657,121</u>	<u>\$ 9,108,129</u>	<u>\$ 4,652,958</u>	<u>\$ 708,565</u>	<u>\$ 1,430,509</u>	<u>\$ 945,920</u>	<u>\$ 4,253</u>	<u>\$ 53,494</u>	<u>\$ 31,560,949</u>
Accumulated depreciation and impairment									
Balance at January 1, 2016	\$ -	\$ 3,935,920	\$ 4,456,913	\$ 508,359	\$ 1,337,117	\$ 781,551	\$ 55,132	\$ -	\$ 11,074,992
Depreciation expense	-	178,297	231,535	39,354	45,847	48,831	7,023	-	550,887
Disposals	-	-	(704,491)	(36,498)	(103,840)	(18,234)	-	-	(863,063)
Reclassification	-	(537)	3,734	60,013	(3,758)	-	(59,989)	-	(537)
Effect of foreign currency exchange differences	-	(35)	(793)	(262)	(1,459)	(604)	-	-	(3,153)
Balance at December 31, 2016	<u>\$ -</u>	<u>\$ 4,113,645</u>	<u>\$ 3,986,898</u>	<u>\$ 570,966</u>	<u>\$ 1,273,907</u>	<u>\$ 811,544</u>	<u>\$ 2,166</u>	<u>\$ -</u>	<u>\$ 10,759,126</u>
Carrying amounts at December 31, 2016	<u>\$ 14,657,121</u>	<u>\$ 4,994,484</u>	<u>\$ 666,060</u>	<u>\$ 137,599</u>	<u>\$ 156,602</u>	<u>\$ 134,376</u>	<u>\$ 2,087</u>	<u>\$ 53,494</u>	<u>\$ 20,801,823</u>

The above items of property and equipment are depreciated on a straight-line basis over the estimated useful life of the asset:

Building

Main buildings

20-60 years

Air-conditioning

5-10 years

Machinery equipment

4-16 years

Transportation equipment

2-10 years

Miscellaneous equipment

3-10 years

Leasehold improvement

5 years

Leased assets

9 years

17. INVESTMENT PROPERTIES

	Completed Investment Property
Cost	
Balance at January 1, 2017	\$ 14,096,088
Additions	<u>390</u>
Balance at December 31, 2017	<u>\$ 14,096,478</u>

(Continued)

**Completed
Investment
Property**Accumulated depreciation and impairment

Balance at January 1, 2017	\$ 342,107
Depreciation expense	<u>6,584</u>
Balance at December 31, 2017	<u>\$ 348,691</u>
Carrying amounts at December 31, 2017	<u>\$ 13,747,787</u>

Cost

Balance at January 1, 2016	\$ 12,873,554
Reclassification	1,223,516
Additions	1,122
Disposals	<u>(2,104)</u>
Balance at December 31, 2016	<u>\$ 14,096,088</u>

Accumulated depreciation and impairment

Balance at January 1, 2016	\$ 337,045
Reclassification	537
Depreciation expense	6,627
Disposals	<u>(2,102)</u>
Balance at December 31, 2016	<u>\$ 342,107</u>
Carrying amounts at December 31, 2016	<u>\$ 13,753,981</u> (Concluded)

The investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Main buildings	20-60 years
Air-conditioning	5-10 years

The fair values of the Bank's investment properties were \$26,269,911 thousand and \$28,823,698 thousand as of December 31, 2017 and 2016, respectively. The fair value valuation was not performed by independent qualified professional valuers; the Bank used the valuation method that market participants would use in determining the fair value and the valuation was arrived at by reference to market evidence of transaction prices for similar properties.

The rental incomes and direct operating expenses generated by the investment properties for the years ended December 31, 2017 and 2016 were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Rental incomes	<u>\$ 185,103</u>	<u>\$ 187,085</u>
Direct operating expenses	<u>\$ 110,422</u>	<u>\$ 120,816</u>

18. INTANGIBLE ASSETS

	Computer Software
<u>Cost</u>	
Balance at January 1, 2017	\$ 423,465
Additions	181,941
Amortization	(179,725)
Reclassification	11,206
Effect of foreign currency exchange differences	<u>(711)</u>
Balance at December 31, 2017	<u>\$ 436,176</u>
Balance at January 1, 2016	\$ 500,710
Additions	77,281
Amortization	(160,250)
Reclassification	6,049
Effect of foreign currency exchange differences	<u>(325)</u>
Balance at December 31, 2016	<u>\$ 423,465</u>

The intangible asset mentioned above is amortized on a straight-line basis over the estimated useful life (3-5 years).

19. OTHER ASSETS

	December 31	
	2017	2016
Refundable deposits	\$ 638,049	\$ 284,790
Assumed collateral and residuals	23,462	23,462
Less: Accumulated impairment	(23,462)	(23,462)
Prepayments	293,649	245,534
Others	<u>181</u>	<u>260</u>
	<u>\$ 931,879</u>	<u>\$ 530,584</u>

20. DUE TO CENTRAL BANK AND BANKS

	December 31	
	2017	2016
Due to Central Bank	\$ 22,509	\$ 25,087
Due to banks	27,976,541	27,576,736
Bank overdraft	841,014	294,424
Call loans from banks	77,517,520	109,034,973
Deposits transferred from the Postal Bureau	<u>1,794,283</u>	<u>2,231,362</u>
	<u>\$ 108,151,867</u>	<u>\$ 139,162,582</u>

21. PAYABLES

	December 31	
	2017	2016
Checks issued to payees for clearing	\$ 18,412,071	\$ 18,236,396
Accounts payable	1,789,193	1,411,016
Accrued expenses	2,461,012	2,567,345
Interest payable	2,094,269	1,700,411
Acceptances	4,339,412	6,186,691
Others	<u>5,753,898</u>	<u>3,733,112</u>
	<u>\$ 34,849,855</u>	<u>\$ 33,834,971</u>

22. DEPOSITS AND REMITTANCES

	December 31	
	2017	2016
Checking deposits	\$ 42,033,779	\$ 42,574,915
Demand deposits	412,119,333	394,963,376
Time deposits	373,331,138	351,997,282
Negotiable certificates of deposit	6,747,936	6,209,967
Savings deposits	835,498,391	827,332,235
Remittances	<u>2,349,207</u>	<u>1,352,042</u>
	<u>\$ 1,672,079,784</u>	<u>\$ 1,624,429,817</u>

23. BANK NOTES PAYABLE

The Bank has issued bank notes to enhance its capital adequacy ratio and raise medium to long-term operating funds. The information of the bank notes are as follows:

The Bank issued \$5,000 million perpetual subordinated bank notes-99-1 on June 29, 2010.

The Bank issued \$3,300 million subordinated bank notes-100-1 on March 11, 2011, divided into Financial Debentures A \$2,200 million with 7-year terms and Financial Debenture B \$1,100 million with 10-year terms.

The Bank issued \$6,700 million subordinated bank notes-100-2 with 10-year terms on April 18, 2011.

The Bank issued \$2,200 million subordinated bank notes A 103-1 with 7-year terms on April 16, 2014.

The Bank issued \$5,300 million subordinated bank notes B 103-1 with 10-year terms on April 16, 2014.

The Bank issued \$2,500 million subordinated bank notes C 103-1 with 10-year terms on April 16, 2014.

The Bank issued \$3,000 million subordinated bank notes A 105-1 with 7-year terms on September 27, 2016.

The Bank issued \$3,300 million subordinated bank notes B 105-1 with 10-year terms on September 27, 2016.

The Bank issued \$1,530 million subordinated bank notes A 106-1 with 7-year terms on March 29, 2017.

The Bank issued \$8,670 million subordinated bank notes B 106-1 with 10-year terms on March 29, 2017.

The outstanding balance and details of subordinated bank notes are as follows:

Bank Note, Interest Rate and Maturity Date	December 31	
	2017	2016
<u>Hedged financial liabilities at fair value</u>		
103-1 Note A, 7-year terms, interest payable annually, interest rate 1.70%, maturity date: April 16, 2021	\$ 2,200,000	\$ 2,200,000
103-1 Note B, 10-year terms, interest payable annually, interest rate 1.85%, maturity date: April 16, 2024	3,000,000	3,000,000
105-1 Note A, 7-year terms, interest payable annually, interest rate 1.09%, maturity date: September 27, 2023	1,000,000	-
105-1 Note B, 10-year terms, interest payable annually, interest rate 1.20%, maturity date: September 27, 2026	2,000,000	-
Valuation adjustment	<u>239,657</u>	<u>75,226</u>
	<u>8,439,657</u>	<u>5,275,226</u>
<u>Non-hedged bank notes payable</u>		
99-1, No maturity date, interest payable annually, interest rate from first to tenth year is 3.15%, after tenth year is 4.15%	5,000,000	5,000,000
100-1 Note A, 7-year terms, interest payable annually, interest rate 1.65%, maturity date: March 11, 2018	2,200,000	2,200,000
100-1 Note B, 10-year terms, interest payable annually, interest rate 1.72%, maturity date: March 11, 2021	1,100,000	1,100,000
100-2, 10-year terms, interest payable annually, floating rate, maturity date: April 18, 2021	6,700,000	6,700,000
103-1 Note B, 10-year terms, interest payable annually, interest rate 1.85%, maturity date: April 16, 2024	2,300,000	2,300,000
103-1 Note C, 10-year terms, interest payable annually, floating rate, maturity date: April 16, 2024	2,500,000	2,500,000
105-1 Note A, 7-year terms, interest payable annually, interest rate 1.09%, maturity date: September 27, 2023	2,000,000	3,000,000
105-1 Note B, 10-year terms, interest payable annually, interest rate 1.20%, maturity date: September 27, 2026	1,300,000	3,300,000
106-1 Note A, 7-year terms, interest payable annually, interest rate 1.50%, maturity date: March 29, 2024	1,530,000	-
106-1 Note B, 10-year terms, interest payable annually, interest rate 1.85%, maturity date: March 29, 2027	<u>8,670,000</u>	<u>-</u>
	<u>33,300,000</u>	<u>26,100,000</u>
	<u>\$ 41,739,657</u>	<u>\$ 31,375,226</u>

The Bank engaged in derivative transactions as hedging tools for the 103-1 Note A, 103-1 Note B, 105-1 Note A and 105-1 Note B fixed interest rate bank notes to avoid fair value risks due to changes in interest rates. The interest rate swaps nominal principal was accounted as hedging derivative financial assets. Refer to Note 12.

24. OTHER FINANCIAL LIABILITIES

	December 31	
	2017	2016
Principal structured products	\$ 3,040,687	\$ 2,410,781
Appropriations for loan funds	621,529	307,807
Lease payables	<u>384</u>	<u>376</u>
	<u>\$ 3,662,600</u>	<u>\$ 2,718,964</u>

The principal structured products were the time deposits which linked to currency options. The related income of structured products was determined by the target interest rates.

25. OTHER LIABILITIES

	December 31	
	2017	2016
Unearned revenue	\$ 753,160	\$ 899,770
Guarantee deposits	1,894,206	2,387,785
Deferred income	<u>18,427</u>	<u>23,328</u>
	<u>\$ 2,665,793</u>	<u>\$ 3,310,883</u>

26. RESERVE FOR LIABILITIES

	December 31	
	2017	2016
Reserve for employee benefits	\$ 4,254,235	\$ 3,985,854
Reserve for guarantee liabilities	<u>504,600</u>	<u>538,370</u>
	<u>\$ 4,758,835</u>	<u>\$ 4,524,224</u>
		Reserve for Guarantee Liabilities
Balance, January 1, 2017		\$ 538,370
Reversal of provisions		(32,284)
Bad debts written off		(619)
Exchange differences		<u>(867)</u>
Balance, December 31, 2017		<u>\$ 504,600</u>
Balance, January 1, 2016		\$ 452,184
Provision		98,452
Bad debts written off		(1,571)
Transfer to allowance for loan losses		(10,000)
Exchange differences		<u>(695)</u>
Balance, December 31, 2016		<u>\$ 538,370</u>

- a. For the details of the reserve for employee benefits, refer to Note 27.
- b. Under guidelines of Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans, reserve for guarantees was allocated based on the status of the loan collateral and the length of time overdue.

27. RETIREMENT BENEFIT PLANS

- a. Defined contribution plans

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

- b. Defined benefit plans

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

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

	December 31	
	2017	2016
Present value of defined benefit obligation	\$ 9,553,277	\$ 9,375,700
Fair value of plan assets	(6,698,414)	(6,748,672)
Deficit	2,854,863	2,627,028
Others	14,075	13,211
Net defined benefit liability	<u>\$ 2,868,938</u>	<u>\$ 2,640,239</u>

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, 2017	<u>\$ 9,375,700</u>	<u>\$ 6,748,672</u>	<u>\$ 2,627,028</u>
Service cost			
Current service cost	253,991	-	253,991
Net interest cost	<u>139,505</u>	<u>102,529</u>	<u>36,976</u>
Recognized in profit or loss	<u>393,496</u>	<u>102,529</u>	<u>290,967</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(36,790)	36,790
Actuarial loss - changes in financial assumptions	194,662	-	194,662
Actuarial loss - experience adjustments	<u>189,873</u>	<u>-</u>	<u>189,873</u>
Recognized in other comprehensive income	<u>384,535</u>	<u>(36,790)</u>	<u>421,325</u>
Contributions from the employer	-	484,457	(484,457)
Benefits paid	<u>(600,454)</u>	<u>(600,454)</u>	<u>-</u>
Balance at December 31, 2017	<u>\$ 9,553,277</u>	<u>\$ 6,698,414</u>	<u>\$ 2,854,863</u>
Balance at January 1, 2016	<u>\$ 9,421,583</u>	<u>\$ 6,814,352</u>	<u>\$ 2,607,231</u>
Service cost			
Current service cost	265,452	-	265,452
Net interest cost	<u>140,279</u>	<u>103,600</u>	<u>36,679</u>
Recognized in profit or loss	<u>405,731</u>	<u>103,600</u>	<u>302,131</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(55,689)	55,689
Actuarial loss - experience adjustments	<u>187,812</u>	<u>-</u>	<u>187,812</u>
Recognized in other comprehensive income	<u>187,812</u>	<u>(55,689)</u>	<u>243,501</u>
Contributions from the employer	-	525,835	(525,835)
Benefits paid	<u>(639,426)</u>	<u>(639,426)</u>	<u>-</u>
Balance at December 31, 2016	<u>\$ 9,375,700</u>	<u>\$ 6,748,672</u>	<u>\$ 2,627,028</u>

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

- 1) Investment risk: The plan assets are invested in domestic/and foreign/equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government and corporate 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 debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2017	2016
Discount rate(s)	1.30%	1.50%
Expected rate(s) of salary increase	2.00%	2.00%

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	
	2017	2016
Discount rate(s)		
0.25% increase	<u>\$ (242,396)</u>	<u>\$ (242,143)</u>
0.25% decrease	<u>\$ 251,978</u>	<u>\$ 251,948</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 249,592</u>	<u>\$ 250,063</u>
0.25% decrease	<u>\$ (241,345)</u>	<u>\$ (241,559)</u>

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	
	2017	2016
The expected contributions to the plan for the next year	<u>\$ 318,000</u>	<u>\$ 324,000</u>
The average duration of the defined benefit obligation	10 years	11 years

c. Plan of high-yield savings account for employee

The Bank has the obligation to pay premium interest on the high-yield savings account of its present employees and retired employees. Such obligation is recognized based on its internal guidelines in the Rules of Employee Preferential Deposit for Retired Employees. Refer to Note 29 for related expense.

- 1) Reconciliation of assets and liabilities at the end of the reporting period with the present value of defined benefit obligation and the fair value of plan assets was as follows:

	December 31	
	2017	2016
Present value of defined benefit obligation	\$ 1,385,297	\$ 1,345,615
Less: Fair value of defined benefit plan assets	<u> -</u>	<u> -</u>
Assets and liabilities at the end of the reporting period	<u>\$ 1,385,297</u>	<u>\$ 1,345,615</u>

2) Analysis of defined benefit obligation

	December 31	
	2017	2016
All or part of defined benefit obligation contributed	\$ -	\$ -
Defined benefit obligation not contributed	<u>1,385,297</u>	<u>1,345,615</u>
	<u>\$ 1,385,297</u>	<u>\$ 1,345,615</u>

3) Movements of the present value of defined benefit obligation

	For the Year Ended December 31	
	2017	2016
Balance, January 1	\$ 1,345,615	\$ 1,303,262
Interest cost	51,068	49,466
Actuarial gains and losses	262,100	254,520
Benefits paid	<u>(273,486)</u>	<u>(261,633)</u>
Balance, December 31	<u>\$ 1,385,297</u>	<u>\$ 1,345,615</u>

4) Movements of the fair value of plan assets

	For the Year Ended December 31	
	2017	2016
Balance, January 1	\$ -	\$ -
Contribution by employers	273,486	261,633
Benefits paid	<u>(273,486)</u>	<u>(261,633)</u>
Balance, December 31	<u>\$ -</u>	<u>\$ -</u>

5) Details of gains and losses recognized in expenses

	For the Year Ended December 31	
	2017	2016
Interest cost	\$ 51,068	\$ 49,466
Actuarial gains and losses	<u>262,100</u>	<u>254,520</u>
	<u>\$ 313,168</u>	<u>\$ 303,986</u>

6) Main actuarial assumptions

	For the Year Ended December 31	
	2017	2016
Discount rate of high-yield savings account for employee	4.00%	4.00%
Return rate of funds deposited	2.00%	2.00%
Account balance decrease rate per year	1.00%	1.00%
Probability of future high-yield savings account system change	50.00%	50.00%

(Continued)

	For the Year Ended December 31	
	2017	2016
Mortality rate	Based on Taiwan Life Insurance Industry Mortality Tables	Based on Taiwan Life Insurance Industry Mortality Tables
Rate provided to ordinary clients for similar deposit	1.30%-1.36%	1.30%-1.36% (Concluded)

28. EQUITY

a. Capital stock

Common stock

	December 31	
	2017	2016
Number of stocks authorized (in thousands)	<u>11,000,000</u>	<u>9,000,000</u>
Stocks authorized	<u>\$ 110,000,000</u>	<u>\$ 90,000,000</u>
Number of stocks issued and fully paid (in thousands)	<u>9,413,001</u>	<u>8,964,762</u>
Stocks issued	<u>\$ 94,130,007</u>	<u>\$ 89,647,626</u>

Fully paid common stocks, which have a par value of \$10, carry one vote per stock and carry a right to dividends.

As of January 1, 2016, the Bank's authorized and registered capital was \$90,000,000 thousand divided into 9,000,000 thousand shares at \$10 par value; the total paid-in capital was \$84,573,232 thousand. In August 2017, the Bank increased its registered capital by \$20,000,000 thousand. In August 2017 and 2016, the Bank resolved capitalization of earnings and increased its paid-in capital by \$4,482,381 thousand and \$5,074,394 thousand, respectively. The amount of the Bank's authorized and registered capital at December 31, 2017 and 2016 were \$110,000,000 thousand and \$90,000,000 thousand divided into 11,000,000 thousand shares and 9,000,000 thousand shares and, also at those dates, the amounts of total paid-in capital were \$94,130,007 thousand and \$89,647,626 thousand, divided into 9,413,001 thousand outstanding shares and 8,964,762 thousand outstanding shares, respectively, at \$10 par value.

b. Distribution of 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 exclude employees. The shareholders held their annual regular meeting on June 8, 2016 and, in that meeting, had resolved amendments to the Bank's Articles of Incorporation, particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the dividend policy as set forth in the Bank's amended Articles of Incorporation, where the Bank made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 30% of the remaining profit, setting aside or reversing special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Bank's board of directors as the basis for proposing distribution plan, and 30% to 100% of the basis for proposing distribution plan should be

resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration to directors and supervisors after amendment, refer to Note 29f, "Employee benefits expenses".

To ensure the Bank has cash for present and future expansion plans and to raise the profitability, the Bank prefers to distribute more stock dividends, but cash dividends shall not be less than 10% of total dividends distributed. If the cash dividends are less than \$0.1 per share, the Bank will not distribute any cash dividends, unless otherwise adopted in the shareholders' meeting.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Bank's paid-in capital. Legal reserve may be used to offset deficit. 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.

Items referred to under Rule No. 1010012865, Rule No. 1010047490 and Rule No. 1030006415 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Bank.

Under Rule No. 10510001510 issued by the FSC on May 25, 2016, the Bank should appropriate 0.5%-1.0% net income as a special reserve when distributing surplus earnings for 2016, 2017 and 2018. Since 2017, the Bank should reverse an amount which is the same as the distributed surplus earnings mentioned above for the expense of employees' bridging-over arrangements and settlements caused by the development of financial technology.

The Bank cannot distribute cash dividends or purchase treasury stocks if the Bank has any of the situations cited in Item 1, Section 1, Article 44 of the Banking Law.

The maximum amount of cash dividends cannot exceed 15% of the Bank's total capital if the Bank's capital surplus is less than the capital based on Section 1.

The restriction of the cash dividends stated above does not apply if the Bank's capital surplus exceeds the capital or the Bank's financial position satisfied the criteria by the authority and also the Bank appropriates the legal reserve based on the Banking Law.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Bank.

The appropriations of earnings for 2016 and 2015 were approved in the shareholders' meetings on June 16, 2017 and June 8, 2016, respectively. The appropriations of earnings and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	2016	2015	2016	2015
Legal reserve	\$ 3,625,791	\$ 3,493,001	\$ -	\$ -
Special reserve	60,429	-	-	-
Dividends of common stock - cash	3,765,202	2,960,063	0.42	0.35
Dividends of common stock - stock	4,482,381	5,074,394	0.50	0.60

The appropriation of earnings, the bonus to employees, and the remuneration to directors and supervisors for 2017 are subject to the resolution of the shareholders' meeting to be held in June 2018.

c. Special reserve

	December 31	
	2017	2016
Special reserves appropriated following first-time adoption of IFRSs	\$ 11,778,829	\$ 11,778,829
Others	<u>302,121</u>	<u>241,692</u>
	<u>\$ 12,080,950</u>	<u>\$ 12,020,521</u>

29. NET INCOME

a. Net interest income

	For the Year Ended December 31	
	2017	2016
Interest income		
Loans	\$ 27,779,438	\$ 27,051,838
Due from and call loans to banks	3,655,264	2,370,374
Investment in marketable securities	3,001,990	3,034,108
Others	<u>166,223</u>	<u>133,206</u>
	<u>34,602,915</u>	<u>32,589,526</u>
Interest expense		
Deposits	(9,617,848)	(9,168,024)
Due to the Central Bank and call loans from banks	(1,585,683)	(1,026,528)
Others	<u>(742,514)</u>	<u>(668,205)</u>
	<u>(11,946,045)</u>	<u>(10,862,757)</u>
Net interest income	<u>\$ 22,656,870</u>	<u>\$ 21,726,769</u>

b. Net service fee and commission income

	For the Year Ended December 31	
	2017	2016
Service fee and commission income		
Fees from import and export	\$ 338,965	\$ 358,054
Remittance fees	487,286	478,993
Loan and guarantee fees	618,752	813,301
Fees from trustees	827,425	549,278
Fees from trustee business	260,514	251,794
Fees from insurance agency	2,164,726	2,969,205
Others	<u>1,048,575</u>	<u>974,800</u>
	<u>5,746,243</u>	<u>6,395,425</u>
Service fee and commission		
Interbank fees	(144,862)	(138,493)
Fees from trustees	(34,256)	(23,062)
Management fees	(91,775)	(85,803)
Fees from insurance agency	(185,151)	(227,301)
Others	<u>(491,581)</u>	<u>(508,994)</u>
	<u>(947,625)</u>	<u>(983,653)</u>
Net service fee and commission income	<u>\$ 4,798,618</u>	<u>\$ 5,411,772</u>

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

	For the Year Ended December 31	
	2017	2016
Disposal gains (losses) on financial assets and liabilities at FVTPL		
Stocks and beneficiary certificates	\$ 32,845	\$ 2,208
Bonds	13,504	68,323
Bills	5	15
Derivative financial instruments	2,325,997	2,274,771
Net interest expense	(229,366)	(178,798)
Stock dividends and bonus	4,379	2,317
	<u>2,147,364</u>	<u>2,168,836</u>
Valuation gains (losses) on financial assets and liabilities at FVTPL		
Stocks and beneficiary certificates	(18,672)	(2,314)
Bonds	(13,934)	(187,526)
Bills	887	13,645
Derivative financial instruments	227,297	78,689
	<u>195,578</u>	<u>(97,506)</u>
	<u>\$ 2,342,942</u>	<u>\$ 2,071,330</u>

d. Realized gain (loss) on available-for-sale financial assets

	For the Year Ended December 31	
	2017	2016
Stock dividends and bonus	\$ 129,984	\$ 143,823
Disposal gains		
Stock	119,157	150,405
Bonds	331,360	171,662
	<u>580,501</u>	<u>465,890</u>
Disposal losses		
Stock	(4,519)	(33,396)
Bonds	(11,516)	(269)
	<u>(16,035)</u>	<u>(33,665)</u>
	<u>\$ 564,466</u>	<u>\$ 432,225</u>

e. Depreciation and amortization expenses

	For the Year Ended December 31	
	2017	2016
Property and equipment	\$ 532,437	\$ 550,887
Investment property	6,584	6,627
Intangible assets and other deferred assets	179,805	160,386
	<u>\$ 718,826</u>	<u>\$ 717,900</u>

f. Employee benefits expenses

	For the Year Ended December 31	
	2017	2016
Short-term benefits	\$ 9,524,952	\$ 9,459,706
Post-employment benefits		
Defined contribution plans	169,344	155,443
Defined benefit plans	290,967	302,131
High-yield savings account for employees	313,168	303,986
Other post-employment benefits	238,675	218,842
Termination benefits	<u>70,768</u>	<u>109,008</u>
	<u>\$ 10,607,874</u>	<u>\$ 10,549,116</u>

g. Employees' compensation and remuneration of directors

The Bank accrued employees' compensation and remuneration of directors at the rates 1%-6% and no higher than 0.8%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2017 and 2016 which have been approved by the Company's board of directors on February 12, 2018 and February 24, 2017, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2017	2016
Employees' compensation	5.00%	5.00%
Remuneration of directors	0.40%	0.40%

Amount

	For the Year Ended December 31	
	2017	2016
	Cash	Cash
Employees' compensation	\$ 749,711	\$ 745,076
Remuneration of directors	59,977	59,606

If there is a change in the amounts after the annual 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 financial statements for the year ended December 31, 2016.

Because of a change in the accounting estimate, on March 17, 2016, the Bank held a board of directors' meeting and approved the employees' compensation and remuneration of directors paid for 2015 that resulted in the actual amounts of the employees' compensation and remuneration of directors paid for 2015 different from the amounts recognized in the financial statements for the year ended December 31, 2015. The differences were adjusted to profit and loss for the year ended December 31, 2016.

	For the Year Ended December 31, 2015	
	Employees' Compensation	Remuneration to Directors
Amounts approved in the board of directors' meeting	\$ 723,255	\$ 57,860
Amounts recognized in the annual financial statements	\$ 723,768	\$ 101,600
Differences	\$ (513)	\$ (43,740)

Information on the employees' compensation and remuneration of directors resolved by the Bank's board of directors in 2017 and 2016 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

30. INCOME TAX

- a. Major components of tax expense recognized in profit or loss

	For the Year Ended December 31	
	2017	2016
Current tax		
In respect of the current year	\$ 1,904,730	\$ 1,573,811
Adjustments for prior years	(19,224)	3,517
Deferred tax		
In respect of the current year	(313,503)	124,262
Adjustments for prior years	133,790	-
Non-deductible tax of overseas branches	<u>385,320</u>	<u>295,479</u>
Income tax expense recognized in profit or loss	<u>\$ 2,091,113</u>	<u>\$ 1,997,069</u>

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

	For the Year Ended December 31	
	2017	2016
Profit before tax	\$ 14,184,219	\$ 14,083,041
Income tax expense calculated at the statutory rate	2,411,317	2,394,117
Nondeductible expenses in determining taxable income	835	4,250
Overseas' branch's additional income of deferred tax effect	122,990	127,480
Tax-exempt income	(903,142)	(837,488)
Non-deductible tax of overseas branches	385,320	295,479
Adjustments for prior years' tax	(19,224)	3,517
Others	<u>93,017</u>	<u>9,714</u>
Income tax expense recognized in profit or loss	<u>\$ 2,091,113</u>	<u>\$ 1,997,069</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by the Bank in ROC, while the applicable tax rate used by branches in China is 25%. Tax rate used by other bank entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

In February 2018, it was announced by the President of the ROC that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and would increase by \$538,752 thousand and \$31,270 thousand, respectively, in 2018.

As the status of 2018 appropriations of earnings is uncertain, the potential income tax consequences of 2017 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2017	2016
<u>Deferred tax</u>		
In respect of the current year:		
Translation of foreign financial statements	\$ (139,968)	\$ (141,140)
Fair value changes of available-for-sale financial assets	11,758	5,370
Actuarial losses on defined benefit plan	<u>(71,625)</u>	<u>(41,395)</u>
Total income tax benefit recognized in other comprehensive income	<u>\$ (199,835)</u>	<u>\$ (177,165)</u>

c. Current tax assets and liabilities

	For the Year Ended December 31	
	2017	2016
<u>Current tax assets</u>		
Tax refund receivable	\$ -	\$ 45,926
Others	<u>135,714</u>	<u>10,763</u>
	<u>\$ 135,714</u>	<u>\$ 56,689</u>
<u>Current tax liabilities</u>		
Income tax payable	<u>\$ 954,609</u>	<u>\$ 550,984</u>

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, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Doubtful debts	\$ 1,581,916	\$ 362,450	\$ -	\$ 1,944,366
Others	<u>865,818</u>	<u>304,999</u>	<u>59,867</u>	<u>1,230,684</u>
	<u>\$ 2,447,734</u>	<u>\$ 667,449</u>	<u>\$ 59,867</u>	<u>\$ 3,175,050</u>

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Land revaluation increment tax	\$ 6,156,692	\$ -	\$ -	\$ 6,156,692
Temporary differences	<u>515,509</u>	<u>487,737</u>	<u>(139,968)</u>	<u>863,278</u>
	<u>\$ 6,672,201</u>	<u>\$ 487,737</u>	<u>\$ (139,968)</u>	<u>\$ 7,019,970</u>

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Doubtful debts	\$ 1,621,191	\$ (39,275)	\$ -	\$ 1,581,916
Others	<u>746,298</u>	<u>83,495</u>	<u>36,025</u>	<u>865,818</u>
	<u>\$ 2,367,489</u>	<u>\$ 44,220</u>	<u>\$ 36,025</u>	<u>\$ 2,447,734</u>

Deferred tax liabilities

Land revaluation increment tax	\$ 6,156,692	\$ -	\$ -	\$ 6,156,692
Temporary differences	<u>488,167</u>	<u>168,482</u>	<u>(141,140)</u>	<u>515,509</u>
	<u>\$ 6,644,859</u>	<u>\$ 168,482</u>	<u>\$ (141,140)</u>	<u>\$ 6,672,201</u>

e. Integrated income tax

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Unappropriated earnings		
Generated on and after January 1, 1998	<u>\$ 11,779,842</u>	<u>\$ 11,970,239</u>
Shareholder-imputed credits account	<u>\$ 1,124,577</u>	<u>\$ 1,132,836</u>
	<u>For the Year Ended December 31</u>	<u>2016</u>
	<u>2017 (Expected)</u>	

Creditable ratio for distribution of earnings Note 9.39%

Note: Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, related information for 2017 is not applicable.

f. Income tax assessments

The Bank's income tax returns through 2015 had been examined and cleared by the tax authority.

31. EARNINGS PER SHARE

The computation of earnings per share was retrospectively adjusted for the effects of adjustments resulting from bonus stock issues on August 15, 2017. The basic and diluted after-tax earnings per share of 2016 were adjusted retrospectively as follows:

	Unit: NT\$ Per Share	
	For the Year Ended December 31, 2016	
	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic earnings per share	\$ 1.35	\$ 1.28
Diluted earnings per share	\$ 1.34	\$ 1.28

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

	For the Year Ended December 31	
	2017	2016
Net profit for the year	\$ 12,093,106	\$ 12,085,972

Weighted average number of common stocks outstanding (in thousand stocks):

	For the Year Ended December 31	
	2017	2016
Weighted average number of common stocks in computation of basic earnings per share	9,413,001	9,413,001
Effect of potentially dilutive common stocks:		
Employees' compensation issued	52,094	52,388
Weighted average number of common stocks used in the computation of diluted earnings per share	9,465,095	9,465,389

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

32. OPERATING LEASE ARRANGEMENTS

a. The Bank as lessee

Operating leases relate to leases of land, houses and cars with lease terms between 3 and 10 years. All operating lease contracts over 5 years contain clauses for 5-yearly market rental reviews. The Bank does not have a bargain purchase option to acquire the leased land, houses and cars at the expiration of the lease periods.

As of December 31, 2017 and 2016, refundable deposits paid under operation leases amounted to \$43,272 thousand and \$39,579 thousand, respectively.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31	
	2017	2016
Not later than 1 year	\$ 594,797	\$ 607,978
Later than 1 year and not later than 5 years	1,275,879	1,222,420
Later than 5 years	<u>362,369</u>	<u>302,443</u>
	<u>\$ 2,233,045</u>	<u>\$ 2,132,841</u>

b. The Bank as lessor

Operating leases relate to the investment property owned by the Bank with lease terms between 5 to 10 years, with an option to extend an additional 10 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

As of December 31, 2017 and 2016, refundable deposits received under operation leases amounted to \$55,014 thousand and \$51,430 thousand, respectively.

The future minimum lease payments of non-cancellable operating lease were as follows:

	December 31	
	2017	2016
Not later than 1 year	\$ 229,761	\$ 230,985
Later than 1 year and not later than 5 years	504,391	551,598
Later than 5 years	<u>78,584</u>	<u>77,655</u>
	<u>\$ 812,736</u>	<u>\$ 860,238</u>

33. CAPITAL RISK MANAGEMENT

a. Summary

The Bank's goals in capital management are as follows:

- 1) The Bank's qualified regulatory capital should meet the requirement of capital adequacy regulations, and reached the minimum capital adequacy ratio.
- 2) To ensure the Bank is able to meet the capital needs, it should be evaluated periodically and observed the variation between regulatory capital and risk assets to keep common equity ratio in the interval approved by the board of directors.
- 3) Related to the calculation of qualified regulatory capital and legal capital were according to the regulation of administration.

b. Capital management procedures

The Bank kept capital adequacy ratio completely to meet the requirement of the administration, and declared to the administration quarterly.

In addition, the capital management procedures for the overseas subsidiaries of the Bank were carried out according to the regulation of local administrations.

The Bank's capital adequacy performance, which was calculated based on Regulations Governing the Capital Adequacy and Capital Category of Banks, was reported to the Asset and Liability Management Committee of the Bank periodically. The regulatory capital was classified into Tier 1 Capital, other Tier 1 Capital and Tier 2 Capital.

1) Tier 1 Capital: Include Common Equity and other Tier 1 Capital

Common Equity: Include common stock (include capital collected in advance), Capital reserves (exclude additional paid-in capital in excess of par - preferred stock), accumulated profit, reserve and adjusted equity. Deduct: Legal adjustments.

2) Other Tier 1 Capital: Include noncumulative perpetual preferred stock, noncumulative perpetual subordinated debts. Deduct: Legal adjustments.

3) Tier 2 Capital: Include cumulative perpetual preferred stock, cumulative perpetual subordinated debts, revaluation reserve, long-term subordinated debt, non-perpetual preferred stock include stock issue price 45% of unrecognized available for sale financial assets convertible bonds, operating reserves and allowance for doubtful accounts. Deduct: Legal adjustments.

c. Capital adequacy

Item			Period	December 31, 2017	December 31, 2016
Self-owned capital	Common equity Tier I			\$ 128,325,492	\$ 121,271,653
	Other Tier I capital			1,853,200	2,332,643
	Tier II capital			58,525,280	43,971,841
	Self-owned capital			188,703,972	167,576,137
Risk-weighted assets	Credit risk	Standardized approach		1,318,331,599	1,330,834,716
		IRB		-	-
		Securitization		12,922	17,711
	Operation risk	Basic indicator approach		-	-
		Standardized approach/optional standard		53,616,863	50,906,050
		Advanced internal rating based approach		-	-
	Market price risk	Standardized approach		19,542,238	13,292,788
		Internal model approach		-	-
	Total			1,391,503,622	1,395,051,265
Capital adequacy ratio				13.56%	12.01%
Common equity Tier I to risk-weighted assets ratio				9.22%	8.69%
Tier I capital to risk-weighted assets ratio				9.36%	8.86%
Leverage ratio				5.96%	5.76%

Note 1: The ratios are calculated in accordance with the Regulations Governing the Capital Adequacy and Capital category of Banks.

Note 2: Annual financial report should include the capital adequacy ratio in current and previous period. Besides semiannual report should disclose the ratio the end of last year.

Note 3: Formula:

- a. Self-owned capital = Common equity Tier I + Other Tier I capital + Tier II capital
- b. Risk-weighted assets = Credit risk-weighted assets + (Operation risk capital + Market price risk capital) x 12.5
- c. Capital adequacy = Self-owned capital ÷ Risk-weighted assets
- d. Common equity Tier I capital to risk-weighted assets ratio = Common equity Tier I capital ÷ Risk-weighted assets
- e. Tier I capital to risk-weighted assets ratio = (Common equity Tier I + Other Tier I capital) ÷ Risk-weighted assets
- f. Leverage ratio = Tier I capital ÷ Adjusted average assets

34. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

1) Fair value of financial instruments not carried at fair value

	December 31			
	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>				
Held-to-maturity investments	\$ 237,412,046	\$ 237,479,324	\$ 204,864,541	\$ 204,960,525
Debt investments without active market	64,609	69,302	88,555	91,914
<u>Financial liabilities</u>				
Bond payables	41,739,657	42,798,376	31,375,226	31,824,888

2) Fair value hierarchy

Fair value hierarchy as at December 31, 2017

	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Held-to-maturity investments	\$ 237,479,324	\$ 3,496,314	\$ 233,983,010	\$ -
Debt investments without active market	69,302	-	69,302	-
<u>Financial liabilities</u>				
Bond payables	42,798,376	-	8,439,657	34,358,719

Fair value hierarchy as at December 31, 2016

	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Held-to-maturity investments	\$ 204,960,525	\$ 3,626,147	\$ 11,834,378	\$ 189,500,000
Debt investments without active market	91,914	-	91,914	-
<u>Financial liabilities</u>				
Bond payables	31,824,888	-	7,275,226	24,549,662

b. Fair value of financial instruments that are measured at fair value on a recurring basis

1) Fair value hierarchy

Fair Value Measurement of Financial Instruments	December 31, 2017			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial products</u>				
Assets				
Financial assets at FVTPL	\$ 10,201,891	\$ 6,207,079	\$ 3,994,812	\$ -
Trading assets	4,876,011	1,239,990	3,636,021	-
Bond investments	1,849,798	1,239,990	609,808	-
Others	3,026,213	-	3,026,213	-
Financial assets designated upon initial recognition as at fair value through profit or loss	5,325,880	4,967,089	358,791	-
Available-for-sale financial assets	73,175,886	45,906,930	27,268,956	-
Stock investments	3,643,572	3,643,572	-	-
Bond investments	67,961,664	40,692,708	27,268,956	-
Others	1,570,650	1,570,650	-	-
Liabilities				
Financial liabilities at FVTPL	8,759,276	-	8,759,276	-
<u>Derivative financial products</u>				
Assets				
Financial assets at FVTPL	3,350,622	182,565	3,168,057	-
Other financial assets				
Hedging derivative financial instruments	243,372	-	243,372	-
Liabilities				
Financial liabilities at FVTPL	3,550,054	-	3,550,054	-

Fair Value Measurement of Financial Instruments	December 31, 2016			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial products</u>				
Assets				
Financial assets at FVTPL	\$ 28,326,235	\$ 6,180,514	\$ 22,145,721	\$ -
Trading assets	22,877,934	991,896	21,886,038	-
Mutual funds	190,941	190,941	-	-
Bond investments	1,716,914	800,955	915,959	-
Others	20,970,079	-	20,970,079	-
Financial assets designated upon initial recognition as at fair value through profit or loss	5,448,301	5,188,618	259,683	-
Available-for-sale financial assets	76,824,866	49,912,770	26,912,096	-
Stock investments	2,993,065	2,993,065	-	-
Bond investments	72,181,218	45,269,122	26,912,096	-
Others	1,650,583	1,650,583	-	-
Liabilities				
Financial liabilities at FVTPL	12,606,694	-	12,606,694	-
<u>Derivative financial products</u>				
Assets				
Financial assets at FVTPL	6,372,789	77,802	6,294,987	-
Other financial assets				
Hedging derivative financial instruments	86,265	-	86,265	-
Liabilities				
Financial liabilities at FVTPL	5,486,452	-	5,486,452	-

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Definition for the hierarchy classifications of fair value measurements

a) Level 1

Level 1 inputs are quoted prices unadjusted in active markets for identical financial instruments. An active market indicates the market that is in conformity with all of the following conditions: The products in the market are identical; it is easy to find a knowledgeable and willing transaction counterparty; and price information is available to the public.

The fair values of the Bank and its subsidiaries' investments in listed stocks, beneficiary certificates, on-the-run Taiwan central government bonds and derivative instruments with quoted market prices are included in Level 1.

b) Level 2

Level 2 inputs are inputs other than quoted prices with reference to an active market that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The fair values of the Bank's investments in off-the-run government bonds, corporate bonds, bank debentures, convertible bonds and most derivative bank debentures issued by the Bank are included in Level 2.

c) Level 3

The input parameters used are not based on observable market data. (Unobservable input parameters are those such as option pricing models using historical volatility which cannot represent the expected value of all market participants.) The fair values of the Bank's investments in derivatives and equity investments without an active market are included in Level 3.

3) Valuation techniques and assumptions applied for the purpose of measuring fair value

a) Determination of fair value

A quoted market price is used as the fair value when a financial instrument has an active market. Such market prices are provided by the Stock Exchange Corporation, Bloomberg and Reuters, which are all the foundation of fair values for listed equity securities and debt instruments with a quoted market price in an active market.

If the market quotation from the Stock Exchange Corporation, commission merchants, underwriters or pricing service institutions can be frequently and readily obtained and the price represents actual and frequent at arm's length transactions, then a financial instrument is deemed to have an active market. If the above conditions are not met, the market is deemed inactive. In general, a significant price variance between the purchase price and selling price or a significantly increasing price variance are both indicators of an inactive market.

In addition to the above financial instruments with an active market, other financial instruments at fair value are assessed by valuation techniques or by referencing counterparties with other financial instruments at fair value with similar conditions and characteristics in actual practice, including market information obtained by exercising valuation models at the balance sheet date (such as yield curves used by TPEx and TAIBIR (page 02) secondary market fixing rates used by the Taiwan Depository & Clearing Corporation).

When a financial instrument has no standardized valuation and has a greater level of complexity, such as interest rate swaps, currency swaps and options, the Bank and its subsidiaries usually adopt the valuation generally accepted by market users. The inputs used for these financial instruments' valuations are usually observable information in the market.

For financial instruments with greater complexity, the fair value is assessed through the valuation model developed by valuation methods and techniques generally accepted by competitors. These kinds of valuation models are usually applicable for derivative instruments, debt instruments with no quoted market price (including debt instruments of embedded derivatives) or other debt instruments with low market liquidity. Certain inputs used in these valuation models are not observable in the market, and the Bank and its subsidiaries need to make appropriate estimates based on assumptions.

b) The types and nature of the valuation methods for financial instruments used by the Bank and its subsidiaries are as follows:

- i. NTD central government bonds: The bond market rate and theoretical interest rate are price-per-hundred conversions announced by TPEx.
- ii. NTD corporate bonds and bank notes: The corporate bond reference rate is announced by TPEx, and the Bank uses the appropriate credit rate and the remaining period to calculate the yield rate and convert it to price-per-hundred.

- iii. NTD convertible corporate bonds: The closing prices of outright purchase/sale trading are listed on TPEx on the valuation day. If the price is not available, the price is referenced from the outright purchase/sale trading information listed on TPEx.
 - iv. Securitization instruments: Prices are those quoted from Bloomberg.
 - v. NTD short-term bills: The TAIBIR (page 02) secondary market fixing rates used by the Taiwan Depository & Clearing Corporation are discounted from future cash flows.
 - vi. Foreign securities: The latest prices quoted from Bloomberg, Reuters or other systems on the valuation day are used, if there is no available price or valuation, then the price used is that which is quoted from counterparties.
 - vii. Listed stocks, call/put warrants and depositary receipts: The closing price listed on TWSE or TPEx is adopted.
 - viii. Beneficiary certificates: Closed-end funds use the closing price in an active market as the fair value and open-end funds use the net asset value of the fund as the fair value.
 - ix. Derivatives:
 - i) Call/put warrants and stock index futures: Prices quoted from an active market are deemed the fair values.
 - ii) Foreign currency forward contracts, currency swaps, interest rate swaps, cross currency swaps and operating deposits of transactions: Discounted future cash flows are adopted.
 - iii) Options: The Black-Scholes model, binomial tree model and Monte Carlo method are mainly adopted for valuation.
 - iv) Certain derivatives use the quoted price from counterparties.
 - x. Mixing Tools: The price from the active market, deal brokers and evaluation models is used.
- c) Adjustments for credit risks and the definitions are as follows:

Credit valuation adjustment (CVA) is a measurement for derivatives which are not transacted through the stock market, or for over-the-counter derivatives. CVA reflects the fair value of should a counterparty default and the possibility of not collecting the derivative's full market value.

CVA is calculated by applying the loss given default (LGD) to the exposure at default (EAD), along with the consideration of the counterparty's probability of default (PD) (assuming the condition that the Bank does not default).

c. Financial risk management objectives and policies

1) Market risk

a) The source and definition of market risk

Market risk is the uncertainty of changes in fair value of on- and off-balance-sheet financial instruments due to changes in market risk factors. Market risk factors include interest rates, exchange rates, equity security prices and commodity prices.

The major market risks of the Bank are equity securities price risks, interest rate risks, and exchange rate risks. The majority of equity securities risk includes domestic public stock, over-the-counter stock, emerging market stock, domestic stock index options and stock index futures. The main position of interest rate risk includes bonds and interest derivative instruments, such as interest rate swap. The main position of exchange rate risk includes the Bank's investments denominated in foreign currencies, such as foreign currency spots, currency futures and foreign currency options.

b) Market risk management policy

The Bank classifies the financial instruments held by the Bank as trading book and banking book, and determines the market risk as interest rate risk, exchange rate risk, and equity security price risk. The Bank establishes "Market Risk Management Regulation", "Derivative Financial Trading Process" and various financial instrument related regulations to manage the market risk of overall foreign exchange position, normal position, interest rate position of trading book and equity security position. The overall interest rate risk management of banking book belongs to Assets and Liabilities Management Committee.

The market risk management regulations are as follows:

- i. Establish the market risk management process to ensure the risk would be identified, measured, monitored and reported.
- ii. Measure and monitor the market risk and keep it under the risk limit and minimize unexpected loss from market risk.
- iii. Follow the regulations of Basel Accord.
- iv. Establish the market risk management system and economic capital allocation process.
- v. Monitor the credit line management of financial instrument, sensitivity analysis, stress testing and the calculation of VaR. Report the result of market risk monitoring to Risk Management Committee periodically and Board of Director quarterly.

c) Market risk management procedures

According to "Whole Risk Management Policy", Risk Management Department is the second line of defense against the market risk. Risk Management Department performs the market risk management, establishes related management process, and reports to the appropriate level of the management. Besides, Risk Management Department establishes independent risk management process and ensures it remains effective.

i. Identifying and measuring

The effective market risk management process begins with identifying the inherent risk of operating activities and financial instruments. The Bank reviews the risk identifying method timely when the market environment changes and makes necessary adjustment to ensure the effective operation of the market risk management process. The Bank's risk management department identifies market risk factors and measures the market risk. The market risk factors refer to the factors which affect the interest rate, exchange rate or the fair value of equity instruments. The market risk factors include the position, profits and loss, loss from stress testing, PVO1, Delta, VaR, etc.

ii. Monitoring and reporting

The Bank controls market risk by managing risk limits. The risk management department sets various trading limits, such as position limits, stop-loss limits, and maximum potential loss. The trading limits are implemented only after they are reported to and approved by the Board of Directors.

The risk management department calculates exposures and estimated gains and losses on positions daily to make sure that the positions held and losses do not exceed the limits approved by the Board of Directors and prepares reports to the high-level management and the Board of Directors periodically for their sufficient understanding of the implementation of the market risk management and, if necessary, issuance of additional guidance.

The risk management department reports important market risk issues, such as discovery of possible loss on positions in each trading book or identification of weakness in the market risk management system, to the Risk Management Committee in order to improve the effectiveness of the market risk management.

iii. Stress testing

The stress testing is one of the important tools for risk management. It is used for verifying effects on the investment portfolio due to some extremely disadvantageous but possible stressful events and for analyzing exposure level and risk tolerance in such situations and furthermore evaluating the portfolio loss or the impact on the capital. Chang Hwa Bank performs stress testing for forecasting risk and for assessment and reinforcement of statistical models or historical data limitations.

d) Trading book market risk management

The trading book refers to the position of financial instruments held for trading or hedging. The position of financial instruments held for trading refers to the position which earns profits from actual or expected short-term price fluctuations.

i. Strategy

The Bank determines the risk limitation of the investment portfolio of trading book by evaluating trading strategy, trading category, and annual performance.

ii. Management policy and procedures

The Bank follows “Market Risk Management Rules”, “Derivative Financial Trading Process” and various financial instrument related regulations as the important management rules of trading book.

iii. Valuation policy

The trading positions are valued real time or daily. The hedging derivatives are valued at least twice a month. The resources of fair value of financial instruments are categorized as: (1) those derived from quoted prices in active markets; (2) the latest price with no active market; (3) valuation with no active market.

iv. Risk measuring methods

- i) The sensitivity of the interest rate changes of investment portfolio is measured by DVO1. The sensitivity of the foreign exchange derivatives is measured by the sensitivity factors (Delta, Gamma, and Vega).

ii) With regard to the Bank's Value at Risk assumptions and calculation methods, please refer to item i.

iii) The Bank performs the stress test quarterly and report the result to Risk Management Committee periodically.

e) Trading book interest rate risk management

i. Definition of interest rate risk

Interest rate risk is fair value changes in interest rate risk position held by the Bank due to interest rate changes. The risks are mainly in debt securities and interest rate derivatives.

ii. Management procedures on trading book interest rate risk

The Bank defines the trading limit of trading book and the stop-loss limit of different financial instruments by assessing the credit and the financial position of the issuers.

iii. Measuring methods

The interest rate factor sensitivity of debt securities and interest rate derivatives is measured by DVO1. With regard to the Bank's Value at Risk assumptions and calculation methods, please refer to item i.

f) Banking book interest rate risk management

i. Definition of banking book interest rate risk

The banking book interest rate risk means the unfavorable change of interest rate of non-trading-book interest rate position which changes the present value of revenues and costs or assets and liabilities and causes decrease of earnings or impairment of economic value.

ii. Management strategy on banking book interest rate risk

According to the Bank's interest rate risk management policy, the Bank has set various measurement indicators and limits on banking book interest rate risk. To pursue profits and steady growth of shareholder value without exposure to extreme loss risks, the Bank applies appropriate management strategy including on- and off-balance-sheet adjustments and maintains appropriate amounts of assets and liabilities.

iii. Banking book interest rate risk report/range of measuring system

The Bank mainly applies standard method for interest rate risk sensitivity gap analysis to measure banking book interest rate risks. The responsible department periodically measures banking book interest rate risks and reports to related departments and to the Asset and Liability Management Committee in order to adopt appropriate strategies for adjusting banking book interest rate risk combinations. Assessment information of banking book interest rate risk would be presented to the Board of Directors periodically to let the high-level management control such risks.

g) Exchange rate risk management

i. Definition of exchange rate risk

Exchange rate risk is the gain or loss resulting from exchange or translation of two different foreign currencies at different times. The Bank's exchange rate risk mainly comes from spot and forward exchange positions.

ii. Exchange rate risk management policy, procedures and measuring methods

The risk management department sets the position limit and stop-loss limit of trading book investment combinations in order to control exchange rate risk. If the losses reach the stop-loss limit, the trading department should decrease risk exposure positions so as to control losses.

The risk management department applies sensitivity analysis or Value at Risk to measure exchange rate risk and calculates stress loss of risk position held. In sensitivity analysis, Delta is applied to measure the exchange rate risk of the first order change and Gamma is applied to measure the exchange rate risk of the second order change. In addition, Vega is used to measure the first order risk of implied volatility rate. With regard to the Bank's Value at Risk assumptions and calculation methods, please refer to Item i.

h) Equity security price risk management

i. Definition of equity security price risk

Equity security price risk is the valuation effect on the position held by the Bank when the equity security price changes. The Bank's equity security price risk mainly comes from public and over-the-counter stocks, index futures and options.

ii. Equity security price risk management purpose

The risk management department applies sensitivity analysis or Value at Risk to measure equity security price risk and calculates stress loss of risk position held. In sensitivity analysis, Delta, Gamma and Vega are, applied to measure the independent equity security price risk of the first order change, or market value is applied to indicate the exposure risks on positions of stocks. With regard to the Bank's Value at Risk assumptions and calculation methods, please refer to Item i.

iii. Equity security price risk management procedures

The Bank sets restrictions on credit extensions with the same person, the same concerned party or the same affiliate to control the risk concentration. Risk Management Department monitors unrealized gain or loss of the holding position daily. If unrealized loss is over the stop-loss threshold, Risk Management Department would notice the department who hold the position to subject to the related regulations. The department who holds the position should report to Risk Management Committee if unrealized loss is over the stop-loss threshold but the department still holds the position.

iv. Measuring methods

The equity security price risk of Trading Book is monitored and controlled by VaR, please refer to item i.

The Bank would perform stress testing for the equity security price risk of non-trading position and report the result to Risk Management Committee.

i) Market risk measuring method

i. Value at Risk, “VaR”

The Bank uses VaR model and stress testing to evaluate the risk of trading portfolio the market risk and the maximum expected loss of positions held through assumptions of changing market situation. VaR is the statistical estimation of potential losses of existing positions arising from unfavorable market changes. VaR refers to the maximum potential loss that Chang Hwa Bank might be exposed to within the confidence interval (99%), which means there is a certain probability (1%) that the actual loss would exceed VaR. Significant loss caused by excessive market volatility could not be avoided by using VaR.

The Bank uses historical simulation method to calculate VaR. The historical simulation method is based on historical data to estimate the future cash flow and assess the market risk of financial instrument. There are more and more financial institutions using the historical simulation method. However, there are some limitations for using the method. One of the limitations is that the assumption used in the method may not reflect the real situation. Besides, the simulation result may not be representative if the historical data used are too small. The Bank would use proxy to respond to the limitations mentioned above.

According to the Bank’s “Risk Management Committee Establishment Points”, the risk appetite of trading book market risk, operating limits and VaR limits should be approved by the Risk Management Committee. VaR is an important internal risk control in the Bank. The VaR limits of investment portfolio are approved annually by the Risk Management Committee and reported to the Board of Directors. In addition, the daily actual VaR is monitored by the Bank’s risk management department.

ii. As of December 31, 2017 and 2016, the Bank’s VaR factors based on historical simulation method were as follows:

For the Year Ended December 31, 2017				
	Average	Highest	Lowest	Ending Balance
Exchange VaR	\$ 96,158	\$ 115,244	\$ 79,370	\$ 101,894
Interest rate VaR	6,777	9,060	5,559	7,302
Equity securities VaR	<u>1,832</u>	<u>2,379</u>	<u>-</u>	<u>-</u>
Value at risk	<u>\$ 104,767</u>	<u>\$ 126,683</u>	<u>\$ 84,929</u>	<u>\$ 109,196</u>
For the Year Ended December 31, 2016				
	Average	Highest	Lowest	Ending Balance
Exchange VaR	\$ 132,869	\$ 210,803	\$ 84,965	\$ 124,001
Interest rate VaR	31,516	39,497	26,264	31,699
Equity securities VaR	<u>932</u>	<u>1,293</u>	<u>576</u>	<u>576</u>
Value at risk	<u>\$ 165,317</u>	<u>\$ 251,593</u>	<u>\$ 111,805</u>	<u>\$ 156,276</u>

2) Primary foreign currencies

The significant foreign-currency financial assets and liabilities as of December 31, 2017 and 2016 were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 7,722,935	29.6800	\$ 229,216,711
GBP	77,177	39.9300	3,081,678
AUD	1,078,448	23.1350	24,949,894
HKD	1,676,715	3.7960	6,364,810
SGD	62,182	22.2000	1,380,440
CAD	98,652	23.6300	2,331,147
ZAR	2,541,371	2.3900	6,073,877
JPY	54,065,112	0.2633	14,235,344
EUR	397,523	35.4500	14,092,190
RMB	19,089,541	4.5490	86,838,322
Non-monetary items			
USD	182,180	29.6800	5,407,102
<u>Financial liabilities</u>			
Monetary items			
USD	10,074,286	29.6800	299,004,808
GBP	69,356	39.9300	2,769,385
AUD	977,697	23.1350	22,619,020
HKD	1,384,142	3.7960	5,254,203
CAD	97,024	23.6300	2,292,677
ZAR	2,671,901	2.3900	6,385,843
JPY	59,662,672	0.2633	15,709,182
EUR	419,560	35.4500	14,873,402
RMB	15,662,646	4.5490	71,249,377
Non-monetary items			
USD	303,153	29.6800	8,997,581

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2016		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 7,363,307	32.2200	\$ 237,245,752
GBP	107,309	39.6100	4,250,509
AUD	1,062,016	23.3450	24,792,764
HKD	1,269,706	4.1540	5,274,359
CAD	75,519	23.9200	1,806,414
ZAR	2,111,595	2.3700	5,004,480
JPY	54,909,216	0.2771	15,215,344
EUR	476,775	33.9800	16,200,815
RMB	16,578,816	4.6240	76,660,445
Non-monetary items			
USD	177,822	32.2200	5,729,425
<u>Financial liabilities</u>			
Monetary items			
USD	8,672,121	32.2200	279,415,739
GBP	99,479	39.6100	3,940,363
AUD	939,097	23.3450	21,923,219
HKD	1,239,671	4.1540	5,149,593
CAD	82,682	23.9200	1,977,753
ZAR	2,490,908	2.3700	5,903,452
JPY	52,799,150	0.2771	14,630,644
EUR	505,965	33.9800	17,192,691
RMB	15,923,218	4.6240	73,628,960
Non-monetary items			
USD	401,490	32.2200	12,936,008

For the years ended December 31, 2017 and 2016, net foreign exchange gains (losses) were \$(76,604) thousand and \$279,662 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Bank entities.

3) Credit risk

a) Credit risk source and definition

Credit risk means the possible loss due to failure of debtors or counterparties to fulfill their contractual obligations or their ability to fulfill contractual obligations is impaired. Credit risk arises from the operation, on- and off-balance-sheet items, including credit loans, derivatives transactions and securities investment, etc. Because the business becomes more complex, the credit risk is often generated with other risks that affect one another. For example, exchange rate risk also exists in foreign currency debt investment. Secured loans will be affected by the price volatility of the collateral and market liquidity risk of the collateral.

b) Credit risk management policy

- i. To meet the needs of risk management, the Bank continues to enhance corporate and personal finance credit application management system and various risk management techniques and efficiency.
- ii. The Bank continues to develop methods of credit risk quantification models to elevate credit risk management techniques, which enable the Bank's capital requirement and expected loss to become more risk sensitive.
- iii. The Bank continues to develop and implement credit risk stress testing in compliance with the requirements of the competent authority supervising risk management and improve the effectiveness of the Bank's risk management.
- iv. The Bank is building a complete after-loan monitoring mechanism to efficiently identify and manage potential problematic loans, establish appropriate monitoring procedures, track the frequency and the specific responsive measures in order to achieve active management in the process of credit risk identification, measurement, monitoring and reporting
- v. The Bank is building a knowledge base to facilitate learning and assessment. To meet the business demand, it holds risk management seminars and trainings to shape the Bank's risk management culture

The Bank's credit risk management procedures and measuring methods for major business are described as follows:

- i. Credit business (including loan commitments and guarantees)

Levels are as follows:

i) Classification of credit assets

The Bank's credit assets are grouped into five categories. Except for normal credit assets, the remaining unsound credit assets are evaluated based on the status of the loan collateral and the length of time overdue, and grouped into "special-mentioned", "substandard", and "losses".

In order to manage problematic credit loans, the Bank has set up "Operating Points of Assets Assessment", "Assessment Operating Details of Handling Debts to Normal Borrowers", "Principle of Overdue Loans, Delinquent Loans and Doubtful Debts Handling Authority", "Regulations Governing Overdue Loans, Delinquent Loans and Doubtful Collection" and other regulations managing credit loans and collection of loans.

ii) Credit quality level

For risk management purposes, the Bank has set up internal rating models for credit risks in accordance with the nature and scale of a business.

With the use of statistical method and judgment by experts, the Bank has developed a credit rating model for clients. After taking into account client-related information, the Bank developed a corporate credit rating model and classified as 21 levels. The Bank reviews the model periodically to examine if the outcome matches reality and adjusts each parameter to optimize the result.

The Bank evaluates the credit rating of borrowers at least once a year. In addition, to ensure the estimates used are reasonable and to make sure the outcome calculated matches reality, the Bank annually conducts validity test and back-testing of the models using data on customers' actual defaults.

The Bank classifies the credit qualities of corporate loans as strong, medium, weak and non-rating.

The Bank developed a scoring model for housing loans, credit loans and credit card applications by statistical method and by the judgement of experts to measure the credit risk of consumer finance. The loan reviewer would get advice from the scoring result. The scoring result is classified in 10 percentile range. The Bank reviews semi-annually the stability of the scoring model to maintain the effectiveness semi-annually.

ii. Call loans to banks

The Bank evaluates the credit status of counterparties before deals are closed. The Bank grants different limits to counterparties based on their respective credit ratings as suggested by domestic and foreign credit rating agencies. The Bank assesses the credit limits of counterparties by level and financial status; the Bank efficiently manages counterparties' credit risks through regular and special reviews, monitoring and reporting.

iii. Debt instrument and derivatives financial instruments

The Bank identifies and manages the credit risks from debt instruments through the use of external credit ratings of the debt instruments along with the evaluation of credit qualities of bonds, regional conditions and counterparty risks.

The other banks with which the Bank conducts derivative transactions are mostly considered investment grade. The Bank monitors the credit limits (including lending limits) by counterparties. The credits extended to counterparties who are general customers are monitored in accordance with the related contract terms and conditions and the credit limits for derivatives established in normal credit granting processes.

The Bank classifies the credit qualities of debt instruments as strong, medium, weak and non-rating.

c) Credit risk hedging or mitigation policies

i. Collateral

The Bank has a series of measures for credit granting to reduce credit risks. One of the procedures is asking for collateral from the borrowers. To secure the loans, the Bank manages and assesses the collateral following the procedures that suggest the scope of collateralization and valuation of collateral and the process of disposition. In credit contracts, the Bank stipulates the security mechanism for loans and the conditions and terms for collateral offsetting to state clearly that the Bank reserves the right to reduce granted limit, to reduce repayment period, to demand immediate settlement or to offset the debts of the borrowers with their deposits in the Bank in order to reduce the Bank's credit risks.

ii. Credit line credit risks and control over concentration of credit risks

To avoid the concentration of credit risks, the Bank has included credit limits for a single counterparty and for a single group in its credit-related guidelines. The Bank has also included credit limits for an individual (entity) and for related enterprises (group) in the guidelines for investment and regulations for risk control on equity investments. To manage the concentration risk on the assets, the Bank has set credit limits by industry, conglomerate, transactions collateralized by stocks, and other categories and integrated within one system to supervise concentration of credit risk in these categories.

The table below analyzes the collateral held as security and other credit enhancements, and their financial effect in respect of the financial assets recognized in the Bank's balance sheet:

December 31, 2017

	Maximum Exposure to Credit Risk Mitigated by			Total
	Collateral	Master Netting Arrangement	Other Credit Enhancements (Describe)	
Loans	\$ 907,832,465	\$ -	\$ -	\$ 907,832,465
Financial assets at fair value through profit or loss	1,628,170	-	-	1,628,170
Available-for-sale financial assets	3,343,666	-	-	3,343,666
Held-to-maturity financial assets	1,049,985	-	-	1,049,985

December 31, 2016

	Maximum Exposure to Credit Risk Mitigated by			Total
	Collateral	Master Netting Arrangement	Other Credit Enhancements (Describe)	
Loans	\$ 868,885,432	\$ -	\$ -	\$ 868,885,432
Financial assets at fair value through profit or loss	17,648,990	-	-	17,648,990
Available-for-sale financial assets	4,342,564	-	-	4,342,564
Held-to-maturity financial assets	1,799,845	-	-	1,799,845

d) Maximum exposure to credit risk

The maximum credit risk exposures of various financial instruments held by the Bank are the same as per book amounts. Refer to the notes to the financial statements.

As of December 31, 2017 and 2016, the maximum exposure to credit risk (before deducting the guarantees or other credit enhancement instruments and the irrevocably maximum amount of exposure) were as follows:

Financial Instrument Type	December 31	
	2017	2016
Unused loan commitments (excluding credit cards)	\$ 82,204,969	\$ 93,836,687
Credit card credit commitment	333,092	371,718
Unused issued letters of credit	24,509,270	23,053,060
Guarantees in guarantee business	40,993,464	44,626,870

e) Situation of credit risk concentration

Prominent concentration of credit risks occurs when transaction parties for financial instruments prominently concentrate on one party, or on a few that are in similar business lines or exhibit similar economic characteristics. The characteristics of concentration of credit risks include the nature of business activities engaged by debtors. The Bank has not engaged in transactions that involved a prominent concentration to one client or one transaction party, but has engaged in transaction parties of similar industry type or from similar region.

The Bank's information on prominent concentration of credit risk was as follows:

Industry Type	December 31, 2017	
	Carrying Value	Percentage of Item (%)
Financial and insurance	\$ 63,727,242	5
Manufacturing	346,068,730	24
Wholesale and retail	121,573,560	9
Real estate and leasing	106,791,248	8
Service	42,254,353	3
Individuals	460,827,924	33
Others	252,164,582	18
	<u>\$ 1,393,407,639</u>	

Industry Type	December 31, 2016	
	Carrying Value	Percentage of Item (%)
Financial and insurance	\$ 64,187,414	5
Manufacturing	337,151,780	24
Wholesale and retail	121,089,857	9
Real estate and leasing	98,686,674	7
Service	43,032,933	3
Individuals	444,708,300	32
Others	274,525,907	20
	<u>\$ 1,383,382,865</u>	

Geographic Location	December 31, 2017	
	Carrying Value	Percentage of Item (%)
Asia	\$ 1,331,401,566	96
America	45,125,881	3
Europe	15,557,266	1
Others	1,322,926	-
	<u>\$ 1,393,407,639</u>	

Geographic Location	December 31, 2016	
	Carrying Value	Percentage of Item (%)
Asia	\$ 1,316,938,252	95
America	47,678,320	4
Europe	16,835,940	1
Others	<u>1,930,353</u>	-
	<u>\$ 1,383,382,865</u>	

Securities Type	December 31, 2017	
	Carrying Value	Percentage of Item (%)
Unsecured	\$ 485,575,174	35
Secured		
Properties	756,683,671	54
Others	<u>151,148,794</u>	11
	<u>\$ 1,393,407,639</u>	

Securities Type	December 31, 2016	
	Carrying Value	Percentage of Item (%)
Unsecured	\$ 514,497,433	37
Secured		
Properties	722,217,556	52
Others	<u>146,667,876</u>	11
	<u>\$ 1,383,382,865</u>	

f) Financial assets credit quality and non-performing impairment analysis

Part of financial assets held by the Bank, such as cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, securities investments purchased under resell agreement, deposit refunds, operating deposits, and settlement deposits are exposed to low credit risks because the counterparties have rather high credit ratings.

Besides the above, the credit quality analyses of other financial assets were as follows:

i. Credit quality analysis of loans and receivables

(In Thousands of New Taiwan Dollars)

Item	December 31, 2017							Total (A)+(B)+(C)	Provision for Impairment Losses (D)		Net (A)+(B)+(C)- (D)
	Neither Past Due Nor Impaired					Past Due But Not Impaired (B)	Impaired (C)		Objective Evidence of Impairment	Nonobjective Evidence of Impairment	
	High	Medium	Weak	Non-ratings	Subtotal (A)						
In-balance-sheet items											
Receivables	\$ 7,277,403	\$ 7,133,960	\$ 262,378	\$ 9,677,649	\$ 24,351,390	\$ 893,291	\$ 402,793	\$ 178,540	\$ 24,670,023		
Credit cards	-	-	-	1,767,829	1,767,829	27,073	13,470	5,132	1,776,300		
Other	7,277,403	7,133,960	262,378	7,909,820	22,583,561	866,218	23,456,454	173,408	22,893,723		
Loans	312,155,722	775,041,018	178,227,169	112,492,548	1,377,916,457	13,067,419	1,393,407,639	4,821,541	1,377,040,660		

(In Thousands of New Taiwan Dollars)

Item	December 31, 2016										
	Neither Past Due Nor Impaired						Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)		Net (A)+(B)+(C)- (D)
	High	Medium	Weak	Non-ratings	Subtotal (A)	Objective Evidence of Impairment			Nonobjective Evidence of Impairment		
In-balance-sheet items											
Receivables	\$ 8,673,298	\$ 3,726,260	\$ 205,451	\$ 7,750,515	\$ 20,355,524	\$ 489,081	\$ 20,853,292	\$ 416,622	\$ 156,409	\$ 20,280,261	
Credit cards	-	-	-	1,752,029	1,752,029	22,625	1,774,654	11,543	5,157	1,757,954	
Other	8,673,298	3,726,260	205,451	5,998,486	18,603,495	8,687	19,078,638	405,079	151,252	18,522,307	
Loans	382,993,935	705,721,892	162,225,963	117,060,877	1,368,002,667	2,470,282	1,383,382,865	4,355,431	11,767,544	1,367,259,890	

ii. Credit quality analysis of loans neither past due nor impaired based on credit ratings of clients

(In Thousands of New Taiwan Dollars)

Item	December 31, 2017				
	Neither Past Due Nor Impaired				
	High	Medium	Weak	Non-ratings	Total
Consumer finance	\$ 79,446,798	\$ 178,875,718	\$ 135,582,083	\$ 63,257,678	\$ 457,162,277
Corporation finance	232,708,924	596,165,300	42,645,086	49,234,870	920,754,180
Total	\$ 312,155,722	\$ 775,041,018	\$ 178,227,169	\$ 112,492,548	\$ 1,377,916,457

(In Thousands of New Taiwan Dollars)

Item	December 31, 2016				
	Neither Past Due Nor Impaired				
	High	Medium	Weak	Non-ratings	Total
Consumer finance	\$ 74,995,708	\$ 176,509,719	\$ 129,253,570	\$ 60,247,928	\$ 441,006,925
Corporation finance	307,998,227	529,212,173	32,972,393	56,812,949	926,995,742
Total	\$ 382,993,935	\$ 705,721,892	\$ 162,225,963	\$ 117,060,877	\$ 1,368,002,667

g) Aging analysis of financial assets that are past due but not impaired

The aging analyses of financial assets that were past due but not impaired of the Bank were as follows:

(In Thousands of New Taiwan Dollars)

Item	December 31, 2017		
	Past Due Up to One Month	Past Due Over One Month	Total
Loans			
Consumer finance	\$ 1,500,703	\$ 504,613	\$ 2,005,316
Corporation finance	355,843	62,604	418,447

(In Thousands of New Taiwan Dollars)

Item	December 31, 2016		
	Past Due Up to One Month	Past Due Over One Month	Total
Loans			
Consumer finance	\$ 1,552,701	\$ 678,358	\$ 2,231,059
Corporation finance	156,639	82,584	239,223

4) Liquidity risk management

a) The definition of liquidity risk

Liquidity risk is the potential loss that the Bank may suffer due to inability to liquidate assets or raise enough funds in reasonable time to perform obligations when due and to meet the demands of assets growth.

b) Liquidity risk management procedures

According to the Bank's liquidity risk management policy, the Bank clearly sets various indicators and limits for liquidity risk. The responsible department should implement operation procedures for funding liquidity, monitor and prepare maturity analysis periodically to assess liquidity risk. In addition, the responsible department should also report to related departments and Asset and Liability Committee to enable them to make appropriate adjustments to meet the needs of liquidity. Related information about liquidity risk assessment should be reported to the board of directors to let high-level management understand Chang Hwa Bank's funding liquidity.

As of December 31, 2017 and 2016, the ratio of liquidity reserve is 16.42% and 16.14%, respectively. Since the capital and working funds are deemed sufficient to meet the cash flow needs for performance of all contracted obligations, liquidity risk is not considered to be significant.

c) Maturity analysis of non-derivative financial assets and liabilities

The Bank adopted appropriate grouping methods, which are based on the nature of non-derivative financial assets and liabilities, to do maturity analysis in order to assess liquidity. The maturity analysis is presented as follows:

(In Thousands of New Taiwan Dollars)

Item	December 31, 2017					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity funds inflows						
Cash and cash equivalents	\$ 28,912,151	\$ -	\$ -	\$ -	\$ -	\$ 28,912,151
Due from the Central Bank and call loans to other banks	22,398,964	4,242,332	4,522,731	6,415,219	26,437,948	64,017,194
Financial assets at fair value through profit or loss	4,433,958	-	-	-	-	4,433,958
Receivables	19,766,884	730,071	306,194	193,935	108,942	21,106,026
Loans	81,827,276	97,522,019	100,427,241	221,143,186	649,841,523	1,150,761,245
Available-for-sale financial assets	-	-	200,529	-	25,641,718	25,842,247
Held-to-maturity financial assets	135,400,000	11,299,925	1,900,000	26,056,625	22,960,156	197,616,706
Financial assets carried at cost	-	-	-	-	4,167,009	4,167,009
Other maturity funds inflow items	-	-	-	-	14,284,047	14,284,047
	<u>292,739,233</u>	<u>113,794,347</u>	<u>107,356,695</u>	<u>253,808,965</u>	<u>743,441,343</u>	<u>1,511,140,583</u>
Major maturity funds outflows						
Due to the Central Bank and banks	342,687	387,501	193,728	1,021,788	-	1,945,704
Due to the Central Bank and call loans to other banks	5,000	10,000	-	-	-	15,000
Securities sold under repurchase agreements	1,055,027	1,998,018	65,491	-	-	3,118,536
Payables	29,525,996	1,982,198	369,816	1,302,936	1,232,378	34,413,324
Deposits and remittances	118,393,919	126,047,639	134,696,322	191,058,518	697,288,694	1,267,485,092
Bank notes payable	-	2,200,000	-	-	39,300,000	41,500,000
Other maturity funds outflows items	53,280	49,487	64,243	300,450	5,503,024	5,970,484
	<u>149,375,909</u>	<u>132,674,843</u>	<u>135,389,600</u>	<u>193,683,692</u>	<u>743,324,096</u>	<u>1,354,448,140</u>
Gap	\$ 143,363,324	\$ (18,880,496)	\$ (28,032,905)	\$ 60,125,273	\$ 117,247	\$ 156,692,443

Note: The amounts listed above were the position in N.T. dollars of the Bank.

(In Thousands of New Taiwan Dollars)

Item	December 31, 2016					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity funds inflows						
Cash and cash equivalents	\$ 28,562,791	\$ -	\$ -	\$ -	\$ -	\$ 28,562,791
Due from the Central Bank and call loans to other banks	28,590,804	4,105,577	4,208,647	6,431,842	24,518,721	67,855,591
Financial assets at fair value through profit or loss	19,947,216	-	-	-	-	19,947,216
Receivables	26,827,203	442,399	413,230	153,625	101,354	27,937,811
Loans	112,894,443	93,978,294	118,365,113	208,310,194	598,088,284	1,131,636,328
Available-for-sale financial assets	399,839	-	-	-	30,203,961	30,603,800
Held-to-maturity financial assets	139,700,000	5,830,000	3,604,845	5,964,923	9,823,470	164,923,238
Financial assets carried at cost	-	-	-	-	4,167,009	4,167,009
Other maturity funds inflow items	-	-	-	-	13,869,857	13,869,857
	<u>356,922,296</u>	<u>104,356,270</u>	<u>126,591,835</u>	<u>220,860,584</u>	<u>680,772,656</u>	<u>1,489,503,641</u>
Major maturity funds outflows						
Due to the Central Bank and banks	390,565	496,895	218,254	1,282,762	-	2,388,476
Due to the Central Bank and call loans to other banks	20,865,000	10,000	-	-	-	20,875,000
Securities sold under repurchase agreements	1,303,656	1,300,946	350,379	-	-	2,954,981
Payables	45,670,601	1,085,140	473,936	1,312,601	1,269,324	49,811,602
Deposits and remittances	106,798,518	128,591,766	132,141,902	201,945,122	674,037,801	1,243,515,109
Bank notes payable	-	-	-	-	31,300,000	31,300,000
Other maturity funds outflows items	35,453	77,707	17,528	230,262	5,431,745	5,792,695
	<u>175,063,793</u>	<u>131,562,454</u>	<u>133,201,999</u>	<u>204,770,747</u>	<u>712,038,870</u>	<u>1,356,637,863</u>
Gap	\$ 181,858,503	\$ (27,206,184)	\$ (6,610,164)	\$ 16,089,837	\$ (31,266,214)	\$ 132,865,778

Note: The amounts listed above were the position in N.T. dollars of the Bank.

(In Thousands of United States Dollars)

Item	December 31, 2017					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity funds inflows						
Cash and cash equivalents	\$ 953,081	\$ 230,010	\$ -	\$ -	\$ -	\$ 1,183,091
Due from the Central Bank and call loans to other banks	1,632,074	1,043,514	256,031	71,400	3,934	3,006,953
Financial assets at fair value through profit or loss	194,338	-	-	-	-	194,338
Receivables	486,234	97,299	282,369	11,127	13,972	891,001
Loans	717,742	681,847	568,695	448,186	3,775,783	6,192,253
Available-for-sale financial assets	9,098	4,998	970	12,052	524,918	552,036
Held-to-maturity financial assets	-	-	-	-	17,979	17,979
Debts instrument without active market	-	-	-	-	2,177	2,177
Other maturity funds inflow items	5,000	-	-	300,000	13,694	318,694
	<u>3,997,567</u>	<u>2,057,668</u>	<u>1,108,065</u>	<u>842,765</u>	<u>4,352,457</u>	<u>12,358,522</u>
Major maturity funds outflows						
Due to the Central Bank and banks	877,668	100,720	991	1,947	85	981,411
Due to the Central Bank and call loans to other banks	1,447,290	410,000	55,000	-	-	1,912,290
Financial liabilities at fair value through profit or loss	-	-	-	-	295,124	295,124
Payables	722,271	58,958	2,434	2,679	1,049	787,391
Deposits and remittances	2,240,560	2,287,546	966,947	1,415,605	3,467,837	10,378,495
Other maturity funds outflows items	81,451	1,308	135	544	71,489	154,927
	<u>5,369,240</u>	<u>2,858,532</u>	<u>1,025,507</u>	<u>1,420,775</u>	<u>3,835,584</u>	<u>14,509,638</u>
Gap	\$ (1,371,673)	\$ (800,864)	\$ 82,558	\$ (578,010)	\$ 516,873	\$ (2,151,116)

Note: The amounts listed above were the position in U.S. dollars of the Bank.

(In Thousands of United States Dollars)

Item	December 31, 2016					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Major maturity funds inflows						
Cash and cash equivalents	\$ 402,769	\$ 37,800	\$ -	\$ -	\$ -	\$ 440,569
Due from the Central Bank and call loans to other banks	1,155,329	793,328	380,862	1,160,917	4,617	3,495,053
Financial assets at fair value through profit or loss	254,130	-	-	-	-	254,130
Receivables	577,954	155,087	80,083	3,868	11,541	828,533
Loans	547,484	821,746	674,675	238,193	3,885,297	6,167,395
Available-for-sale financial assets	-	-	10,005	-	399,931	409,936
Held-to-maturity financial assets	-	10,017	7,992	23,037	2	41,048
Debts instrument without active market	-	-	-	-	2,748	2,748
Other maturity funds inflow items	5,000	-	10,500	15,000	5,615	36,115
	<u>2,942,666</u>	<u>1,817,978</u>	<u>1,164,117</u>	<u>1,441,015</u>	<u>4,309,751</u>	<u>11,675,527</u>
Major maturity funds outflows						
Due to the Central Bank and banks	601,435	343,431	611	1,215	20,044	966,736
Due to the Central Bank and call loans to other banks	1,476,245	708,000	10,000	-	(20,000)	2,174,245
Financial liabilities at fair value through profit or loss	-	-	-	108,754	282,515	391,269
Payables	565,008	25,623	2,474	1,263	3,902	598,270
Deposits and remittances	2,137,691	1,667,612	927,629	1,120,633	2,976,677	8,830,242
Other maturity funds outflows items	44,095	287	148	548	59,609	104,687
	<u>4,824,474</u>	<u>2,744,953</u>	<u>940,862</u>	<u>1,232,413</u>	<u>3,322,747</u>	<u>13,065,449</u>
Gap	\$ (1,881,808)	\$ (926,975)	\$ 223,255	\$ 208,602	\$ 987,004	\$ (1,389,922)

Note: The amounts listed above were the position in U.S. dollars of the Bank.

d) Maturity analysis of derivative financial assets and liabilities

The derivative instruments held by the Bank, except for interest rate swaps with leveraging effects, have very little probabilities of failing to be sold with reasonable prices in the market, and thus have very low liquidity risks.

(New Taiwan Dollars and Foreign Currencies Combined In Thousands of New Taiwan Dollars)

Item	December 31, 2017					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	\$ 120,859,728	\$ 156,839,908	\$ 47,570,615	\$ 18,935,732	\$ 199,286	\$ 344,405,269
Inflows	120,598,473	156,620,802	47,629,827	19,011,186	199,674	344,059,962
Interest rate derivative instruments						
Outflows	2,406,380	1,825,320	6,532,677	2,402,640	-	13,167,017
Inflows	2,794,970	1,998,800	6,423,107	2,374,400	25,672	13,616,949
Total outflows	\$ 123,266,108	\$ 158,665,228	\$ 54,103,292	\$ 21,338,372	\$ 199,286	\$ 357,572,286
Total inflows	\$ 123,393,443	\$ 158,619,602	\$ 54,052,934	\$ 21,385,586	\$ 225,346	\$ 357,676,911

(New Taiwan Dollars and Foreign Currencies Combined In Thousands of New Taiwan Dollars)

Item	December 31, 2016					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	\$ 130,155,626	\$ 207,646,380	\$ 37,567,952	\$ 35,437,810	\$ -	\$ 410,807,768
Inflows	130,759,071	207,995,125	37,745,214	35,451,238	-	411,950,648
Interest rate derivative instruments						
Outflows	7,245,265	9,092,079	13,476,017	15,267,339	8,628,394	53,709,094
Inflows	7,149,057	9,104,620	13,225,061	15,381,674	8,762,649	53,623,061
Total outflows	\$ 137,400,891	\$ 216,738,459	\$ 51,043,969	\$ 50,705,149	\$ 8,628,394	\$ 464,516,862
Total inflows	\$ 137,908,128	\$ 217,099,745	\$ 50,970,275	\$ 50,832,912	\$ 8,762,649	\$ 465,573,709

e) Maturity analysis of off-balance-sheet items

Bank's off-balance-sheet items - irrevocable loans, guarantees, and letters of credit - presented based on the residual time from the balance sheet date to the maturity date were as follows:

(In Thousands of New Taiwan Dollars)

Item	December 31, 2017					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 59,747,283	\$ 1,782,452	\$ 2,911,839	\$ 4,235,833	\$ 13,527,562	\$ 82,204,969
Credit card credit commitment	-	859	4,506	7,684	320,043	333,092
Letters of credit issued yet unused	24,423,176	81,313	4,781	-	-	24,509,270
Guarantees	39,061,752	278,791	201,587	802,013	649,321	40,993,464
	\$ 123,232,211	\$ 2,143,415	\$ 3,122,713	\$ 5,045,530	\$ 14,496,926	\$ 148,040,795

(In Thousands of New Taiwan Dollars)

Item	December 31, 2016					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 69,486,885	\$ 3,475,014	\$ 4,165,725	\$ 4,742,034	\$ 11,967,029	\$ 93,836,687
Credit card credit commitment	-	1,679	370	2,770	366,899	371,718
Letters of credit issued yet unused	22,937,841	97,675	17,544	-	-	23,053,060
Guarantees	43,349,844	270,698	58,954	680,756	266,618	44,626,870
	\$ 135,774,570	\$ 3,845,066	\$ 4,242,593	\$ 5,425,560	\$ 12,600,546	\$ 161,888,335

35. OTHER DISCLOSURES OF FINANCIAL INSTITUTION

a. Asset quality

Item	December 31, 2017					December 31, 2016				
	Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance for Loan Losses	Coverage Ratio (Note c)	Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance for Loan Losses	Coverage Ratio (Note c)
Business Type										
Corporate finance										
Secured	\$ 2,328,578	\$ 454,069,715	0.51%	\$ 5,128,576	220.24%	\$ 1,281,512	\$ 432,229,261	0.30%	\$ 4,639,707	362.05%
Unsecured	344,885	478,510,307	0.07%	5,125,583	1,486.17%	959,523	506,445,268	0.19%	5,555,562	578.99%
Mortgage loans (Note d)	1,170,435	281,144,369	0.42%	4,285,924	366.18%	774,431	278,084,284	0.28%	4,224,539	545.50%
Cash cards (Note h)	-	-	-	-	-	-	-	-	-	-
Consumer finance										
Credit loans (Note e)	9,242	1,678,616	0.55%	19,140	207.10%	5,849	1,862,280	0.31%	19,948	341.05%
Secured	335,580	176,589,062	0.19%	1,793,042	534.31%	493,975	163,274,105	0.30%	1,667,738	337.62%
Others (Note f)	3,569	1,415,570	0.25%	14,714	412.27%	552	1,487,667	0.04%	15,481	2,804.53%
Unsecured	4,192,289	1,393,407,639	0.30%	16,366,979	390.41%	3,515,842	1,383,382,865	0.25%	16,122,975	458.58%
Total										

Item	December 31, 2017					December 31, 2016				
	Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance for Loan Losses	Coverage Ratio (Note c)	Non-performing Loans (Note a)	Loans	Non-performing Loans Ratio (Note b)	Allowance for Loan Losses	Coverage Ratio (Note c)
Business Type										
Credit card	\$ 3,316	\$ 1,722,927	0.19%	\$ 21,849	658.90%	\$ 2,468	\$ 1,726,689	0.14%	\$ 19,119	774.68%
No recourse receivable factoring (Note g)	-	13,020,691	-	130,207	-	-	7,840,444	-	78,404	-

Note a: Non-performing loans are classified in accordance with the Regulations of the Procedures for Banking Institutions to Evaluate Assets and Deal with Past Due/Non-performing Loans and Bad Debts issued by the MOF.
Non-performing loans of credit cards are defined in the Letter issued by the Banking Bureau on July 6, 2005 (Ref. No. Jin-Guan-Yin (4) 0944000378).

Note b: Non-performing loans ratio = Non-performing loan ÷ Loans

Non-performing loans of credit card ratio = Non-performing loans of credit cards ÷ Accounts receivable

Note c: Coverage ratio of allowances for loan losses = Allowances for loan losses ÷ Non-performing loans

Coverage ratio of allowance for loan losses of credit card = Allowance for loan losses of credit card ÷ Non-performing loans of credit cards

Note d: Mortgage loans are for borrowers to build or repair buildings, allowing the borrowers, their spouses or their minor children to fully use their buildings as collateral and to mortgage their rights to financial institutions.

Note e: Credit loans are defined in the Letter issued by the Banking Bureau on December 19, 2005 (Ref. No. Jin-Guan-Yin (4) 09440010950), excluding credit loans of credit cards and cash cards.

Note f: The other consumer financial businesses are defined as secured or unsecured consumer financial businesses, excluding mortgage loans, cash cards, credit loans and credit cards.

Note g: In accordance with the Letter issued by the Banking Bureau on July 19, 2005 (Ref. No. Jin-Guan-Yin (5) 094000494) non-recourse receivable factorings are not defined as non-performing loans until compensation from factors or insurance companies are ascertained to be non-recoverable.

Note h: The Bank does not engage in cash cards business.

Item Business Type	December 31, 2017		December 31, 2016	
	Non-performing Loans Exempted from Reporting	Non-performing Receivables Exempted from Reporting	Non-performing Loans Exempted from Reporting	Non-performing Receivables Exempted from Reporting
Negotiated loans transacted in accordance with the agreement and exempted from reporting as non-performing loans (Note a)	\$ 20	\$ 1,675	\$ 52	\$ 2,105
Negotiated accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing receivables (Note b)	618	17,095	275	13,677
Total	638	18,770	327	15,782

Note a: Negotiated loans and accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing loans are disclosed in accordance with the Letter issued by Banking Bureau on April 25, 2006 (Ref. No. Jin-Guan-Yin (1) 09510001270).

Note b: Loans and receivables transacted in accordance with debt clearance and renewal regulation and exempted from reporting as non-performing loans or receivables are disclosed in accordance with the Letter issued by Banking Bureau on September 15, 2008 (Ref. No. Jin-Guan-Yin (1) 09700318940).

b. Concentration of credit risk

December 31, 2017			
Rank (Note a)	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity (%) (Note d)
1	A Corporation (railway transportation industry)	\$ 26,805,909	18.49
2	B Group (steel smelting industry)	22,245,008	15.35
3	C Group (airline industry)	21,617,109	14.91
4	D Group (synthesis construction industry)	14,923,502	10.30
5	E Group (concrete manufacturing industry)	12,467,788	8.60
6	F Group (real estate development industry)	7,619,400	5.26
7	G Group (steel manufacturing industry)	7,349,275	5.07
8	H Group (other computer peripheral equipment manufacturing industry)	6,785,169	4.68
9	I Group (financial services industry)	6,571,673	4.53
10	J Group (liquid crystal panel and components manufacturing industry)	5,649,402	3.90

December 31, 2016			
Rank (Note a)	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity (%) (Note d)
1	B Group (plastic skin, plate and tube manufacturing industry)	\$ 33,300,793	24.21
2	A Corporation (railway transportation industry)	30,647,034	22.28
3	C Group (airline industry)	22,115,079	16.08
4	D Group (synthesis construction industry)	16,276,245	11.84
5	E Group (concrete manufacturing industry)	14,405,642	10.48
6	H Group (computer, peripheral equipment and software wholesale industry)	8,289,270	6.03
7	I Group (financial services industry)	7,857,038	5.71
8	F Group (real estate development industry)	7,689,000	5.59
9	G Group (steel manufacturing industry)	7,539,485	5.48
10	K Group (liquid crystal panel and components manufacturing industry)	7,535,032	5.48

Note a: Sorted by the balance of loans on December 31, 2017 and 2016, excluding government or state-run business. The number of transaction party which belongs to a group business was included in the balance of group business.

Note b: Transaction party is in accordance with article 6 of the Supplementary Provisions to the Taiwan Stock Exchange Corporation Criteria for Review of Securities Listings.

Note c: Loans include import and export bill negotiations, bills discounted, overdraft, short-term loan, short-term secured loan, receivable financing, medium-term loan, medium-term secured loan, long-term loan, long-term secured loan, delinquent loans, inward remittances, factoring without recourse, acceptance, and guarantee.

Note d: The percentage of loans to equity for the period: Domestic banks should use bank equity to calculate; the Taiwan branch of foreign banks should use branch's equity to calculate.

c. Interest rate sensitivity

(In Thousands of New Taiwan Dollars; %)

Item	December 31, 2017				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 1,270,770,531	\$ 22,489,278	\$ 59,169,751	\$ 104,300,232	\$ 1,456,729,792
Interest-sensitive liabilities	324,508,645	812,913,896	95,924,122	38,147,580	1,271,494,243
Interest sensitivity gap	946,261,886	(790,424,618)	(36,754,371)	66,152,652	185,235,549
Net equity					116,614,787
Ratio of interest-sensitive assets to liabilities					114.57%
Ratio of interest sensitivity gap to net equity					158.84%

(In Thousands of New Taiwan Dollars; %)

Item	December 31, 2016				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 1,269,307,194	\$ 40,458,358	\$ 22,450,149	\$ 91,540,909	\$ 1,423,756,610
Interest-sensitive liabilities	333,593,854	791,540,046	101,368,336	31,089,085	1,257,591,321
Interest sensitivity gap	935,713,340	(751,081,688)	(78,918,187)	60,451,824	166,165,289
Net equity					115,193,351
Ratio of interest-sensitive assets to liabilities					113.21%
Ratio of interest sensitivity gap to net equity					144.25%

Note a: The amounts listed above include accounts in N.T. dollars only (i.e. excluding foreign currency) for both head office and domestic branches.

Note b: Interest-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

Note c: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Note d: Ratio of interest-sensitive assets to interest-sensitive liabilities = $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$
(N.T. dollars only)

(In Thousands of U.S. Dollars; %)

Item	December 31, 2017				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 12,433,072	\$ 1,238,542	\$ 397,649	\$ 268,126	\$ 14,337,389
Interest-sensitive liabilities	14,279,118	791,260	1,024,437	20,466	16,115,281
Interest sensitivity gap	(1,846,046)	447,282	(626,788)	247,660	(1,777,892)
Net equity					544,284
Ratio of interest-sensitive assets to liabilities					88.97%
Ratio of interest sensitivity gap to net equity					(326.65%)

(In Thousands of U.S. Dollars; %)

Item	December 31, 2016				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 11,695,399	\$ 1,255,645	\$ 1,194,422	\$ 228,174	\$ 14,373,640
Interest-sensitive liabilities	14,170,543	746,860	767,441	20,036	15,704,880
Interest sensitivity gap	(2,475,144)	508,785	426,981	208,138	(1,331,240)
Net equity					367,773
Ratio of interest-sensitive assets to liabilities					91.52%
Ratio of interest sensitivity gap to net equity					(361.97%)

Note a: The amounts listed above include accounts in U.S. dollars only for domestic branches, offshore banking unit ("OBU"), and overseas branches, excluding contingent assets and contingent liabilities.

Note b: Interest-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with income or cost affected by interest rate fluctuations.

Note c: Interest sensitivity gap = Interest-sensitive assets - Interest-sensitive liabilities

Note d: Ratio of interest-sensitive assets to interest-sensitive liabilities = $\frac{\text{Interest-sensitive assets}}{\text{Interest-sensitive liabilities}}$
(U.S. dollars only)

d. Profitability

Item		December 31, 2017	December 31, 2016
Return on total assets	Pretax	0.70%	0.72%
	After tax	0.60%	0.62%
Return on net equity	Pretax	10.04%	10.55%
	After tax	8.56%	9.05%
Profit margin		39.27%	38.98%

Note a: Return on total assets = $\frac{\text{Income before (after) tax}}{\text{Average assets}}$

Note b: Return on net equity = $\frac{\text{Income before (after) tax}}{\text{Average net equity}}$

Note c: Profit margin = $\frac{\text{Income after tax}}{\text{Gross income}}$

Note d: Profitability presented above is cumulative from January 1 to December 31 of 2017 and 2016, respectively.

e. Maturity analysis of assets and liabilities

(In Thousands of New Taiwan Dollars)

	Total	December 31, 2017					
		Period Remaining until Due Date and Amount Due					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	\$ 1,670,505,136	\$ 172,902,756	\$ 145,384,955	\$ 198,751,791	\$ 128,146,773	\$ 260,833,212	\$ 764,485,649
Major maturity cash outflows	2,193,924,065	110,223,411	154,549,943	318,756,912	277,649,621	436,184,304	896,559,874
Gap	(523,418,929)	62,679,345	(9,164,988)	(120,005,121)	(149,502,848)	(175,351,092)	(132,074,225)

(In Thousands of New Taiwan Dollars)

	Total	December 31, 2016					
		Period Remaining until Due Date and Amount Due					
		0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	\$ 1,715,407,610	\$ 217,882,071	\$ 175,326,732	\$ 228,633,704	\$ 148,631,534	\$ 238,682,665	\$ 706,250,904
Major maturity cash outflows	2,222,080,238	142,241,450	148,319,598	348,521,395	264,651,463	443,541,393	874,804,939
Gap	(506,672,628)	75,640,621	27,007,134	(119,887,691)	(116,019,929)	(204,858,728)	(168,554,035)

Note: The amounts listed above include accounts in N.T. dollars only (i.e. excluding foreign currency) for both head office and domestic branches.

(In Thousands of U.S. Dollars)

	Total	December 31, 2017				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	\$ 21,776,559	\$ 9,096,294	\$ 4,352,376	\$ 2,170,210	\$ 1,387,555	\$ 4,770,124
Major maturity cash outflows	26,962,227	9,264,047	4,872,188	2,799,921	3,570,464	6,455,607
Gap	(5,185,668)	(167,753)	(519,812)	(629,711)	(2,182,909)	(1,685,483)

(In Thousands of U.S. Dollars)

	Total	December 31, 2016				
		Period Remaining until Due Date and Amount Due				
		1-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year
Major maturity cash inflows	\$ 22,387,536	\$ 8,975,508	\$ 4,198,450	\$ 2,006,425	\$ 2,684,110	\$ 4,523,043
Major maturity cash outflows	27,799,842	9,713,083	5,422,109	2,914,319	4,358,604	5,391,727
Gap	(5,412,306)	(737,575)	(1,223,659)	(907,894)	(1,674,494)	(868,684)

Note: The amounts listed above include accounts in U.S. dollars for head office, domestic branches, and OBU.

f. Sale of non-performing loans ("NPL")

(In Thousands of New Taiwan Dollars)

Transaction Date	Counterparty	Composition of NPL	Book Value	Sales Price	Gain on Disposal	Agreement with Added Terms	Relationship
2016.08.02	Deutsche Bank AG, London Branch	International syndication loan (foreign currency unsecured loans debt)	\$ -	\$ 177,972	\$ 177,972	None	None

g. Trust accounts

Under Article 3 of the Trust Law, the Bank can offer trust services. The items and amounts of trust accounts as of December 31, 2017 and 2016 were as follows:

	December 31	
	2017	2016
Special purpose trust accounts - domestic	\$ 28,323,313	\$ 24,689,081
Special purpose trust accounts - foreign	75,981,349	76,545,719
Insurance trust	1,047	1,046
Retirement and breeds trust	314,508	327,389
Umbilical-cord-blood trust	9,951,391	8,912,851
Money claim and guarantee trust	73,800	75,000
Marketable securities trust	777,551	3,543,841
Real estate trust	15,762,486	13,598,963
Securities under custody	136,459,615	119,703,445
Other money trust	<u>1,027,807</u>	<u>1,833,292</u>
	<u>\$ 268,672,867</u>	<u>\$ 249,230,627</u>

h. Disclosures on trust assets and liabilities and assets register as required by Enforcement Rules of ROC Trust Law Article 17 were as follows:

Balance Sheet of Trust					
Trust Assets	December 31		Trust Liabilities	December 31	
	2017	2016		2017	2016
Bank deposits	\$ 3,186,400	\$ 4,229,913	Trust capital		
Insurance claims	73,800	75,000	Money trust	\$ 115,286,230	\$ 112,113,342
Financial assets			Insurance claims	73,800	75,000
Common stocks	1,284,961	3,945,809	Marketable securities trust	774,802	3,467,283
Mutual funds	111,067,224	106,783,085	Real estate trust	15,781,176	13,608,304
Bonds	2,433,959	1,940,611	Securities under custody		
Interest receivable	-	16,816	payable	136,459,615	119,703,445
Prepayments	1,609	-	Administration payable	-	93
Land	10,194,729	7,695,635	Income taxes payable	-	970
Buildings	579,169	630,375	Withholdings	61	-
Construction in progress	3,391,401	4,209,938	Profit and loss	413,707	202,713
Securities under custody	<u>136,459,615</u>	<u>119,703,445</u>	Unappropriated retained earnings - realized capital gain/loss	14,517	15,104
			Unappropriated retained earnings - gain on revenue/expense investment	364,232	413,944
			Unappropriated retained earning	<u>(495,273)</u>	<u>(369,571)</u>
Total trust assets	<u>\$ 268,672,867</u>	<u>\$ 249,230,627</u>	Total trust liabilities	<u>\$ 268,672,867</u>	<u>\$ 249,230,627</u>

Trust Assets Register

Investments	December 31	
	2017	2016
Bank deposits	\$ 3,186,400	\$ 4,229,913
Insurance claims	73,800	75,000
Financial assets		
Common stocks	1,284,961	3,945,809
Mutual funds	111,067,224	106,783,085
Bonds	2,433,959	1,940,611
Land	10,194,729	7,695,635
Buildings	579,169	630,375
Construction in progress	3,391,401	4,209,938
Others	1,609	16,816
Securities under custody	<u>136,459,615</u>	<u>119,703,445</u>
Total trust assets	<u>\$ 268,672,867</u>	<u>\$ 249,230,627</u>

Income Statement of Trust

Investments	For the Year Ended December 31	
	2017	2016
Revenue		
Interest income	\$ 79,705	\$ 66,233
Dividends	212,997	51,430
Rental revenues	94,419	7,211
Gain on mutual funds	15,926	19,074
Foreign exchange gains	759,982	588,327
Realized capital gain - mutual funds	19,364	-
Realized capital gain - quoted stocks	31,446	-
Realized capital gain - bonds	16,674	-
Unrealized capital gain - mutual funds	-	15,911
Unrealized capital gain - quoted stocks	-	116,330
Unrealized capital gain - bonds	-	17,575
	<u>1,230,513</u>	<u>882,091</u>
Expense		
Maintenance	(5,661)	(1,659)
Tax expense	(1,554)	(2,174)
Others	(9,965)	(10,520)
Foreign exchange losses	(757,908)	(546,140)
Realized capital loss - bonds	(7,063)	-
Unrealized capital loss - bonds	-	(21,382)
Realized capital loss - mutual funds	(25,510)	-
Unrealized capital loss - mutual funds	-	(36,685)
Realized capital loss-quoted stocks	(9,145)	-
Unrealized capital loss - quoted stocks	-	(60,818)
	<u>(816,806)</u>	<u>(679,378)</u>
	<u>\$ 413,707</u>	<u>\$ 202,713</u>

36. RELATED-PARTY TRANSACTIONS

a. Related parties and their relationships with the Bank

Name	Relationship
Director and managers	The Bank's director and managers
Taishin Financial Holding	The Bank's corporate director
Taishin International Bank	Owned by the same parent company
The Export-Import Bank	Its director is the Bank's corporate director
Land Bank	Its director is the Bank's corporate director
Taiwan Business Bank	Its director is the Bank's corporate director
Taiwan High Speed Rail Corporation	Its director is the Bank's corporate director
Powertec Energy Corporation	Its director is the Bank's corporate director
China Airlines Ltd.	Its director is the Bank's corporate director
Ritdisplay Corporation	Its director is the Bank's corporate director
Kaohsiung Rapid Transit Corporation	Its director is the Bank's corporate director
Taiwan Financial Holdings	Its director is the Bank's corporate director
Adimmune Corporation	Its supervisor is the Bank's corporate director
MasterLink Securities Corporation	Its director is the Bank
Crown Department Company	Its director is the Bank's manager's spouse
Others	FSC-approved IAS 24, "Related Party Disclosures" other related parties

b. Significant transactions with related parties

1) Loans

	Balance	Percentage of Loans (%)
Balance as of December 31, 2017	\$ 28,819,698	2.09
Balance as of December 31, 2016	1,221,091	0.09

For the years ended December 31, 2017 and 2016, interest ranged from 0.00% to 3.67% and from 0.00% to 3.57%, interest revenues were \$553,550 thousand and \$17,364 thousand, respectively.

	December 31, 2017					Difference in Terms Between Related Parties and Non-related Parties
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	
<u>Consumer loans</u>						
30 accounts	\$ 13,370	\$ 14,083	\$ 13,370	\$ -	Credit	None
<u>Self-use residential mortgage loans</u>						
202 accounts	1,173,424	1,219,832	1,173,424	-	Real estate	None
<u>Others</u>						
Taiwan High Speed Rail Corporation	26,624,078	28,573,784	26,624,078	-	Credit and station equipment	None
Powertec Energy Corporation	542,972	557,972	542,972	-	Credit	None
China Airlines Ltd.	100,000	2,232,500	100,000	-	Credit	None
Ritdisplay Corporation	106,490	118,600	106,490	-	Real estate	None
Other - corporation 6 accounts (Note 1)	249,304	758,667	249,304	-	Credit and fund guarantee and real estate	None
Other - individual 9 accounts (Note 2)	10,060	10,280	10,060	-	Deposit	None

	December 31, 2016						Difference in Terms Between Related Parties and Non-related Parties
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral		
<u>Consumer loans</u>							
30 accounts	\$ 13,075	\$ 13,875	\$ 13,075	\$ -	Credit	None	
<u>Self-use residential mortgage loans</u>							
198 accounts	1,162,260	1,202,477	1,162,260	-	Real estate	None	
<u>Others</u>							
Crown Department Company	35,150	74,300	35,150	-	Real estate	None	
Other - individual 11 accounts (Note 2)	10,606	10,683	10,606	-	Foreign currency or deposit	None	

Note 1: The balance of every corporate entity is not over \$1 billion.

Note 2: The balance of every single entity is not over 1% of the total ending balance.

Loans to managers for mortgage within \$8,000 thousand and credit loans within \$800 thousand per person all bore interests at 1.26% in December 31, 2017 and 2016. The interest rates and other terms provided to the other related parties are the same as those offered to the public.

2) Guaranteed loans

December 31, 2017					
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	Collateral
Kaohsiung Rapid Transit Corporation	\$ 23,400	\$ 50,280	\$ -	0.50	None
Adimmune Corporation	19,236	19,246	-	1.80	Pledged demand deposit
December 31, 2016					
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	Collateral
Taiwan Financial Holdings	\$ 5,360,000	\$ 5,360,000	\$ -	0.25	None

3) Deposits

	Balance	Percentage of Loans (%)
Balance as of December 31, 2017	\$ 4,376,758	0.26
Balance as of December 31, 2016	4,002,457	0.25

For the years ended December 31, 2017 and 2016, the interest rates intervals were between 0.00% to 15.00% and 0.00% to 13.00%, respectively; the interest expenses were \$84,552 thousand and \$53,421 thousand, respectively.

The interest rate for managers' deposits amounting to \$480 thousand per person was 13% per annum. The part of deposit exceeding \$480 thousand will earn interest calculated at the demand savings rate. The interest rates and others terms provided to the other related parties are the same as those offered to general public.

4) Call loans to banks and call loans from banks

Call loans to banks

(In Thousands of Original Currencies)

December 31, 2017					
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Revenue
Land Bank	OBU	USD	\$ 75,000	1.18-1.93	\$ 1,097
	Hong Kong Branch	USD	100,000	0.80-2.28	1,286
Taiwan Business Bank	OBU	USD	60,000	0.70-2.00	267
	Hong Kong Branch	USD	30,000	0.71-2.28	200
	OBU	AUD	3,000	1.30-1.68	-
December 31, 2016					
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Revenue
Land Bank	OBU	USD	\$ 55,000	0.44-1.28	\$ 528
	Hong Kong Branch	USD	80,000	0.34-1.62	528
Taiwan Business Bank	Hong Kong Branch	USD	16,000	0.33-1.30	137

Call loans from banks

(In Thousands of Original Currencies)

December 31, 2017					
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Revenue
Land Bank	OBU	USD	\$ 30,000	0.72-1.85	\$ 28
	Hong Kong Branch	USD	85,000	0.95-2.08	804
December 31, 2016					
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Revenue
Land Bank	Singapore Branch	USD	\$ 10,000	0.50-1.21	\$ 165
	New York Branch	USD	10,000	0.32-1.75	52
	London Branch	USD	75,000	0.41-1.40	351
	Hong Kong Branch	USD	4,000	0.35-1.62	3
Taiwan Business Bank	OBU	CAD	2,800	0.18-0.75	2
	Los Angeles Branch	USD	20,000	0.46-1.60	148

5) Due from banks and due to banks

Due from banks

(In Thousands of New Taiwan Dollars)

Name	Department	Currency	December 31	
			2017	2016
			Ending Balance	Ending Balance
Land Bank	Domestic banking unit ("DBU")	NTD	\$ 44	\$ 3
Taiwan Business Bank	DBU	NTD	77	722

Due to banks

(In Thousands of Original Currencies)

Name	Department	Currency	December 31	
			2017	2016
			Ending Balance	Ending Balance
The Export-Import Bank	DBU	NTD	\$ 1,102	\$ 613
Taishin International Bank	New York Branch	USD	57	47
Land Bank	DBU	NTD	277	277

c. Compensation of directors and management personnel

	For the Year Ended December 31	
	2017	2016
Short-term benefits	\$ 110,366	\$ 110,715
Post-employment benefits	<u>10,905</u>	<u>1,939</u>
	<u>\$ 121,271</u>	<u>\$ 112,654</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

d. Other

On March 17, 2017, the Bank entered into a contract with MasterLink Securities Corporation in the amount of \$250 thousand. Based on the contract, the Bank would hire MasterLink Securities Corporation as a consultant for the sales of the Bank's subordinated financial bonds.

37. PLEDGED ASSETS

The summary of the Bank's pledged assets as of December 31, 2017 and 2016 were as follows:

Pledged Assets	Description	December 31	
		2017	2016
Available-for-sale financial assets	Government bonds	\$ 5,781,100	\$ 5,921,200
Held-to-maturity financial assets	Bonds and certificate of deposits	36,749,428	36,819,687
Time deposits with original maturity more than 3 months	Time deposit	2,729,400	5,780,000
Refundable deposits	Cash	638,049	284,790

38. CONTINGENT LIABILITIES AND COMMITMENTS

- a. In addition to those mentioned in Note 7, the Bank had the following contingent liabilities and commitments as of December 31, 2017 and 2016:

	December 31	
	2017	2016
Trust liabilities	\$ 268,672,867	\$ 249,230,627
Unused loan commitments (excluding credit cards)	82,204,969	93,836,687
Credit card credit commitments	333,092	371,718
Unused issued letters of credit	24,509,270	23,053,060
Guarantees issued in guarantee business	40,993,464	44,626,870
Repayment notes and times deposit held for custody	12,860,366	12,828,805
Liabilities on joint loans	771,194	512,886

The unrecognized commitments for the acquisition of equipment and intangible assets, as well as the commitments for construction, security and urban renewal as of December 31, 2017 were \$337,946 thousand, \$20,229 thousand, \$134,804 thousand and \$8,661 thousand, respectively.

- b. TDK Corporation filed a legal proceeding against the Bank for damages compensation in the amount of \$45,794 thousand. On April 19, 2017, the Taiwan Superior Court passed a verdict partially in favor of and partially against the Bank, and the Bank shall compensate the damages in the amount of \$11,448 thousand. The Bank is currently appealing with the Taiwan Superior Court.

39. DISCLOSURES UNDER STATUTORY REQUIREMENTS

a. Material transactions

No.	Item	Explanation
1	Accumulated purchases and sales balance of specific investees' marketable security over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2017	None
2	Acquisition of fixed assets over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2017	None
3	Disposal of fixed assets over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2017	None
4	Discount on fees income from related parties over NT\$5 million	None
5	Receivables from related parties over NT\$300 million or 10% of outstanding capital as of December 31, 2017	None
6	Sale of NPL	Note 35
7	Securitized instruments and related assets which are in accordance with the Statute for Financial Assets Securitization and the Statute for Real Estate Securitization	None
8	Other significant transactions which may affect decisions of the users of the financial statements	None

b. Information on the Bank's Investees

No.	Item	Explanation
1	Investees' names, locations, etc.	None
2	Capital lending to another party	None
3	Endorsement for another party	None
4	Marketable securities held as of December 31, 2017	None
5	Accumulated purchases and sales balance of specific marketable security over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2017	None
6	Acquisition of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2017	None
7	Disposal of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2017	None
8	Receivables from related parties over NT\$300 million or 10% of outstanding capital as of December 31, 2017	None
9	Derivative instrument	None
10	Discount on fees income from related parties over NT\$5 million	None
11	Sale of NPL by subsidiary	None
12	Other significant transactions which may affect decisions of the users of the financial statements	None

c. Investment in mainland China: Table 1

40. INFORMATION ON INVESTEEES

Investees' Names (Note a)	Investees' Location	Principal Business Activities	Ownership Interest (%) at Ending Balance	Investment Book Value	Recognized Investment Income (Loss) of Current Period	Sum of Ownership (Note a)			
						Current Shares	Imputed Shares (Note b)	Shares	Ownership Interest (%)
MasterLink Securities Corp.	Taipei City	Security brokerage	4.01	\$ 558,129	\$ -	64,152,806	-	64,152,806	4.01
Asia Pacific Broadband Telecom Co.	Taipei City	Type I & type II telecommunications business	0.35	149,700	-	15,000,000	-	15,000,000	0.35
Taiwan High Speed Rail Corporation	Taipei City	High speed rail road	0.79	1,045,750	-	44,500,000	-	44,500,000	0.79
Taiwan Stock Exchange Co.	Taipei City	Securities brokerage, margin lending, and underwriting financial products	3.00	72,012	-	20,818,473	-	20,818,473	3.00
Taiwan Sugar Co.	Tainan City	Manufacture correlative products of sugar and crop	0.41	44,309	-	23,246,159	-	23,246,159	0.41
Taiwan Power Co.	Taipei City	Generate electric power, power distribution, and cable assemble	0.71	1,872,923	-	235,726,532	-	235,726,532	0.71
Taipei Foreign Exchange Inc.	Taipei City	Exchange trading, DEPOS, and Swap	3.53	7,000	-	700,000	-	700,000	3.53
Lieu-An Service Co., Ltd.	Taipei City	ATM purchase, rental, and repair or maintenance	5.00	1,250	-	125,000	-	125,000	5.00
CDIB & Partners Investment Holding Co.	Taipei City	Investment	4.95	500,000	-	54,000,000	-	54,000,000	4.95
Nomura Asset Management Taiwan Ltd.	Taipei City	Securities investment trust	4.09	18,043	-	1,413,725	-	1,413,725	4.09
Financial Information Service Co., Ltd.	Taipei City	Type II telecommunications business	1.16	46,446	-	6,047,370	-	6,047,370	1.16
Taiwan Futures Exchange	Taipei City	Futures exchange	1.00	20,000	-	3,151,802	-	3,151,802	1.00
Taiwan Assets Management Co., Ltd.	Taipei City	Acquisition of delinquent loans, evaluation, auction, and management	11.35	1,500,000	-	150,000,000	-	150,000,000	11.35
Taiwan Financial Asset Service Co.	Taipei City	Auction assets of the recognition of an impartial third party	2.94	50,000	-	5,000,000	-	5,000,000	2.94
Financial Evolution Co., Ltd.	Taipei City	Financial information systems development	4.12	9,860	-	905,475	-	905,475	4.12
Taiwan Depository & Clearing Corporation	Taipei City	Provide book-entry of securities transactions	0.08	6,749	-	299,811	-	299,811	0.08
Sunlight Assets Management Co., Ltd.	Taipei City	Acquisition of delinquent loans, evaluation, auction, and management	0.70	417	-	41,768	-	41,768	0.70
Taiwan Mobile Payment Corporation	Taipei City	Electronic Information provider	3.00	18,000	-	1,800,000	-	1,800,000	3.00
Tai Yu Products Corporation	Taichung City	Frozen agricultural products	4.77	(Note c)	-	5,748,382	-	5,748,382	4.77
Chi-Yi Construction Management Company	New Taipei City	Residential development and lease	1.47	(Note c)	-	556,965	-	556,965	1.47

Note a: The investees' voting shares, and imputed shares were owned by the Bank and related parties.

Note b: Imputed shares are considered if equity securities such as convertible bonds, warrants, etc., or derivative contracts such as stock options, are converted.

Note c: The Bank had recognized the loss on investment in Tai Yu Products Corporation and Chi-Yi Construction Management Company.

41. OTHER DISCLOSURE

On May 13, 2016, the Bank had been approved by the FSC to change the operation units in China by establishing the subsidiary Chang Hwa Commercial Bank, Ltd. (Nanjing), and set up Nanjing branch under the subsidiary. The working capital from the Bank's investments in Kunshan China, Fuzhou and Dongguan branches were merged into Nanjing branch. The subsidiary's working capital is RMB 2,500 million. The subsidiary had been approved by China Banking Regulatory Commission on September 18, 2017.

42. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of services provided.

a. Segment revenues and results

For the Year Ended December 31, 2017							
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Overseas Branches	Others	Total
Net interest income	\$ 13,360,330	\$ 5,082,117	\$ 808,337	\$ -	\$ 3,410,882	\$ (4,796)	\$ 22,656,870
Net service fee and commission income	1,463,307	201,665	(34,511)	2,906,165	261,992	-	4,798,618
Net income on financial instruments	-	-	3,055,975	-	67,981	-	3,123,956
Others	10,484	-	2,845	(344)	4,380	199,910	217,275
Net revenue and gains	<u>14,834,121</u>	<u>5,283,782</u>	<u>3,832,646</u>	<u>2,905,821</u>	<u>3,745,235</u>	<u>195,114</u>	<u>30,796,719</u>
Bad debts expenses and guarantee liability provisions	(14,930)	-	-	-	(776,255)	-	(791,185)
Operating expenses	-	-	-	-	-	-	(15,821,315)
Income before income tax	<u>\$ 14,819,191</u>	<u>\$ 5,283,782</u>	<u>\$ 3,832,646</u>	<u>\$ 2,905,821</u>	<u>\$ 2,968,980</u>	<u>\$ 195,114</u>	<u>\$ 14,184,219</u>

For the Year Ended December 31, 2016							
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Overseas Branches	Others	Total
Net interest income	\$ 13,398,254	\$ 3,569,976	\$ 1,211,370	\$ -	\$ 3,547,243	\$ (74)	\$ 21,726,769
Net service fee and commissions income	1,586,754	187,007	(52,670)	3,377,335	313,346	-	5,411,772
Net income on financial instrument	-	-	3,431,699	-	41,333	-	3,473,032
Others	23,634	-	6,944	2,159	54,608	309,563	396,908
Net revenue and gains	<u>15,008,642</u>	<u>3,756,983</u>	<u>4,597,343</u>	<u>3,379,494</u>	<u>3,956,530</u>	<u>309,489</u>	<u>31,008,481</u>
Bad debts expenses and guarantee liability provisions	(42,694)	-	(339,691)	-	(755,659)	-	(1,138,044)
Operating expenses	-	-	-	-	-	-	(15,787,396)
Income before income tax	<u>\$ 14,965,948</u>	<u>\$ 3,756,983</u>	<u>\$ 4,257,652</u>	<u>\$ 3,379,494</u>	<u>\$ 3,200,871</u>	<u>\$ 309,489</u>	<u>\$ 14,083,041</u>

The revenues and results on the segment information reported does not include inter-segment revenues.

This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

December 31, 2017							
	Loans	Deposits and Remittances	Financial Instruments and Investments	Overseas Branches	Others	Adjustment	Total
Assets	<u>\$ 1,274,604,082</u>	<u>\$ -</u>	<u>\$ 625,178,439</u>	<u>\$ 190,521,528</u>	<u>\$ 77,852,165</u>	<u>\$ (131,897,814)</u>	<u>\$ 2,036,258,400</u>
Liabilities	<u>\$ 3,909,438</u>	<u>\$ 1,623,962,111</u>	<u>\$ 176,135,254</u>	<u>\$ 171,553,983</u>	<u>\$ 47,647,864</u>	<u>\$ (131,897,814)</u>	<u>\$ 1,891,310,836</u>

December 31, 2016							
	Loans	Deposits and Remittances	Financial Instruments and Investments	Overseas Branches	Others	Adjustment	Total
Assets	<u>\$ 1,254,886,726</u>	<u>\$ -</u>	<u>\$ 646,986,528</u>	<u>\$ 198,250,477</u>	<u>\$ 78,111,080</u>	<u>\$ (173,083,307)</u>	<u>\$ 2,005,151,504</u>
Liabilities	<u>\$ 1,857,380</u>	<u>\$ 1,575,105,439</u>	<u>\$ 234,915,136</u>	<u>\$ 181,449,462</u>	<u>\$ 47,383,869</u>	<u>\$ (173,083,307)</u>	<u>\$ 1,867,627,979</u>

CHANG HWA COMMERCIAL BANK, LTD.

**INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

1.

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017	Net Income (Loss) of the Investee (Note 2)	% of Direct or Indirect Investment	Investment Gain (Losses)	Carrying Amount as of December 31, 2017	Accumulated Repatriation of Investment Income as of December 31, 2017	Note
					Outflow	Inflow							
Chang Hwa Commercial Bank, Ltd. Kunshan Branch	Banking	\$ 4,716,225 (US\$ 155,174)	Note 1.c.	\$ 4,716,225 (US\$ 155,174)	\$ -	\$ -	\$ 4,716,225 (US\$ 155,174)	-	-	\$ -	\$ -	\$ -	-
Chang Hwa Commercial Bank, Ltd. Dongguan Branch	Banking	4,924,781 (US\$ 162,641)	Note 1.c.	4,924,781 (US\$ 162,641)	-	-	4,924,781 (US\$ 162,641)	-	-	-	-	-	-
Chang Hwa Commercial Bank, Ltd. Fuzhou Branch	Banking	2,476,283 (US\$ 81,743)	Note 1.c.	2,476,283 (US\$ 81,743)	-	-	2,476,283 (US\$ 81,743)	-	-	-	-	-	-

2.

Accumulated Outward Remittance for Investment in Mainland China December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
\$ 12,117,289 (US\$ 399,558)	\$ 12,372,787 (US\$ 410,928)	\$ 21,742,135

Note 1: The three methods of investment are as follows:

- Direct investment in mainland China.
- Investment in mainland China through reinvestment in existing enterprise in a third area.
- Others.

Note 2: Equity in the profits (losses):

- If the entity is still in preparation stage and there is no equity in profits (losses), the condition should be noted.
- The basis of recognizing equity in profits (losses) is categorized in the following three types and each entity should be noted according to its condition.
 - Financial statement audited (reviewed) by international accounting firms that cooperate with the accounting firms in the ROC.
 - Consolidated financial statements audited (reviewed) by the Taiwan-based parent company's CPA.
 - Others.

(Continued)

- Note 3: In accordance with the “Bank, Financial Holding Corporation and Related Party Invest China Business Rules” announced by the FSC, the accumulated outflow of operating funds and investment from the following parties may not exceed 15% of net assets while they applied:
- a. Banks in Taiwan (or subsidiaries in a third area) which establish branches, establish/acquire subsidiaries or acquire shares or capital contributions from local shareholders in mainland China.
 - b. The subsidiaries whose issued stocks with voting rights or more than 50% of capital held by banks in Taiwan that have investments in mainland China.

(Concluded)

VII | Review and Analysis of Financial Status, Financial Performance, and Evaluation of the Risk Management

A. Financial Status of the Past Two Years

Unit: NT\$ thousand

Items	Fiscal Year		Fluctuation	
	2017.12.31	2016.12.31	Amount	%
Total Assets	2,036,258,400	2,005,151,504	31,106,896	1.55
Total Liabilities	1,891,310,836	1,867,627,979	23,682,857	1.27
Total Equity	144,947,564	137,523,525	7,424,039	5.40

Note: There is no major change in the total amounts of assets and liabilities.

B. Financial Performance of the Past Two Years

Unit: NT\$ thousand

Items	Fiscal Year		Increase (Decrease) Amount	
	2017	2016		Change in %
Net interest income	22,656,870	21,726,769	930,101	4.28
Net non-interest income	8,139,849	9,281,712	(1,141,863)	-12.30
Net income	30,796,719	31,008,481	(211,762)	-0.68
Provisions for bad debts expenses and guarantee liability	791,185	1,138,044	(346,859)	-30.48
Operating expense	15,821,315	15,787,396	33,919	0.21
Earning before tax from continued operations	14,184,219	14,083,041	101,178	0.72
Gain (loss) from continued operations	12,093,106	12,085,972	7,134	0.06
Current profit (loss)	12,093,106	12,085,972	7,134	0.06

a. Change Analysis

In 2017, NT\$3.427 billion provisions for bad debts expenses was recognized while NT\$2.636 billion was recovered, resulting in a net provisions for bad debts expenses of NT\$0.791 billion; In 2016, provisions for bad debts expenses and bad debts recoveries were NT\$2.672 billion and NT\$1.534 billion, respectively. Therefore, the amount of net provisions for bad debts expenses of 2017 was NT\$1.138 billion which decreased NT\$0.347 billion compared with that of 2016.

b. Business Operation Targets and Its Accordance

The Bank's 2018 business objectives are established based on the growth of each of the Bank's business lines in the preceding year, forecasts of economic growth provided by various institutions and the Bank's business expansion policy. Please refer to "I. Letter to Shareholders B.2018 highlights of Business Plans b. Business Operational Targets."

c. The Impact on the Bank's Financial Structure and Responding Plans

No effect.

C. Cash Flow

a. Liquidity Analysis for the Past Two Years

Items	Fiscal Year		Change	
	2017	2016		
Cash Flow Ratio	24.26%	26.88%		-2.62%
Cash Flows to Dividends and Expenditures (%)	565.94%	618.85%		-52.91%
Ratio of Cash Flow for Operating to Cash Flow from Investing	-5,126%	-10,706%		5,580%

Change Analysis:

Changes mainly due to the increase of net cash outflow from financing activities in 2017.

b. Improvement Plan for Insufficient Liquidity

None.

c. Next Year Cash Flow Analysis

Unit: NT\$ thousand

Cash Balance at the Start of the Period (1)	Expected Net Operating Cash Flow for the Whole Year (2)	Expected Cash Outflow for the Whole Year (3)	Expected Cash Surplus (Deficit) (1) + (2)+ (3)	Remediation Measures against Expected Cash Flow Deficit	
				Investment	Wealth Management
172,818,258	(5,645,581)	731,854	167,904,531	-	-

D. The Material Effect on Financial Structure from Substantial Capital Expenditure for Last Fiscal Year

None.

E. The Reinvestment Policy for Last Fiscal Year, the Major Reasons for Its Profits or Losses, and Improvement and Investment Plan for Next Year

a. The Reinvestment Policy for Last Fiscal Year and the Major Reasons for Its Profits or Losses

None.

b. Improvement Plan

Searching new investment targets under the consideration of profitability, security, growth, liquidity, and diversification.

c. The Investment Plan for Next Year

1. To accelerate refurbishment of existing buildings as well as in line with government's policy, the Bank participated in a joint venture along with state-owned banks and Taiwan Asset Management Corporation to establish "Taiwan Financial Joint Urban Renewal Service Co., Ltd." for public welfare purpose to provide more urban renewal services.
2. To expand financial business in China, the Bank prepares for the establishment of "Chang Hwa Bank (China) Ltd." in Nanjing, China, covering Kunshan, Dongguan, Fuzhou, Nanjing branches and Kunshan Huaqiao sub-branch, to provide comprehensive financial services for Taiwanese enterprises and residents in China.

F. Analysis & Evaluation of Risk Management during the Latest Year as of the Date of Annual Report Publication

a. A Series of Qualitative and Quantitative Requirements for Risk Management

1. Credit Risk Management System and Capital Requirement:

2017

Items	Contents
1. Strategies, Goals, Policies, and Procedures for Credit Risk	<p>1. Strategies, Goals, and Policies for Credit Risk:</p> <p>(1) Corporate Credit Risk: According to the features of business development, the risk management requirements of the Basel Accord, and the highest guiding principles of the Bank's "Integrated Risk Management Policies," the Bank continuously improved its corporate credit risk management mechanisms in order to effectively identify, measure, monitor and communicate various risks, as well as to enhance risk management performance.</p> <p>(2) Consumer Credit Risk: Develop risk management rules and processes that meet the requirements of the Basel Accord. Through establishing risk management mechanisms and analyzing risk information, the Bank hopes to gain thorough understanding of the new trends in risk management and implement such best practices in the consumer business to reach the following goals:</p> <ol style="list-style-type: none"> ① Build bank-wide consensus on risk management. ② Provide effective risk management mechanisms to facilitate the development of new loan products to ensure the sound development of the Bank. ③ Provide appropriate risk management information to the management level to balance risk and return in the decision-making process, which would increase shareholders' value. ④ Provide expected loss information according to experiences in credit risk losses.

Items	Contents
1. Strategies, Goals, Policies, and Procedures for Credit Risk	<p>(3) Country Risk: The Bank uses information pertaining to the external credit ratings of each region or country as the basis for the identification of country risks. A structure has been set up for measuring country risks and determining country limits against the Bank's risk appetite in order to effectively control the exposure to country risks. In order to response the external regulations, AI822, and effectively control the risk exposure to Mainland China, the Bank has made the integration of AI822 into the risk management mode for simultaneous control since Sep. 19, 2014. The country risk exposure management is divided into two parts. The country risk exposure (excluding China) and the risk in China, respectively, following the "Country Risk Management Guidelines" of the Bank and AI822 ruled by the Financial Supervisory Commission.</p> <p>(4) Financial Counterparty Risk: The Bank has adopted the concepts advocated by the Basel Accord as well as concepts of managing total limit/exposure by groups and has set up a Top-Down structure for managing limits and risk exposure. The Bank has established the "Counterparty Risk Management Guidelines." The Guidelines will help identify, assess and monitor the counterparty risk portfolio of the entire bank and report to the management levels to meet the requirements of local and overseas regulators and to facilitate effective utilization of capital and maximization of profits.</p> <p>2. Procedures of Credit Risk:</p> <p>(1) Corporate Credit Risk:</p> <ol style="list-style-type: none"> ① Continue to improve the corporate loan application management system and various risk management techniques to efficiency meet the risk management requirements. ② Establish corporate credit rating system to effectively provide corporate credit risk measurement indicators and divide credit quality into four categories, high, medium, weaker, and no rating, a clear distinction of corporate credit risk, which strengthens the Bank's credit risk management capabilities. ③ Continue to develop and implement credit risk stress test to meet the regulatory authorities' requirements and improve the Bank's risk management performance. ④ The Bank has established a complete monitoring mechanism for the effective identification and management of loans with potential risks. For example, "Corporate and Consumer Problem Loan Inquiry System" enables the Bank to effectively use the collected information and implement KYC. "Corporate Customers Early Warning Evaluation Procedure" enables the Bank to chase bad signs of high-risk loans and risk changes by the warning indicators of the inspection and notification; "Credit Exposure and Claims of Corporate Customers Inquiry System" enables the Bank to grasp the news media coverage of negative information and credit records in the Bank; "Corporate Customer Credit Depreciation Notice System," enables the Bank to effectively control and manage credit limits of abnormal customers. ⑤ Establish a knowledge database to facilitate learning and evaluation, and meeting business needs and to provide lectures and training in risk management to shape the risk management culture of the Bank. <p>(2) Consumer Credit Risk:</p> <ol style="list-style-type: none"> ① Compile the "Consumer Banking Risk Management Guideline," the S.O.P. and other related operational rules; utilize the credit risk database and the loan application automatic management system for the generation of various risk information. To enhance the quality of risk management, the Bank strengthens identification, measurement and monitoring of consumer credit risk. ② In loan application procedures, the Bank uses credit scorecards for rating and an override mechanism for special cases as a reference for loan application review and credit risk management. The scorecards are regularly validated for effectiveness. ③ Use credit and behavior scorecards for mortgage loan and personal loan to provide objective reference for review and pricing, to effectively reduce the incidence of overdue loans and raise the quality of assets of the Bank's mortgage loans and personal loans. ④ Enhance the quality of assets of loans through the organization of lectures and trainings on risk management to strengthen risk management intelligence. <p>(3) Country Risk:</p> <ol style="list-style-type: none"> ① On the basis of the rating selection principle and country rating information from Moody's, S&P, and Fitch, develop the Bank's country risk rating standards. ② Calculate the total country risk limit based on the Bank's net worth multiple disclosed in the latest annual financial statement, which serves as the ceiling of the Bank's exposure to country risk. ③ Within the total country risk limit and in accordance with various allocation ratio of each country's risk rating, the individual limits for various countries for the next year are determined by the political and economic situations of each country, as well as the actual business demands from the Bank's units. The country risk limit in China is restricted by the net worth of the Bank in accordance with the external regulation (AI822), and approved by the Board of Executive Directors. ④ Risk exposure is constantly measured and monitored. For countries that are experiencing political and economic instability, or whose ratings have been downgraded due to defaults, their country risk limits usage will be frozen, eliminated or cancelled. ⑤ Each country exposure data is gathered monthly to be analyzed and compiled into a Country Risk Management Monthly Report. <p>(4) Financial Counterparty Risk:</p> <ol style="list-style-type: none"> ① Use the credit ratings of counterparties provided by external ratings agencies as the basis for internal classification and rating of credit risk. ② Counterparty limits are determined by counterparty types and risk grades. Counterparty limits are calculated based on counterparties' standalone or consolidated net worth to serve as the maximum exposure that the Bank may tolerate while engaging in financial transactions; and those are further allocated among various products or business. ③ The maximum limit of each counterparty is further distinguished between a utilization limit and a reserve limit based on the business requirements of various departments. ④ Effectively manage the Bank's exposure to counterparty risk by monitoring and reporting each counterparty risk.

Items	Contents
2. Organization and Structure of Credit Risk Management	<p>To establish professional and comprehensive risk management capabilities, the Bank has created the following three risk management units: Credit Management Division, Risk Management Division and Loan Asset Management Division. Credit Management Division is responsible for case review of credit approvals, reviewing of credit approvals handled by branches, and management and maintenance of the loan application automatic management system (including credit investigation management system, corporate credit rating system and credit review management system) to ensure rigorous and careful credit investigation and approval procedures. Risk Management Division oversees formulation of management policies, strategies, rules, procedures and guidelines with respect to country risks, credit risks (including corporate banking, consumer banking and inter-bank dealings), market risks and operational risks, in addition to controlling risks. Loan Asset Management Division is responsible for effective management and control of overdue loans, collections and bad debts as well as that of non-performing loans, including the loan asset management system.</p> <p>The Bank has also set up Risk Management Committee and Asset & Liability Management Committee, chaired by the Bank's President who convenes the monthly meetings. The committee is responsible for evaluating and monitoring the Bank's risk-taking capacity and the actual risk exposure, determining risk response strategies and compliance with risk management procedures, and submitting risk management reports to the Board of Directors on a quarterly basis to enhance risk management quality by consolidating relevant review, monitoring and coordination actions.</p>
3. Scope and Features of the Credit Risk Report and Evaluation System	<p>1. Corporate Credit Risk:</p> <p>(1) Report of Corporate Credit Risk:</p> <p>Periodically inspect and monitor the concentration of exposure at default (EAD) for the Bank's corporate customers and disclosing the EAD balance of any single customer, affiliate/group, industry, collateral, interested party, high risk industries, and potentially problematic loans to provide risk managerial personnel with accurate, timely information to have total credit risk in hand for assuming risks and making decisions.</p> <p>(2) Scope and Features of the Credit Risk Evaluation System:</p> <ol style="list-style-type: none"> ① Effectively evaluate the Bank's capital adequacy and carry out rigorous and proactive stress tests to cope with possible adverse events or changes. ② Establish an internal rating system to effectively differentiate loan risks, and to be used as a measuring tool for loan decision, pricing reference and post-loan management. ③ Set up a credit limit management with the conservative principle, credit line review approval system, and establish a relevant risk measurement mechanism to be used as a tool for monitoring credit risks. ④ Establish an operating procedure for evaluating loan assets to ensure steady operations. Use quantitative and qualitative evaluation methods to identify the quality of loan assets and determine the adequacy of allowance for loan losses. ⑤ With a system for periodically evaluating property collateral, the value of collateral and the increase/decrease in risk exposure may be timely reflected to effectively identify the Bank's risk exposure. <p>2. Consumer Credit Risk:</p> <p>(1) Risk Report:</p> <p>The various exposure information provided by the Bank's system will enable management levels and relevant business units to have a clear understanding of the credit risk and to adjust policies or business strategies accordingly.</p> <p>(2) Risk identification and evaluation:</p> <p>Use a scorecard system, expenditure-to-income ratio, debt ratio, and semiannual reports on credit loan, and real estate periodic evaluation mechanisms to evaluate the risks assumed before and after granting loans to facilitate the taking of adequate measures.</p> <p>3. Country Risk and Financial Counterparty Risk:</p> <p>The Bank regularly reviews the exposure of country risk and financial counterparty risk. The Bank also discloses the category of asset quality, concentration, exposure of portfolio management, and the exposure distribution of the top twenty financial counterparties to provide risk managerial personnel with accurate information to adjust risk distribution accordingly. The Bank uses risk management systems and risk weight of derivatives to calculate the exposure of pre-settlement risk of derivatives to evaluate and control risk.</p>
4. Hedging or Mitigation Policies for Credit Risk; Strategies and Procedures for Assessing the Effectiveness of Hedging or Mitigation	<p>1. Policy:</p> <p>Actively use qualified and effective risk mitigation tools to reduce or transfer the loan credit risk of the Bank to strengthen protection of the Bank's creditor's right and reduce amount of regulatory reserve.</p> <p>2. Monitoring Strategies and Procedures:</p> <p>Establish relevant operating rules, procedures, or systems for the usage of risk mitigation tools. Through appropriate evaluation mechanisms and reviewing systems, the Bank constantly monitors the value change of such tools and the validity of their relevant legal documents. This prevents the negative impact of risk concentration and the mutual influence of the credit risks.</p> <p>(1) Application is rejected if the incidence of loss is too high in certain underwriting cases. In addition, if certain loan products incur severe loss, or if underwriting to risky sectors or customers with bad credit records, cases are also rejected. An alternative is to set higher prices.</p> <p>(2) Periodically review the operation performance, financial condition, and repayment ability of the client to understand and review the credit limit and actual exposure of the client, which helps the Bank evaluate the appropriateness of the line of credit.</p> <p>(3) The Bank establishes collateral policies to regulate the kinds of collaterals that are deemed acceptable. The policies also regulate the method of value appraisal to ensure that when default occurs, the Bank is able to effectively and quickly dispose of the collateral and/or receive compensation. An alternative is to adopt the credit guarantee fund for underwriting or to set the deposit offset agreement. These serve as means to entirely or partially transfer the risks.</p> <p>(4) The management and control mechanisms for credit risk portfolio management are strengthened to continue establishing a credit limit management, review, approval, and evaluation system on a conservative basis for concentrated loans to effectively manage the overall credit risks of loan portfolio and strengthen the quality of loan assets.</p>
5. Approach for Legal Capital Requirement	The Standardized Approach.

Risk Exposure after Mitigating Risks from the Standardized Approach of the Credit Risk and Capital Requirement

Dec. 31, 2017 Unit: NT\$ thousand

Exposure Type	Risk Exposure after Mitigation	Capital Requirement
Sovereigns	312,034,958	26,678
Non-central Government Public Sector Entities	40,697,185	651,155
Banks (Included Multilateral Development Banks, MDBS)	208,033,796	5,569,962
Corporate (Included Securities and Insurance Firms)	877,685,106	66,119,713
Claims on Retail	282,822,574	18,561,634
Residential Property	264,600,142	10,485,207
Equity Security Investments	5,223,383	417,871
Other Assets	70,444,889	3,489,119
Total	2,061,542,032	105,321,338

2. Securitization Risk Management System, Risk Exposure and Capital Requirement:

2017

Items	Contents
1. Strategies and Procedures for Securitization Management	Business operations regarding the investment of asset securitized products shall comply with the Bank's "Operating Guidelines for Investing in Asset Securitized Products." This guideline includes management strategies and procedures. The framework includes its purpose, basis, business strategies, principles and guideline, processes, internal control system, periodic evaluation, accounting measures, internal audit system, authorization, credit limit management, and risk management measures.
2. Organization and Structure of Securitization Management	<ol style="list-style-type: none"> 1. Treasury Division, Overseas branches, and Offshore Banking Branch are trading units for asset securitized products. 2. Credit Management Division is responsible for the reviews of these applications. 3. Risk Management Division monitors the credit risk, market risk, and operational risks, including authorized limit, rating, duration, and stop loss limit rules. 4. Treasury Division is responsible for the backend operations with Offshore Banking Branch, including confirmation of transaction, settlement, and booking. 5. IT Division installs and maintains the IT system for this business. 6. Financial Management Division is responsible for regular evaluation, accounting processes, announcement and reporting, and information disclosure. 7. Internal Auditing Division oversees the internal control of this business.
3. Scope and Features of the Securitization Risk Report and Evaluation System	<ol style="list-style-type: none"> 1. Credit Risk: <ol style="list-style-type: none"> (1) The front end transactor should always scrutinize the credit situation of the asset securitized products purchased and also the underlying tools within the asset pool. Annual reviews should be periodically conducted, with the results written into reports and saved as hard copies. Risk Management Division should also receive a copy. (2) When credit abnormalities occur and risk of loss increases, Risk Management Division should immediately notify the front end transactor and take any necessary actions. (3) If default events such as inability to collect interests regularly or collect principle and interest upon maturity occur, the front end transactor should immediately notify Loan Asset Management Division with the original report and send the duplicate copy to International Banking Division and Risk Management Division. Internal Auditing Division should also be informed. 2. Market Risk: <p>Risk Management Division shall design an appropriate appraisal method to assess the market risk factors of asset securitized products. The method of pricing and evaluation should be reviewed. The positions held should be reported to the Board of Executive Directors every six months to assess whether the risk levels are within an acceptable range.</p> 3. Operational Risk: <p>S.O.P should be designed to serve as rules for employees to follow. Operational Risk and Control Self Assessment (RCSA) should also be conducted.</p>
4. Hedging or Mitigation Policies for Securitization; Strategies and Procedures for Assessing the Effectiveness of Hedging or Mitigation	N/A
5. Approach for Legal Capital Requirement	The Standardized Approach.

Items	Contents
6. General periodic disclosures including: (1) The purpose of securitization and the types of risks borne and retained by the Bank for re-securitization (2) Other risks associated with securitized assets (e.g. liquidity risk) (3) The different roles played by the Bank during asset securitization and the level of participation in every stage (4) Describe the monitoring procedures adopted for credit risk and market risk exposures associated with asset securitization (5) Risk management policies adopted by the Bank to mitigate credit risks associated with securitization and re-securitization	None.
7. Provide an overall description of the Bank's accounting policies on securitization	None.
8. The name of the External Credit Assessment Institution (ECAI) engaged for asset securitization within the Banking Book and the ECAI's involvement in every type of securitized asset	None.
9. Describe any material changes of quantitative information since the last reporting period (e.g. shift of asset balances between the Banking Book and the Trading Book)	None.

Engagement of Asset Securitization

None.

Risk Exposure and Capital Requirement for Securitization-By transaction type

December 31, 2017 Unit: NT\$ thousand

Role of the bank	Type of Books	Type of Exposure	Asset Type	Traditional				Synthetic		Total		
				Exposure			Capital Requirement (2)	Exposure		Exposure (5)=(1)+(3)	Capital Requirement (6)=(2)+(4)	Accrued Capital before Securitization
				Hold Or Buy	Provide the Liquidity Facilities	Provide Credit enhancement		Hold or Buy (3)	Capital Requirement (4)			
Non-Originating Bank	Banking Book	Mortgage Backed Securities		64,609			64,609	1,034		64,609	1,034	
	Trading Book											
	Subtotal			64,609			64,609	1,034		64,609	1,034	
Originating Bank	Banking Book											
	Trading Book											
	Subtotal											
Total				64,609			64,609	1,034		64,609	1,034	

Securitization Products Information

(1) Summary of Investment in Securitized Products:

December 31, 2017 Unit: NT\$ thousand

Item	List of Accounting Accounts	Historical Cost	Gain/Loss of Accumulated Valuation	Accumulated Impairment	Book Value
Collateralized Mortgage Obligation (CMO)	Investments in Debt Security with No Active Market	64,616	0	0	64,609

(2) ① The information about original cost of single transaction for investing in securitized products amounting to more than NT\$300 million (the Bank serves as an originator that holds positions due to credit enhancement which is excluded): None.

② The bank serves as an originator for securitization and holds positions due to credit enhancement: None.

③ The bank serves as buying institution or clearing buying institution of credit impaired assets for securitized products: None.

(3) The bank serves as guarantee institution of securitized products or provides liquidity facility: None.

3. Operational Risk Management System and Capital Requirement:

2017

Items	Contents
1. Strategies and Procedures for Operational Risk Management	The Bank establishes "Guidelines for Operational Risk Management" to create a sound framework for managing operational risks and develop appropriate process and strategies for managing operational risks. In daily operations, all units should comply with the relevant regulation, leverage risk management tools to identify, assess, monitor, and control the operational risks of the Bank's major products, operational activities, operational processes, and IT system. Reports regarding abovementioned operational risk procedure should also be produced.
2. Organization and Structure of Operational Risk Management	The Bank has an organizational structure for managing operational risk that is composed of Three Lines of Defense. On the first line, all business units are responsible for daily management of operational risk. On the second line, the Risk Management Division formulates and supports operational risk management and the Legal Affairs and Compliance Division formulates compliance system. Finally, the Internal Auditing Division will serve as the third line of defense through the internal auditing function to verify the effectiveness of the Bank's operational risk management efforts.
3. Scope and Features of the Operational Risk Report and Evaluation System	<ol style="list-style-type: none"> 1. To facilitate the evaluation and management of the assessment results of operational risks, the Bank has set up a loss data management system, a risk control and self-assessment system and a key risk indicators monitoring system. 2. The Bank collects operational risk loss events through systems, and then categorizes the risks according to authorities' regulations and types of losses. This helps the Bank to understand the loss situation of internal operational risks. 3. The Bank's Operational Risk and Control Self Assessment (RCSA) system begins with the head office's business management units, where self-assessments are conducted according to the risks and controls of their respective businesses, compile and edit their operational risk self-assessment tables, and review the rules and regulations of their respective businesses. Business execution and business management units then conduct operational risk self-assessments and input the results in the system for the Bank to analyze potential operational risk exposures situation. 4. The Bank establishes Key Risk Indicators (KRIs) and their respective limits and thresholds for the major risk exposures. Continuous monitoring and management is required as information for red flags. 5. The Bank integrates operational risk related items and compiles periodic operational risk management reports for the Board of Directors, senior management, and business management units, so that they fully understand the situation and can make decisions accordingly.
4. Hedging or Mitigation Policies for Operational Risk; Strategies and Procedures for Assessing the Effectiveness of Hedging or Mitigation	<ol style="list-style-type: none"> 1. All business management units select appropriate risk countermeasures according to the monitoring results of operational risk assessment and Key Risk Indicators and the risk exposures of the Bank. Operational risks shall be controlled within acceptable levels through risk mitigation measures such as outsourcing or insurance, or other appropriate measures such as enhancing employee education and training, improving internal operation processes, or enhancing systems. Before launching new products, activities, processes, and systems, the Bank also conducts operational risk identification and assessment to gauge possible risks and take precautionary measures. 2. In case of catastrophes, endemics, strikes, information system breakdowns or any other events that would result in operational discontinuity, the Bank establishes the "Chang Hwa Bank Business Continuity Plan" for all units to serve as guidelines for prevention, preparation, reporting, responding, and post-event reporting to maintain the Bank's business operations in order to protect the rights of customers and mitigate financial and personnel losses to the minimum. 3. Through Operational Risk and Control Self Assessment, the Bank regularly assesses the residual risks of the control plans of each risk item, which ensures the validity and effectiveness of the control plans.
5. Approach for Legal Capital Requirement	The Standardized Approach.

Capital Requirement for Operational Risk

December 31, 2017 Unit: NT\$1,000

FY	Gross Profit	Accrued Capital
2015	28,274,973	
2016	30,509,330	
2017	30,364,544	
Total	89,148,847	

4. Market Risk Management System and Capital Requirement:

2017

Items	Contents
1. Strategies and Procedures for Market Risk Management	<p>1. Strategies:</p> <p>(1) Plan market risk management in order to ensure effective identification, measurement, monitoring and reporting of relevant risks.</p> <p>(2) Through evaluating and monitoring market risk, the Bank ensures that risk control assumed fall within the risk appetite to lower the Bank's unexpected loss arising from market risks.</p> <p>(3) Draft and implement measures that conform to the relevant regulations of managing market risks announced by Taiwan's regulatory authority and the Basel Accord.</p> <p>(4) Establish and develop market risk management system and economic capital allocation procedures.</p> <p>2. Procedures:</p> <p>The market risk management process consists of five perspectives: identification, measuring, monitoring, reporting and management of executing procedures, and is carried out as per the Bank's "Market Risk Management Guideline."</p>
2. Organization and Structure of Market Risk Management	<p>According to the risk management framework and responsibilities stated in the Bank's "Integrated Risk Management Policies," the Market Risk Section under Risk Management Division acts as the second line of defense, and performs risk control and management mechanisms as outlined below:</p> <p>1. Manage market risks, develop relevant procedures or operating standards, and report to the appropriate superiors according to "The Rule of Authority and Duty."</p> <p>2. Set up an independent risk management mechanism, providing the basis for a market risk management process to avoid conflict of interest, while making good use of the management information system and providing training to employees in order to improve risk management performance and ensure effectiveness of the risk management mechanism.</p>
3. Scope and Features of the Market Risk Report and Evaluation System	<p>1. Internal reporting:</p> <p>(1) Periodically brief to the Risk Management Committee on the status of market risk monitoring to provide senior management with sufficient information.</p> <p>(2) In the event of exceeding limits or discovering irregularities, necessary information shall be provided pursuant to the established reporting framework and internal reporting procedures.</p> <p>(3) The Bank should periodically brief to the Board of Directors and the Risk Management Committee on the status and concentration of the Bank's investment portfolio to help them determine whether the Bank's strategies should be adjusted.</p> <p>2. External disclosure:</p> <p>(1) The Bank should fully disclose the market risks it faces, and identify, measure and monitor the techniques used to manage these risks so that market participants can evaluate the Bank's market risk management.</p> <p>(2) The degree to which information is disclosed shall be commensurate with the scale of the Bank's business activity, risk exposure status, and level of complexity.</p>
4. Hedging or Mitigation Policies for Market Risk; Strategies and Procedures for Assessing the Effectiveness of Hedging or Mitigation	<p>1. Set up relevant market risk limits and management mechanism.</p> <p>2. In the event of exceeding the approved limits, Risk Management Division should notify the head managers of trading units immediately. Trading units shall reduce and formulate measures to offset their risk position or apply to raise their limits.</p> <p>3. Those written reports expressing the events of exceeding the limits should be filed to the Executive Vice President who oversees the Risk Management Division and should also be reported to the Risk Management Committee.</p> <p>4. Risk Management Division should monitor the follow-up actions continuously. If the trading units do not take properly action, Risk Management Division should report to the Risk Management Committee and send a copy to the Internal Auditing Division.</p>
5. Approach for Legal Capital Requirement	The Standardized Approach.

Capital Requirement for Market Risk

December 31, 2017 Unit: NT\$ thousand

Risk Category	Capital Requirement
Interest Rate Risk	943,153
Equity Security Risk	0
FX Risk	617,360
Commodity Risk	0
Options (simplified approach)	2,866
Total	1,563,379

5. Liquidity Risk:

2017

Items	Contents
1. Strategies and Procedures for Liquidity Risk Management	In accordance with the Bank's liquidity risk management policy, liquidity risk measurement indicators and the assessment of the ability to cope with liquidity risk shall be clearly established. At the same time, a monitoring mechanism that provides periodic assessments as well as real-time reports shall also be implemented. In addition, the Bank shall also formulate contingency plans, response strategies, and designate clear responsibilities to each relevant unit for handling liquidity crisis incidents to ensure that appropriate and adequate measures are taken when necessary.
2. Organization and Structure of Liquidity Risk Management	With respect to the Bank's organizational structure for handling liquidity risks, the relevant units shall be responsible for capital liquidity operations, monitoring and periodic assessment of liquidity risks, and provide reports and recommendations to the Asset and Liability Management Committee.
3. Scope and Features of the Liquidity Risk Report and Evaluation System	Assessment and analysis of the status of liquidity risk management shall be conducted and reported to the Asset and Liability Management Committee and the Board of Directors on a regular basis, which enable senior management to supervise the Bank's latest liquidity position.
4. The policies in liquidity risk hedging or risk reducing, and the policies and progresses in persistent effectiveness tool for risk monitoring, risk avoiding and risk mitigating	When a warning signal occurs with respect to a market crisis or emergency liquidity condition that affects the Bank, relevant emergency measures shall be adopted in accordance with the Bank's liquidity risk management policy. The Asset and Liability Management Committee shall then formulate measures to address the emergency situation and report to the Board of Managing Directors regarding the follow-up actions and results, which enables senior management to closely monitor the status of liquidity risk management.

(1) Term Structure Analysis of NTD-denominated Assets & Liabilities:

December 31, 2017 Unit: NT\$ thousand

	Total	Volumes during the Period Prior to the Due Date					
		0 ~ 10 days to due date	11 ~ 30 days to due date	31 ~ 90 days to due date	91 ~ 180 days to due date	181 days to 1 year to due date	More than 1 year to due date
Major Matured Capital Inflows	1,670,505,136	172,902,756	145,384,955	198,751,791	128,146,773	260,833,212	764,485,649
Major Matured Capital Outflows	2,193,924,065	110,223,411	154,549,943	318,756,912	277,649,621	436,184,304	896,559,874
Capital Gap	(523,418,929)	62,679,345	(9,164,988)	(120,005,121)	(149,502,848)	(175,351,092)	(132,074,225)

Note: The amounts listed above include accounts in N.T. dollars of the Bank.

(2) Term Structure Analysis of USD-denominated Assets & Liabilities:

December 31, 2017 Unit: US\$ thousand

	Total	Volumes during the Period Prior to the Due Date				
		0 ~ 30 days to due date	31 ~ 90 days to due date	91 ~ 180 days to due date	181 days to 1 year to due date	More than 1 year to due date
Major Matured Capital Inflows	21,776,559	9,096,294	4,352,376	2,170,210	1,387,555	4,770,124
Major Matured Capital Outflows	26,962,227	9,264,047	4,872,188	2,799,921	3,570,464	6,455,607
Capital Gap	(5,185,668)	(167,753)	(519,812)	(629,711)	(2,182,909)	(1,685,483)

Note: The amounts listed above include accounts in U.S. dollars of the Bank.

b. The Impact of Domestic and Foreign Major Policies and Law Amendment Exerting on the Bank's Financial Structure and Responding Measures

- On February 1, 2018, FSC revised the "Regulations Governing Internal Operating Systems and Procedures for Banks Conducting Financial Derivatives Business" to strengthen the bank's ability to evaluate and check the financial derivatives business and to enhance the control and marketing process of structural products.

Effect:

Due to restrictions on trading limits and raising transaction thresholds for customers, the banks have been under downward pressure with respect to business volume.

Countermeasures:

The Bank will offer transaction services to meet customers' real demand, and drive other financial commodities business growth to expand the business by the transaction service.

- The Money Laundering Control Act (hereinafter the "Act") was amended and promulgated, requiring each competent authority in charge of the particular enterprise to establish regulations of authorization governing issues regarding customer due diligence, record-keeping, large currency transactions and suspicious money laundering and terrorism financing transactions reporting, etc. The Act became effective on June 28, 2017.

To comply with the regulation, after considering the content of “Regulations Governing Cash Transaction Reports and Suspicious Transaction Reports by Financial Institutions” and requirements of customer due diligence and record-keeping regulated in directions governing anti-money laundering and countering terrorism financing (AML/CFT) of banking sector, securities and futures sector, and insurance sector, etc., and based on the authorization of the Act, Financial Supervisory Commission enacted “Regulations Governing Anti-Money Laundering of Financial Institutions” and amended “Directions Governing Anti-Money Laundering and Countering Terrorism Financing of Banking Sector” which was renamed as “Directions Governing Internal Control System of Anti-Money Laundering and Countering Terrorism Financing of Banking Business, Electronic Payment Institutions and Electronic Stored Value Card Issuers” to strengthen the AML/CFT regime of the Republic of China (R.O.C.), and to enhance the soundness of the internal control and internal audit system of the banking business, electronic payment institutions and electronic stored value card issuers.

Effect:

The banking industry should control the risk of anti-money laundering and countering terrorism financing to improve our country's culture of anti-money laundering and countering terrorism financing.

Countermeasures:

The Bank set up anti-money laundering dedicated unit and is responsible for anti-money laundering and countering terrorism financing evaluation operation mechanism including Customer Due Diligence (CDD) measures and employee training to promote the Bank's compliance culture and execution efficiency to strengthen the anti-money laundering regime and stabilize the financial system.

3. On March 22, 2017, FSC revised “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries”(hereinafter referred to as the implementation regulations). The amendments contents included that legal compliance unit shall conduct paragraph 1, article 32 of the implementation regulations as the report item submitted to the Board of Directors, covering at least analysis and possible influence on the compliance significant deficiencies or corruption from every unit, and the suggestions for improvement in addition to emphasizing the required qualifications, professional training and functions for compliance personnel and supervisors, and strengthening financial holding companies and banking industry notification mechanisms.

Effect:

The banking industry shall implement Three Lines of Defense for internal control, as well as the introduction, construction, and implementation of legal compliance related internal mechanisms to ensure internal control system effectiveness.

Countermeasures:

The Bank continues to strengthen its legal compliance function with legal compliance rule amendments.

- c. The Impact of Technological Advancement and Industrial Evolution on the Bank's Financial Businesses, and Countermeasures

None.

- d. The Impact of the Bank's Changing Corporate Image and Countermeasures

None.

- e. Expected Benefits, Potential Risks, and Countermeasures from Mergers & Acquisitions

None.

- f. Expected Benefits, Potential Risks, and Countermeasures of Expanding Operation Locations

1. Expected Benefits:

- (1) Increase the Bank's market share.
- (2) Provide more convenience for clients; increase their willingness to deal with the Bank, and increase operational volume which will result in more revenue.
- (3) Expanding the variety of customer groups could diversify operation risk.
- (4) To establish branches or subsidiaries in the offshore financial market with the development potential, benefiting from regional economic growth in order to promote the Bank's overall operating performance.

2. Possible Risks:

- (1) The market surrounding the branches might already be saturated. Business will be limited and competition could resort to a price war.
- (2) Too many branches might result in an overlap of client sources.
- (3) With the rise of digital finance, the demand of customer to the branch decreases, therefore, it is afraid that there will be idle capacity or reduced utilization risk of branch.
- (4) Global banking supervision has become more stringent and the cost of compliance has increased.

3. Responding measures:

- (1) Evaluate the viability of new branch establishments by carefully assessing the commercial activities and future prospects within the local environment, while taking into consideration the distribution and performance of nearby banks.

- (2) Pay close attention to the development of digital finance, review and evaluate the necessity of the physical branch expansion policy.
- (3) When expanding the overseas business base, the Bank fully assesses the operating environments, the development potential of the financial markets, the local business groups and the industry distribution of customers. The Bank also understands the layout and operating situation of Taiwanese counterparties, hiring local consultants and accountants specializing in local financial regulations in order to reduce the compliance risk.
- g. The Risks Generated by Business Concentration and the Countermeasure
The Bank has been continuously developing new financial products such as deposit, lending, foreign exchange, trust and derivatives, so that the Bank can meet the diverse needs of its customers. There is no business concentration occurred.
- h. The Risk and Effect of the Change of Ownership Exerting on the Bank and the Countermeasure
None.
- i. The Risk and Effect of the Massive Share Transfer or Replacement From the Directors or the Shareholders Who Holds More Than 1% of Ownership Interest, and the Countermeasure
None.
- j. Lawsuit and Non-Lawsuit
 - 1. Lawsuit of the Bank
 - (1) With respect to the Bank's lawsuit with TDK Corporation involving claims for indirect damage, Taiwan Taipei District Court as the court of first instance had ruled the case in favor of the Bank, but TDK Corporation refused to accept the first instance verdict and appealed to Taiwan High Court. On April 19, 2017, the Taiwan High Court ruled that the Bank should compensate TDK Corporation NT\$11,448,383. Now both parties have appealed that is under the Supreme Court's hearing.
 - (2) Taishin Financial Holdings Co., Ltd. (hereinafter referred to as "TSFHC"), as the shareholder of the Bank, filed a annulled resolution to Taiwan Taipei District Court on the election of the Bank's 2017 General Shareholders' Meeting on July 4, 2017. The petition is currently heard by Taiwan Taipei District Court.
 - 2. The litigations of the shareholder who holds more than 1% of ownership interest ("the Shareholder") in the Bank:
 - (1) Taishin Financial Holdings Co., Ltd. ("TSFHC")
TSFHC claimed that the Ministry of Finance was in breach of the said Ministry's announcement and official letter issued in 2005. This led to TSFHC having only two directors and one independent nominated director elected to the Bank's Board of Directors during the Bank's Shareholder Assembly held on December 8, 2014. TSFHC has engaged lawyers to institute civil proceedings, at Taiwan Taipei District Court against the Ministry of Finance. Currently the remaining appeals are being heard by the Supreme Court.
 - (2) First Commercial Bank, Ltd.
On September 21, 1999, the Jiji or 921 earthquake occurred, causing the collapse of East Star Building where the First Commercial Bank's Song Shan branch was located, it led to civil proceedings and claims for damage from households of the collapsed building, against the First Commercial Bank. On October 3, 2014, the Supreme Court ruled that the First Commercial Bank did not have any responsibility for compensation. However, some of the households assigned their claim for damage to Department of Urban Development of Taipei City Government ("DUD") during 2006 to 2007, which filed a civil proceeding and claimed for a compensation against the First Commercial Bank on September 19, 2014. After Taiwan Taipei District Court dismissed the appeals from DUD on September 21, 2016, DUD applied for the Interlocutory appeal. The case outcome has not yet been determined.
- k. Other Major Risks and Countermeasures
None.

G. Emergency Response Mechanisms

In case of catastrophes, endemics, strikes, information system breakdowns or any other events that would result in operation discontinuity, the Bank establishes the "Chang Hwa Bank Business Continuity Plan," "Chang Hwa Bank Directions of Emergency Response Measures for Compulsory Collective Isolation Responding to Epidemics," "Chang Hwa Bank Domestic Branch Emergency Response Manual Procedures," and major accident handling with contingency plans for the centralized operations of notes, remittance and ATMs outside branches for all units to serve as guidelines for prevention, preparation, reporting, responding, and post-event reporting to maintain the Bank's business operations in order to protect the rights of customers and mitigate financial and personnel losses to a minimum.

H. Other Important Events

None.

VIII | Special Notes

VIII

Special Notes

A. Information Regarding the Bank's Subsidiaries

The Bank has no affiliated enterprises.

B. Progress of Private Placement of Securities and Financial Bonds during the Latest Year and as of the Date of Annual Report Publication

None.

C. The Bank's Subsidiaries' Shareholding or Disposal of the Bank's Shares during the Latest Year and as of the Date of Annual Report Publication

None.

D. Additional Disclosure

None.

E. Pursuant to Item 2, Paragraph 3, Article 36 of Security and Exchange Act, the Incidence Exerting Material Influence on Shareholders' Rights or Security Prices

None.

IX | Directory of Head Office & Branches

DOMESTIC OFFICES	ADDRESS	TEL
Head Office (Taichung)	No.38, Sec. 2, Ziyou Rd., Central Dist., Taichung City 40045, Taiwan (R.O.C.)	(04) 22222001
Head Office (Taipei)	No.57, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10412, Taiwan (R.O.C.)	(02) 25362951
Business Department	No.38, Sec. 2, Ziyou Rd., Central Dist., Taichung City 40045, Taiwan (R.O.C.)	(04) 22230001
Taichung Branch	1F., No.78, Sec. 2, Fuxing Rd., South Dist., Taichung City 40245, Taiwan (R.O.C.)	(04) 22650011
Pei-Taichung Branch	No.6, Sec. 2, Taiwan Blvd., West Dist., Taichung City 40354, Taiwan (R.O.C.)	(04) 22011122
Nan-Taichung Branch	1F., No.102, Taichung Rd., South Dist., Taichung City 40250, Taiwan (R.O.C.)	(04) 22243181
Peitun Branch	1F., No.10, Beitun Rd., North Dist., Taichung City 40459, Taiwan (R.O.C.)	(04) 22322922
Chung-Kang Branch	No.651, Sec. 2, Taiwan Blvd., Xitun Dist., Taichung City 40759, Taiwan (R.O.C.)	(04) 23271717
Shuinan Branch	No.447, Sec. 3, Wenxin Rd., Beitun Dist., Taichung City 40667, Taiwan (R.O.C.)	(04) 22969966
Nantun Branch	No.306, Sec. 1, Wenxin Rd., Nantun Dist., Taichung City 40866, Taiwan (R.O.C.)	(04) 23220011
Hsitun Branch	No.923, Sec. 4, Taiwan Blvd., Xitun Dist., Taichung City 40767, Taiwan (R.O.C.)	(04) 23593435
Keelung Branch	1F., No.60, Ai 4 th Rd., Ren' ai Dist., Keelung City 20048, Taiwan (R.O.C.)	(02) 24233933
Jenai Branch	No.100, Xiao 2 nd Rd., Ren' ai Dist., Keelung City 20042, Taiwan (R.O.C.)	(02) 24233941
Tung-Keelung Branch	1F., No.57, Xin 1 st Rd., Xinyi Dist., Keelung City 20145, Taiwan (R.O.C.)	(02) 24233861
Ilan Branch	1F., No.16, Guangfu Rd., Yilan City, Yilan County 26043, Taiwan (R.O.C.)	(03) 9352511
Lotung Branch	No.194, Zhongzheng Rd., Luodong Township, Yilan County 26547, Taiwan (R.O.C.)	(03) 9551171
Suao Branch	1F., No.121, Sec. 1, Zhongshan Rd., Su' ao Township, Yilan County 27041, Taiwan (R.O.C.)	(03) 9961116
International Banking Division	2F., No.57, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10412, Taiwan (R.O.C.)	(02) 25621919
Central Branch	1F., No.57, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10412, Taiwan (R.O.C.)	(02) 25514256
Trust Division	12F., No.57, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10412, Taiwan (R.O.C.)	(02) 25362951
Offshore Banking Branch	10F., No.57, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10412, Taiwan (R.O.C.)	(02) 25362951
Taipei Branch	No.27, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City 10046, Taiwan (R.O.C.)	(02) 23617211
Chengnei Branch	1F., No.68, Hengyang Rd., Zhongzheng Dist., Taipei City 10045, Taiwan (R.O.C.)	(02) 23113791
Tunhwa Branch	No.71, Sec. 2, Dunhua S. Rd., Da' an Dist., Taipei City 10682, Taiwan (R.O.C.)	(02) 27849821
Wanhua Branch	No.304, Kangding Rd., Wanhua Dist., Taipei City 10852, Taiwan (R.O.C.)	(02) 23060201
Shuangyuan Branch	No.312, Juguang Rd., Wanhua Dist., Taipei City 10860, Taiwan (R.O.C.)	(02) 23042141
Hsimen Branch	No.169-2, Xining S. Rd., Wanhua Dist., Taipei City 10844, Taiwan (R.O.C.)	(02) 23719271
Peimen Branch	1F., No.19, Sec. 1, Yanping N. Rd., Datong Dist., Taipei City 10341, Taiwan (R.O.C.)	(02) 25586271
Yunglo Branch	1F., No.120, Sec. 1, Dihua St., Datong Dist., Taipei City 10344, Taiwan (R.O.C.)	(02) 25585151
Chiencheng Branch	1F., No.123, Nanjing W. Rd., Datong Dist., Taipei City 10355, Taiwan (R.O.C.)	(02) 25555121
Tatung Branch	No.199, Sec. 3, Chongqing N. Rd., Datong Dist., Taipei City 10369, Taiwan (R.O.C.)	(02) 25919113
Min-Sheng Branch	No.54-1, Sec. 4, Minsheng E. Rd., Songshan Dist., Taipei City 10574, Taiwan (R.O.C.)	(02) 27121311
Chungshan North Rd. Branch	No.111, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10448, Taiwan (R.O.C.)	(02) 25711241
Ching-Kuang Branch	No.609, Linsen N. Rd., Zhongshan Dist., Taipei City 10460, Taiwan (R.O.C.)	(02) 25950551
Chien-Kuo Branch	No.136, Sec. 3, Ren' ai Rd., Da' an Dist., Taipei City 10657, Taiwan (R.O.C.)	(02) 27033737
Chilin Branch	1F., No.98, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 10457, Taiwan (R.O.C.)	(02) 25626151
Chang-An E. Rd. Branch	No.23-1, Sec. 1, Chang' an E. Rd., Zhongshan Dist., Taipei City 10441, Taiwan (R.O.C.)	(02) 25230739
Tungmen Branch	1F., No.139, Sec. 2, Xinyi Rd., Zhongzheng Dist., Taipei City 10064, Taiwan (R.O.C.)	(02) 23921241
Chung-Cheng Branch	1F., No.47, Sec. 1, Jinshan S. Rd., Zhongzheng Dist., Taipei City 10056, Taiwan (R.O.C.)	(02) 23560000
Kuting Branch	No.25, Sec. 2, Roosevelt Rd., Da' an Dist., Taipei City 10643, Taiwan (R.O.C.)	(02) 23517211
Chung-Hsiao Tung Lu Branch	No.164, Sec. 4, Zhongxiao E. Rd., Da' an Dist., Taipei City 10688, Taiwan (R.O.C.)	(02) 27713151
Yung-Chun Branch	No.1-2, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City 11071, Taiwan (R.O.C.)	(02) 27682322
Taan Branch	No.177, Sec. 1, Heping E. Rd., Da' an Dist., Taipei City 10644, Taiwan (R.O.C.)	(02) 23213214

DOMESTIC OFFICES	ADDRESS	TEL
Heping Branch	No.106, Sec. 3, Heping E. Rd., Da' an Dist., Taipei City 10675, Taiwan (R.O.C.)	(02) 33169009
Hsin-Yi Branch	No.155, Sec. 4, Xinyi Rd., Da' an Dist., Taipei City 10681, Taiwan (R.O.C.)	(02) 27039081
Jen-Ho Branch	No.31, Sec. 4, Ren' ai Rd., Da' an Dist., Taipei City 10685, Taiwan (R.O.C.)	(02) 27514066
Taipei World Trade Center Branch	3F., No.333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 11012, Taiwan (R.O.C.)	(02) 27203101
Guanglong Branch	1F., No.78, Sec. 2, Keelung Rd., Xinyi Dist., Taipei City 11052, Taiwan (R.O.C.)	(02) 27207678
Chengtung Branch	No.225, Sec. 3, Nanjing E. Rd., Zhongshan Dist., Taipei City 10488, Taiwan (R.O.C.)	(02) 27153535
Chunglun Branch	1F., No.201, Sec. 2, Bade Rd., Zhongshan Dist., Taipei City 10491, Taiwan (R.O.C.)	(02) 27312211
Fu-Hsing Branch	No.367, Fuxing N. Rd., Songshan Dist., Taipei City 10543, Taiwan (R.O.C.)	(02) 27173222
Sung-Chiang Branch	No.261, Songjiang Rd., Zhongshan Dist., Taipei City 10483, Taiwan (R.O.C.)	(02) 25024923
Chengde Branch	1F., No.81, Sec. 4, Chengde Rd., Shilin Dist., Taipei City 11166, Taiwan (R.O.C.)	(02) 28868989
Shihlin Branch	No.21, Fude Rd., Shilin Dist., Taipei City 11163, Taiwan (R.O.C.)	(02) 28822354
Tienmu Branch	1F., No.33, Dexing W. Rd., Shilin Dist., Taipei City 11158, Taiwan (R.O.C.)	(02) 28333232
Sungshan Branch	No.165, Yongji Rd., Xinyi Dist., Taipei City 11063, Taiwan (R.O.C.)	(02) 27625242
Hsi-Sung Branch	1F., No.213, Sec. 5, Nanjing E. Rd., Songshan Dist., Taipei City 10569, Taiwan (R.O.C.)	(02) 27639611
Tung-Taipei Branch	No.126, Sec. 4, Nanjing E. Rd., Songshan Dist., Taipei City 10595, Taiwan (R.O.C.)	(02) 25704567
Dongxing Branch	1F., No.88, Sec. 4, Bade Rd., Songshan Dist., Taipei City 10565, Taiwan (R.O.C.)	(02) 21711115
Hsi-Neihu Branch	1F., No.26, Ln. 513, Ruiguang Rd., Neihu Dist., Taipei City 11492, Taiwan (R.O.C.)	(02) 27978966
Tachih Branch	No.589, Bei' an Rd., Zhongshan Dist., Taipei City 10463, Taiwan (R.O.C.)	(02) 25337861
Nei-Hu Branch	No.19, Ruihu St., Neihu Dist., Taipei City 11494, Taiwan (R.O.C.)	(02) 26590766
Tung-Hu Branch	1F., No.109, Sec. 6, Minquan E. Rd., Neihu Dist., Taipei City 11490, Taiwan (R.O.C.)	(02) 27904567
Sinhu Branch	No.180, Xinhua 2 nd Rd., Neihu Dist., Taipei City 11494, Taiwan (R.O.C.)	(02) 27931616
Nankang Branch	No.48, Sec. 3, Nangang Rd., Nangang Dist., Taipei City 11510, Taiwan (R.O.C.)	(02) 27833456
Nankang Science Industrial Park Branch	2F-3, No.3, Park St., Nangang Dist., Taipei City 11503, Taiwan (R.O.C.)	(02) 26558169
Wufenpu Branch	1F., No.92, Zhongpo N. Rd., Nangang Dist., Taipei City 11562, Taiwan (R.O.C.)	(02) 27852787
Mucha Branch	No.48, Sec. 3, Muxin Rd., Wenshan Dist., Taipei City 11664, Taiwan (R.O.C.)	(02) 86617377
Bei Tou Branch	1F., No.6, Ln. 452, Daye Rd., Beitou Dist., Taipei City 11268, Taiwan (R.O.C.)	(02) 28968585
Hsi-Chih Branch	No.93, Zhongxing Rd., Xizhi Dist., New Taipei City 22158, Taiwan (R.O.C.)	(02) 26947878
Xike Branch	1F., No.217, Sec. 1, Datong Rd., Xizhi Dist., New Taipei City 22161, Taiwan (R.O.C.)	(02) 21653111
Tanshui Branch	1F., No.211, Sec. 2, Zhongshan N. Rd., Tamsui Dist., New Taipei City 25152, Taiwan (R.O.C.)	(02) 26219998
Juifang Branch	No.38, Sec. 3, Mingdeng Rd., Ruifang Dist., New Taipei City 22441, Taiwan (R.O.C.)	(02) 24972860
Sanchungpu Branch	No.89, Sec. 1, Chongxin Rd., Sanchong Dist., New Taipei City 24148, Taiwan (R.O.C.)	(02) 29733450
Pei-Sanchungpu Branch	1F., No.68, Zhengyi N. Rd., Sanchong Dist., New Taipei City 24147, Taiwan (R.O.C.)	(02) 29823111
Tung-Sanchung Branch	No.303, Zhengyi N. Rd., Sanchong Dist., New Taipei City 24146, Taiwan (R.O.C.)	(02) 29821100
Hsi-Sanchung Branch	No.22, Sec. 2, Chongyang Rd., Sanchong Dist., New Taipei City 24161, Taiwan (R.O.C.)	(02) 29820221
Nan-Sanchung Branch	No.82, Zhongzheng S. Rd., Sanchong Dist., New Taipei City 24143, Taiwan (R.O.C.)	(02) 29771234
San Ho Rd. Branch	No.368, Sec. 4, Sanhe Rd., Sanchong Dist., New Taipei City 24154, Taiwan (R.O.C.)	(02) 22871441
Luchou Branch	1F., No.86, Sanmin Rd., Luzhou Dist., New Taipei City 24760, Taiwan (R.O.C.)	(02) 22851000
Hsintien Branch	No.135, Sec. 1, Beixin Rd., Xindian Dist., New Taipei City 23147, Taiwan (R.O.C.)	(02) 29141650
Pei Hsin Branch	1F., No.11, Baoqiang Rd., Xindian Dist., New Taipei City 23144, Taiwan (R.O.C.)	(02) 29131071
Chicheng Branch	No.98, Minquan Rd., Xindian Dist., New Taipei City 23141, Taiwan (R.O.C.)	(02) 22189001
Yungho Branch	1F., No.69, Sec. 2, Yonghe Rd., Yonghe Dist., New Taipei City 23444, Taiwan (R.O.C.)	(02) 29243334
Fuho Branch	No.139, Fuhe Rd., Yonghe Dist., New Taipei City 23449, Taiwan (R.O.C.)	(02) 29221171
Chungho Branch	1F., No.182, Zhonghe Rd., Zhonghe Dist., New Taipei City 23575, Taiwan (R.O.C.)	(02) 22492711
Shuangho Branch	No.801, Zhongzheng Rd., Zhonghe Dist., New Taipei City 23552, Taiwan (R.O.C.)	(02) 22259988

DOMESTIC OFFICES	ADDRESS	TEL
Lide Branch	1F., No.142, Lide St., Zhonghe Dist., New Taipei City 23512, Taiwan (R.O.C.)	(02) 22239888
Hsinchuang Branch	No.119, Xintai Rd., Xinzhuang Dist., New Taipei City 24242, Taiwan (R.O.C.)	(02) 29937101
Wugu Industrial Park Branch	No.3-1, Wugong 5 th Rd., Xinzhuang Dist., New Taipei City 24890, Taiwan (R.O.C.)	(02) 22993311
Nan-Hsinchuang Branch	No.657-1, Zhongzheng Rd., Xinzhuang Dist., New Taipei City 24257, Taiwan (R.O.C.)	(02) 29066599
Sy Yuan Branch	No.228, Siyuan Rd., Xinzhuang Dist., New Taipei City 24250, Taiwan (R.O.C.)	(02) 29967137
Sinshu Branch	1F., No.266-1, Xinshu Rd., Xinzhuang Dist., New Taipei City 24262, Taiwan (R.O.C.)	(02) 22086767
Taishan Branch	1F., No.111, Quanxing Rd., Taishan Dist., New Taipei City 24341, Taiwan (R.O.C.)	(02) 22970809
Linkou Branch	1F., No.46, Linkou Rd., Linkou Dist., New Taipei City 24444, Taiwan (R.O.C.)	(02) 26010711
New Linkou Branch	1F., No.399, Sec. 1, Wenhua 3 rd Rd., Linkou Dist., New Taipei City 24448, Taiwan (R.O.C.)	(02) 26085185
Shulin Branch	No.135, Sec. 1, Zhongshan Rd., Shulin Dist., New Taipei City 23844, Taiwan (R.O.C.)	(02) 26813621
Panchiao Branch	No.22, Sec. 1, Zhongshan Rd., Banqiao Dist., New Taipei City 22063, Taiwan (R.O.C.)	(02) 29628161
Kuang-Fu Branch	No.62, Sec. 2, Zhongshan Rd., Banqiao Dist., New Taipei City 22067, Taiwan (R.O.C.)	(02) 29619181
Chiang Tsui Branch	No.9, Sec. 2, Wenhua Rd., Banqiao Dist., New Taipei City 22047, Taiwan (R.O.C.)	(02) 22591001
Tucheng Branch	No.45, Sec. 3, Zhongyang Rd., Tucheng Dist., New Taipei City 23671, Taiwan (R.O.C.)	(02) 22691155
Sanhsia Branch	No.89, Wenhua Rd., Sanxia Dist., New Taipei City 23741, Taiwan (R.O.C.)	(02) 26711261
Taoyuan Branch	No.73, Zhongzheng Rd., Taoyuan Dist., Taoyuan City 33041, Taiwan (R.O.C.)	(03) 3346130
Ba De Branch	No.135, Sec. 2, Jieshou Rd., Bade Dist., Taoyuan City 33445, Taiwan (R.O.C.)	(03) 3711222
Pei-Taoyuan Branch	No.189, Yong' an Rd., Taoyuan Dist., Taoyuan City 33054, Taiwan (R.O.C.)	(03) 3320743
Nankan Branch	No.7, Sec. 2, Nankan Rd., Luzhu Dist., Taoyuan City 33855, Taiwan (R.O.C.)	(03) 3213666
Tung-Linkou Branch	No.235, Fuxing 1 st Rd., Guishan Dist., Taoyuan City 33375, Taiwan (R.O.C.)	(03) 3975555
Chungli Branch	1F., No.95, Zhongzheng Rd., Zhongli Dist., Taoyuan City 32041, Taiwan (R.O.C.)	(03) 4252101
Pei-Chungli Branch	No.155, Zhongxiao Rd., Zhongli Dist., Taoyuan City 32065, Taiwan (R.O.C.)	(03) 4636688
Hsin-Ming Branch	No.2, Zhongxiao Rd., Pingzhen Dist., Taoyuan City 32447, Taiwan (R.O.C.)	(03) 4941571
Longtan Branch	1F., No.240-3, Zhongzheng Rd., Longtan Dist., Taoyuan City 32552, Taiwan (R.O.C.)	(03) 4891238
Yangmei Branch	No.158, Dacheng Rd., Yangmei Dist., Taoyuan City 32643, Taiwan (R.O.C.)	(03) 4783391
Puhsin Branch	No.82, Zhongxing Rd., Yangmei Dist., Taoyuan City 32654, Taiwan (R.O.C.)	(03) 4824935
Hsinchu Branch	No.63, Zhongzheng Rd., East Dist., Hsinchu City 30051, Taiwan (R.O.C.)	(03) 5253151
Pei-Hsinchu Branch	No.110, Sec. 2, Dongda Rd., North Dist., Hsinchu City 30054, Taiwan (R.O.C.)	(03) 5339651
Hsinchu Science-based Industrial Park Branch	2F., No.5, Gongye E. 6 th Rd., Science-based Industrial Park, East Dist., Hsinchu City 30077, Taiwan (R.O.C.)	(03) 5770780
Jhubei Branch	1F., No.26-3, Taiyuan St., Zhubei City, Hsinchu County 30288, Taiwan (R.O.C.)	(03) 5526898
Chutung Branch	No.43, Sec. 2, Changchun Rd., Zhudong Township, Hsinchu County 31047, Taiwan (R.O.C.)	(03) 5962280
Miaoli Branch	No.636, Zhongzheng Rd., Miaoli City, Miaoli County 36049, Taiwan (R.O.C.)	(037) 326455
Yuanli Branch	No.35, Weigong Rd., Yuanli Township, Miaoli County 35843, Taiwan (R.O.C.)	(037) 861501
Zhunan Branch	1F., No.110, Sec. 2, Huanshi Rd., Zhunan Township, Miaoli County 35047, Taiwan (R.O.C.)	(037) 551751
Tachia Branch	No.405, Shuntian Rd., Dajia Dist., Taichung City 43741, Taiwan (R.O.C.)	(04) 26878711
Chingshui Branch	1F., No.196, Zhongshan Rd., Qingshui Dist., Taichung City 43654, Taiwan (R.O.C.)	(04) 26225151
Shalu Branch	No.52, Shatian Rd., Shalu Dist., Taichung City 43353, Taiwan (R.O.C.)	(04) 26358599
Tatu Branch	1F., No.780, Sec. 2, Shatian Rd., Dadu Dist., Taichung City 43242, Taiwan (R.O.C.)	(04) 26983711
Fengyuan Branch	1F., No.220, Zhongzheng Rd., Fengyuan Dist., Taichung City 42056, Taiwan (R.O.C.)	(04) 25269191
Daya Branch	1F., No.1090, Sec. 3, Zhongqing Rd., Daya Dist., Taichung City 42878, Taiwan (R.O.C.)	(04) 25665500
Tantzu Branch	No.199, Sec. 2, Zhongshan Rd., Tanzi Dist., Taichung City 42755, Taiwan (R.O.C.)	(04) 25322234
Tungshih Branch	No.456, Fengshi Rd., Dongshi Dist., Taichung City 42343, Taiwan (R.O.C.)	(04) 25877160
Wufeng Branch	No.900, Zhongzheng Rd., Wufeng Dist., Taichung City 41341, Taiwan (R.O.C.)	(04) 23393567
Taipin Branch	No.89, Yongfeng Rd., Taiping Dist., Taichung City 41143, Taiwan (R.O.C.)	(04) 22736789
Tsaotun Branch	No.23, Heping St., Caotun Township, Nantou County 54242, Taiwan (R.O.C.)	(049) 2338101
Nantou Branch	No.72, Sec. 2, Zhangnan Rd., Nantou City, Nantou County 54063, Taiwan (R.O.C.)	(049) 2226171

DOMESTIC OFFICES	ADDRESS	TEL
Puli Branch	No.73, Xikang Rd., Puli Township, Nantou County 54555, Taiwan (R.O.C.)	(049) 2983983
Shuilikeng Branch	No.226, Minquan Rd., Shuili Township, Nantou County 55343, Taiwan (R.O.C.)	(049) 2772121
Changhwa Branch	1F., No.57, Heping Rd., Changhua City, Changhua County 50046, Taiwan (R.O.C.)	(04) 7242101
Dali Branch	1F., No.20, Sec. 2, Defang Rd., Dali Dist., Taichung City 41262, Taiwan (R.O.C.)	(04) 24181558
Lukang Branch	No.137, Zhongshan Rd., Lukang Township, Changhua County 50570, Taiwan (R.O.C.)	(04) 7773311
Hemei Branch	1F., No.428, Daozhou Rd., Hemei Township, Changhua County 50845, Taiwan (R.O.C.)	(04) 7579696
Yuanlin Branch	No.495, Zhongzheng Rd., Yuanlin Township, Changhua County 51041, Taiwan (R.O.C.)	(04) 8322101
Hsihu Branch	No.158, Sec. 3, Zhangshui Rd., Xihu Township, Changhua County 51441, Taiwan (R.O.C.)	(04) 8853471
Peitou Branch	No.172, Sec. 1, Douyuan Rd., Beidou Township, Changhua County 52146, Taiwan (R.O.C.)	(04) 8882811
Erlin Branch	1F., No.67, Sec. 5, Douyuan Rd., Erlin Township, Changhua County 52641, Taiwan (R.O.C.)	(04) 8950011
Hsiluo Branch	1F., No.225, Zhongshan Rd., Xiluo Township, Yunlin County 64848, Taiwan (R.O.C.)	(05) 5863611
Touliu Branch	No.70, Zhongshan Rd., Douliu City, Yunlin County 64051, Taiwan (R.O.C.)	(05) 5324116
Tounan Branch	No.100, Zhongshan Rd., Dounan Township, Yunlin County 63042, Taiwan (R.O.C.)	(05) 5974191
Huwei Branch	No.35, Zhongzheng Rd., Huwei Township, Yunlin County 63242, Taiwan (R.O.C.)	(05) 6322561
Tukoo Branch	1F., No.308, Guangming Rd., Tuku Township, Yunlin County 63346, Taiwan (R.O.C.)	(05) 6621116
Peikang Branch	No.51, Wenhua Rd., Beigang Township, Yunlin County 65142, Taiwan (R.O.C.)	(05) 7836121
Talin Branch	No.246, Xianghe Rd., Dalin Township, Chiayi County 62241, Taiwan (R.O.C.)	(05) 2653221
Chiayi Branch	1F., No.386, Zhongshan Rd., West Dist., Chiayi City 60041, Taiwan (R.O.C.)	(05) 2278141
Tung-Chiayi Branch	1F., No.832, Xincheng Rd., East Dist., Chiayi City 60074, Taiwan (R.O.C.)	(05) 2712811
Pei-Chiayi Branch	No.290, You' ai Rd., West Dist., Chiayi City 60088, Taiwan (R.O.C.)	(05) 2342166
Hsinying Branch	1F., No.150, Fuxing Rd., Xinying Dist., Tainan City 73043, Taiwan (R.O.C.)	(06) 6323871
Yungkang Branch	No.839, Zhongzheng S. Rd., Yongkang Dist., Tainan City 71045, Taiwan (R.O.C.)	(06) 2545386
Chung-Hua Road Branch	No.473-3, Xiaodong Rd., Yongkang Dist., Tainan City 71069, Taiwan (R.O.C.)	(06) 3125318
Guiren Branch	No.218, Sec. 2, Zhongshan Rd., Guiren Dist., Tainan City 71146, Taiwan (R.O.C.)	(06) 2391711
Tainan Branch	1F., No.88, Zhongzheng Rd., West Central Dist., Tainan City 70048, Taiwan (R.O.C.)	(06) 2221281
Yenping Branch	No.151, Sec. 2, Minquan Rd., West Central Dist., Tainan City 70042, Taiwan (R.O.C.)	(06) 2254161
Hsi-Tainan Branch	No.94, Sec. 3, Minzu Rd., West Central Dist., Tainan City 70053, Taiwan (R.O.C.)	(06) 2235141
Tung-Tainan Branch	No.95-1, Sec. 1, Beimen Rd., West Central Dist., Tainan City 70044, Taiwan (R.O.C.)	(06) 2267141
Nan-Tainan Branch	1F., No.655, Sec. 1, Ximen Rd., South Dist., Tainan City 70245, Taiwan (R.O.C.)	(06) 2263181
Pei-Tainan Branch	No.367, Sec. 4, Ximen Rd., North Dist., Tainan City 70465, Taiwan (R.O.C.)	(06) 2523450
An-Nan Branch	1F., No.330, Sec. 4, Anhe Rd., Annan Dist., Tainan City 70969, Taiwan (R.O.C.)	(06) 3556111
Chishan Branch	1F., No.102, Zhongshan Rd., Qishan Dist., Kaohsiung City 84257, Taiwan (R.O.C.)	(07) 6615481
Kangshan Branch	No.293, Gangshan Rd., Gangshan Dist., Kaohsiung City 82041, Taiwan (R.O.C.)	(07) 6216111
Fengshan Branch	No.264, Sanmin Rd., Fengshan Dist., Kaohsiung City 83058, Taiwan (R.O.C.)	(07) 7470101
Luchu Branch	No.835, Zhongshan Rd., Luzhu Dist., Kaohsiung City 82152, Taiwan (R.O.C.)	(07) 6972151
Ta-Fa Branch	No.539, Fenglin 3 rd Rd., Daliao Dist., Kaohsiung City 83152, Taiwan (R.O.C.)	(07) 7824356
Kaohsiung Branch	No.59, Minquan 1 st Rd., Lingya Dist., Kaohsiung City 80251, Taiwan (R.O.C.)	(07) 3361620
Chi-Hsien Branch	1F., No.456, Zhongxiao 1 st Rd., Xinxing Dist., Kaohsiung City 80055, Taiwan (R.O.C.)	(07) 2361191
Yencheng Branch	1F., No.85, Dayong Rd., Yancheng Dist., Kaohsiung City 80343, Taiwan (R.O.C.)	(07) 5313181
Tung-Kaohsiung Branch	1F., No.109, Zhongzheng 4 th Rd., Qianjin Dist., Kaohsiung City 80147, Taiwan (R.O.C.)	(07) 2217741
Nan-Kaohsiung Branch	No.13, Yongfeng Rd., Qianzhen Dist., Kaohsiung City 80643, Taiwan (R.O.C.)	(07) 7158000
Pei-Kaohsiung Branch	No.720, Houchang Rd., Nanzi Dist., Kaohsiung City 81142, Taiwan (R.O.C.)	(07) 3662566
Zuoying Branch	1F., No.280, Bo' ai 4 th Rd., Zuoying Dist., Kaohsiung City 81369, Taiwan (R.O.C.)	(07) 3436269
Sanmin Branch	No.157, Hebei 2 nd Rd., Sanmin Dist., Kaohsiung City 80749, Taiwan (R.O.C.)	(07) 2918131
Hsinhsing Branch	No.139, Zhongzheng 2 nd Rd., Lingya Dist., Kaohsiung City 80274, Taiwan (R.O.C.)	(07) 2222200
Chan Chen Branch	No.155, Sanduo 3 rd Rd., Qianzhen Dist., Kaohsiung City 80655, Taiwan (R.O.C.)	(07) 3344121
Chiu-Ju Lu Branch	No.7, Jiuru 2 nd Rd., Sanmin Dist., Kaohsiung City 80759, Taiwan (R.O.C.)	(07) 3123101
Chienhsing Branch	1F., No.1, Yihua Rd., Sanmin Dist., Kaohsiung City 80770, Taiwan (R.O.C.)	(07) 3896789

DOMESTIC OFFICES	ADDRESS	TEL
Po-Ai Branch	No.517, Bo' ai 1 st Rd., Gushan Dist., Kaohsiung City 80466, Taiwan (R.O.C.)	(07) 5545151
Lingya Branch	No.2, Siwei 4 th Rd., Lingya Dist., Kaohsiung City 80247, Taiwan (R.O.C.)	(07) 3353171
Ta-Shun Branch	No.109, Jianguo 1 st Rd., Lingya Dist., Kaohsiung City 80284, Taiwan (R.O.C.)	(07) 7715101
Pingtung Branch	1F., No.117-2, Zhongzheng Rd., Pingtung City, Pingtung County 90074, Taiwan (R.O.C.)	(08) 7342705
Chaozhou Branch	No.38, Zhongzheng Rd., Chaozhou Township, Pingtung County 92052, Taiwan (R.O.C.)	(08) 7883911
Tungkang Branch	No.74, Zhongzheng Rd., Donggang Township, Pingtung County 92849, Taiwan (R.O.C.)	(08) 8351521
Hengchun Branch	No.22, Hengnan Rd., Hengchun Township, Pingtung County 94641, Taiwan (R.O.C.)	(08) 8899665
Hualien Branch	No.191, Zhongshan Rd., Hualien City, Hualien County 97047, Taiwan (R.O.C.)	(03) 8323961
Taitung Branch	1F., No.226, Zhengqi Rd., Taitung City, Taitung County 95044, Taiwan (R.O.C.)	(089) 324311
Commercial Regional Center One	2F., No.47, Sec. 1, Jinshan S. Rd., Zhongzheng Dist., Taipei City 10056, Taiwan (R.O.C.)	(02) 23973801
Commercial Regional Center Two	2F., No.123, Nanjing W. Rd., Datong Dist., Taipei City 10355, Taiwan (R.O.C.)	(02) 25521010
Commercial Regional Center Three	3F., No.182, Zhonghe Rd., Zhonghe Dist., New Taipei City 23575, Taiwan (R.O.C.)	(02) 22401223
Commercial Regional Center Four	12F., No.78, Sec. 2, Fuxing Rd., South Dist., Taichung City 40245, Taiwan (R.O.C.)	(04) 22601588
Commercial Regional Center Five	5F., No.655, Sec. 1, Ximen Rd., South Dist., Tainan City 70245, Taiwan (R.O.C.)	(06) 2218666
Commercial Regional Center Six	4F., No.85, Dayong Rd., Yancheng Dist., Kaohsiung City 80343, Taiwan (R.O.C.)	(07) 5219123
Taipei Securities Broker	3F., No.68, Hengyang Rd., Zhongzheng Dist., Taipei City 10045, Taiwan (R.O.C.)	(02) 23619654
Taichung Securities Broker	3F., No.78, Sec. 2, Fuxing Rd., South Dist., Taichung City 40245, Taiwan (R.O.C.)	(04) 22660011
Chi-Hsien Securities Broker	3F., No.456, Zhongxiao 1 st Rd., Xinxing Dist., Kaohsiung City 80055, Taiwan (R.O.C.)	(07) 2355658

OVERSEAS UNITS	ADDRESS/E-MAIL	TEL
NEW YORK BRANCH	685 Third Avenue, 29 th Floor, New York, N.Y. 10017, U. S. A.	1-212-6519770
LOS ANGELES BRANCH	333 South Grand Avenue, Suite 2250, Los Angeles, CA 90071, U. S. A.	1-213-6207200
TOKYO BRANCH	Marunouchi Trust Tower Main 7 th Floor, 1-8-3 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan	81-3-32128888
LONDON BRANCH	4 th Floor, 6-8 Tokenhouse Yard, London EC2R 7AS United Kingdom	44-20-76006600
HONG KONG BRANCH	1401, Tower II, The Gateway, 25 Canton Rd., Tsimshatsui, Kowloon, Hong Kong	852-29561212
SINGAPORE BRANCH	1 Finlayson Green #08-00 Singapore 049246	65-65320820
KUNSHAN BRANCH	1F & 2F, Tower A, 88 Hei Long Jiang North Rd., Kunshan City, Jiangsu Province, P.R.C.	86-512-57367576
KUNSHAN HUAQIAO SUB-BRANCH	NO.538, Shangyin Rd., Huaqiao Town Kunshan City, Jiangsu Province, P.R.C.	86-512-36690188
DONGGUAN BRANCH	Room 801, TBA Tower1, No.11, Dongguan Boulevard, Dong Cheng District, Dongguan City, Guangdong Province, P.R.C.	86-769-23660101
FUZHOU BRANCH	No.4,5 14F, 128-1, Wusi Road, Fuzhou, Fujian Province, P.R.C.	86-591-86211320
YANGON REPRESENTATIVE OFFICE	422/426 Corner of Strand Road and Botahtaung Pagoda Road, #10-02, Botahtaung Township, Yangon, Republic of the Union of Myanmar	95-1-202095

Chang Hwa Commercial Bank, Ltd.

Chairman *Ming Hwa Chang*