

2015

ANNUAL REPORT



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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.

Spokesman

Name : Horng-Yao Tu
Title : Executive Vice President
Tel : (886-2) 2536-2951
E-mail : customer@chb.com.tw

Acting Spokesman

Name : Chin-Ying (Anita) Chen
Title : Executive Vice President
Tel : (886-2) 2536-2951
E-mail : customer@chb.com.tw

Addresses of Chang Hwa Bank Head Office

- Taichung : No.38, Sec. 2, Ziyou Rd., Central Dist., Taichung City 40045, Taiwan (R.O.C.)
Tel : (886-4) 2222-2001
- Taipei : No.57, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10412, Taiwan (R.O.C.)
Tel : (886-2) 2536-2951

Securities Agent

- Name : Yuanta Securities Co., Ltd.
Address : B1F., No.210, Sec. 3, Chengde Rd., Datong Dist., Taipei City 10366, Taiwan (R.O.C.)
Tel : (886-2) 2586-5859
Website : <http://www.yuanta.com.tw>

Credit Rating Agency

- Taiwan Ratings Corporation
Address : 49F, No.7, Sec. 5, Xinyi Rd., Xinyi Dist., Taipei City 11049, Taiwan (R.O.C.)
Tel : (886-2) 8722-5800
- Standard & Poor's Hong Kong Limited
Address : Unit 1, Level 69, International Commerce Centre, 1 Austin Road West, Kowloon, HK
Tel : +852-2533-3500
- Moody's Investors Service Hong Kong Limited
Address : 24F, One Pacific Place, 88 Queensway, Admiralty, HK
Tel : +852-3758-1300

CPA-Auditor of the Financial Report

CPA Name : Jerry Gung, Walter Liu
Company : Deloitte & Touche
Address : 12F, Hung Tai Financial Plaza 156 Sec. 3, Min Sheng E. Rd., Zhongshan Dist., Taipei City 10596, Taiwan (R.O.C.)
Tel : (886-2) 2545-9988
Website : <http://www.deloitte.com.tw>

Names of Exchanges Where Overseas Securities Are Listed and Methods of Inquiry :

None.

Website : <https://www.chb.com.tw>

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I | Letter to Shareholders



In the world economic outlook published by the International Monetary Fund (IMF) in January 2016, global economic growth for the year of 2015 was revised to 3.1%. In the United States, a strong dollar coupled with low oil prices suppressed export growth and investments in the energy business; however, favorable statistics from the labor market put the US in a state of mild recovery, and it was expected to achieve a full year economic growth of 2.5%. Meanwhile, business and consumer confidence in the Eurozone was boosted by the loose monetary supply and weakened Euro, which stimulated both domestic and foreign demand, helping the economy recover at 1.5% for the year. China, on the other hand, was impacted by capacity adjustments within its industries and cooling of the real estate market, which forced the government to reduce deposit reserve ratios and prime deposit/lending rates since November 2014 in an attempt to stimulate export performance and stable economic growth. However, investment, consumption and trade statistics remained weak despite all efforts, and economic growth is estimated at 6.9% for the year with a pessimistic outlook. In Japan, the negative impacts of the consumption tax had lessened, allowing a weakened yen to drive exports, production, salary, and domestic demand; growth for the year was estimated at 0.6%.

With regards to the domestic economy, the Directorate-General of Budget, Accounting, and Statistics (Executive Yuan) published its report on January 29, 2016, which revised economic growth down to 0.85% for the year of 2015. The report showed: lower consumer confidence in light of instabilities in the global economy; a 2.33% growth in private spending driven by international low commodity prices and the government's short-term consumption incentives; 1.01% growth in private investments due to reduced capital expenditure from semiconductor manufacturers in light of concerns toward the global economy, and from construction companies due to the cooling real estate

market; a -0.3% contraction in export volume due to the slow recovery of the global economy, falling prices (agricultural, industrial, and commodity), leveled growth in consumer electronics demand, and localization of Chinese supply chains that posed significant competition to local exporters; a marginal 0.53% increase in imports due to reductions in the price of imported goods, and lesser demand for imported equipment given the lack of confidence; and a -0.31% contraction in CPI due to underwhelming recovery of the economy, and low prices of oil and commodities that contributed little to the price of goods. After 16 consecutive quarters of no changes, the Central Bank made its first interest rate adjustment in September 2015 followed by another one in December, reducing the rediscount rate, the rate on accommodations with collateral, and the rate on accommodations without collateral from 1.875%, 2.25%, and 4.125% to 1.625%, 2%, and 3.875%, respectively, in response to downside risks in the global economy that may impact the nation's export performance, investments, and consumer confidence. This signifies the government's intent to use interest rate policies to induce a weakened currency that would stimulate Taiwan's economic performance. In terms of exchange rate movements, the TWD had strengthened against the USD to as high as 30.541 sometime in the first half of 2015 despite all signs of a slow economy such as export contraction, low private investment, and a "blue" indicator that signified stagnant growth. This rise of the exchange rate was attributable to an inflow of foreign capital after ECB and BOJ both decided to escalate their expansionary monetary policies. In the second half of 2015, the TWD started to weaken against the USD after prolonged lack of improvement in economic performance, particularly when the FED's intent to raise interest rates was made clear after October 2015.

Overall, the global economy had performed below expectations in 2015, with growth estimates revised downward across all international institutions. The IMF also described 2015 as the year with the weakest economic performance since the financial crisis in 2009. Despite the challenges presented to us, the Bank was still able to deliver exceptional results in 2015 thanks to the efforts of all our employees, with cumulative pre-tax earnings reaching TWD13.746 billion, making 2015 the 6th consecutive year in which the Bank has earned more than TWD10 billions in earnings. Improvements were also seen in terms of asset quality, as the overdue loan ratio was reduced to 0.21%, and the coverage ratio increased to 567.63%. Furthermore, the credit rating report published by Moody's on June 19, 2015, raised the Bank's international long-term rating from A3 to A2 and international short-term rating from P-2 to P-1, which was a favorable acknowledgment towards the Bank's business focus on stability. We thank all our shareholders for the long-term support and encouragement they have given to us, and the Bank will continue to strive for excellence in the future. The impacts of our operating performance in 2015, highlights of business operation plans for 2016, development strategy, external competitive environment, regulatory environment, macroeconomic environment, and the latest credit ratings are illustrated as follows:

A. Operating Performance in 2015

a. Changes to the organization

The Bank has complied with Paragraph 1, Article 32 of the amended Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries (by Financial Supervisory Commission; FSC), and established a Legal Affairs Section that specializes in legal matters and a Compliance Section that specializes in compliance matters directly under the President on February 1, 2015. Meanwhile, a Vice President-equivalent Chief

Compliance Officer was appointed to oversee legal affairs and compliance matters.

b. Implementation Results of Business Plans and Strategies

1. Corporate banking:

Corporate lending services including SME Credit Guarantee Batch Applications, Sustainability Loans, and non-SME Stimulation Loans were introduced in 2015.

2. Consumer banking:

Launched personal loan products such as “Salary-backed Loans” and “Employment-backed Loans”

3. Syndicated loans:

In 2015, the Bank lead-arranged and co-arranged a total of 58 syndicated loans, and participated in the lending of 114 syndicated loans. The syndicated loan business (including arranging and participating roles) averaged a balance of NT\$128.9 billion and generated net interest income (NII) totaling NT\$1.414 billion. Fee income amounted to NT\$228 million, representing a 46% growth compared to 2014.

4. Credit card business:

Launched MasterCard Titanium/Platinum, smartphone credit cards, and Unionpay acquiring services. Launched marketing campaigns including 1.1% cashback for new cardholders, spring shopping incentives (with minimum spending), summer break concessions (with minimum spending), buy-one-get-one-free movie tickets, 2% cashback on JCB card spending in Japan, Taiwan High Speed Rail business class upgrades and standard class discounts, “Food Fashion” privileges, and installment purchases for online shopping.

5. Foreign currencies:

(1) All branches of the Bank have become full-fledged foreign currency units, while 69 of them are full-service foreign currency units and 117 of them are foreign exchange units.

(2) Joined Ess-Databridge, which enables importers to view import documents and endorse/transfer bills of lading online.

(3) Launched the “RMB Time Deposit and Trade Financing” campaign.

6. Trust / Wealth management:

(1) In 2015, the Bank added 118 new domestic funds, 142 new offshore funds and 17 foreign bonds to the product portfolio. As at the end of 2015, the Bank had a total of 655 domestic funds, 1,113 offshore funds and 17 foreign bonds distributed to the market, giving investors a broad range of selections to choose from.

(2) In addition, the Bank held custody of 4 new domestic funds offered during the year. In terms of assets under custody, the Bank ranked 6th among local peers.

(3) Organized 12 financial seminars to a total audience of approximately 800 in 2015.

7. E-banking:

(1) Introduced the mobile ATM card, giving customers the convenience of making payments and managing accounts with their smartphones.



President

James Shih

- (2) Optimized collection services to allow the collection of tuition fees from Mainland students, and batch receipts/payments for trading of merchandise between large trading firms.
 - (3) Activated functions such as documentary bills, acceptance, repayment, and credit reform in the local electronic LC system, thereby enhancing the quality of the Bank's digital services.
8. Information Technology services:
- (1) The Bank's information system had passed the ISO 27001: 2013 new version certification.
 - (2) Continued efforts in implementing various information systems, while developing new systems to support new services.
 - (3) The implementation of the overseas branches banking system raised overall system efficiency.
9. Risk Management:
- (1) Implemented Chang Hwa Bank Guidelines on Non-credit Transactions with Stakeholders, and enhanced the Bank's internal control for the purpose of preventing conflicts of interest and non-arms length transactions.
 - (2) Implemented the Bank's 2015 risk appetite statement so that every business and management activity was properly aligned with the target risk appetite, therefore ensuring compliance with financial supervisory regulations and best corporate governance practices.
 - (3) Tightened management over Mainland businesses. Enhanced disclosure of Mainland credit portfolios in the automated credit system, and assigned dedicated personnel to review and verify the accuracy of exposure data.
10. Non-performing loan management:
- As of the end of December 2015, overdue loans amounted to NT\$2.843 billion or 0.21%, and the coverage ratio stood at 567.63%.
11. Human resources management:
- (1) The Bank adheres to the principles of appointing the best talent for the tasks at hand and of adopting fair and reasonable performance appraisal and reward/penalty policies to enhance the effectiveness of employees and to boost their morale.
 - (2) Enhanced personnel training; strengthened the quality of core competency and human resources development to support business development.
12. New overseas branches:
- Opened the Fuzhou Branch in China, which began business operations on April 20, 2015. Established a representative office in Yangon, Myanmar, as a step towards the global market.
13. Awards received:
- (1) The Bank was given a performance rating of "A" in the FSC's 2014 (9th) SME lending review, and was given a special merit award in the FSC's e-commerce financing review.
 - (2) Received the 2014 Excellent Credit Guarantee Partner Award and Outstanding Credit Manager commendation from the Ministry of Economic Affairs.
 - (3) Received the 2015 Electronic Banking Excellence Award - Credit Card and Visa Debit from Financial Information Service Co., Ltd.
 - (4) Received the 2015 Mobile Payment and Smartphone ATM Excellence Award from Financial Information Service Co., Ltd.
 - (5) The Bank's data warehouse upgrade project received the 2015 ITeS Award from itSMF.
 - (6) Accredited as the Market Risk Technology Implementation of the Year by The Asian Banker.
 - (7) Received the Diamond Award - RMB Futures Marketmaker of the Year from Taiwan Futures Exchange.
14. Participation in public interest activities:
- (1) Organized a charity concert named "Let's Go on a Singing Trip" on Mother's Day, during which parents and children from disadvantaged families were invited to attend.
 - (2) Supported arts, culture and creativity education by sponsoring New Taipei Municipal Shenkeng Junior High School in taking a "Musical Journey" to Singapore.

- (3) Sponsored Eden Social Welfare Foundation in launching its 2015 community accessibility program for disadvantaged elders and people with impaired movement.
- (4) Made donations into the New Taipei City Social Aid Account to assist in the treatment and recovery of victims of the dust explosion incident at Formosa Fun Coast.
- (5) Sponsored Taipei Light House in organizing the Taiwan Vision Day event and celebration of its 60th anniversary.
- (6) Sponsored the efforts of Huashan Social Welfare Foundation in delivering new year meals and mobilizing volunteer services to lone elders.
- (7) Made donations to Teach For Taiwan (TFT), and helped fix the lack of teachers in remote areas.
- (8) Made donations to the "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.
- (9) Made donations to the program - "Tuition Subsidy for Financially Disadvantaged High School Students" organized by Twilight Elite Development Association.
- (10) Sponsored Global Vision Magazine in organizing its 2015 Financial Summit Forum, which helped the public gain knowledge and information regarding the financial market.
- (11) Sponsored the Taiwanese Economic Association in organizing its 2015 annual event, and contributed to the study of theoretical and practical economics, as well as the development of social sciences.
- (12) Co-organized the 2015 Financial Service Care Society Party (Nantou and Taitung sessions) and gave the public an understanding of how the banking industry has contributed to financial education and charity work.
- (13) Purchased 4,000 copies of "Turn Life Around" (stories of 12 suburban children) and donated them to Yunlin County students in an attempt to provide inspiration and positive influences.

15. Corporate social responsibility:

- (1) Published the Bank's first corporate social responsibility report and obtained the certification of British Standards Institute (BSI).
- (2) The Bank's environmental management system was certified by BSI for ISO 14001: 2015.

c. Budget Execution

1. The total deposit volume (excluding the deposit transferred from postal savings) reached NT\$1,483,417,665 thousand or 100.36% of the original budget target.
2. The total loans volume was NT\$1,302,695,772 thousand or 102.32% of the original budget target.
3. The total investment business(securities) volume was NT\$298,574,125 thousand or 102.09% of the original budget target.
4. The foreign exchange transactions totaled US\$131,259,206 thousand amounting to 89.59% of the original budget target.
5. The securities brokering transactions totaled NT\$71,209,969 thousand or 82.55% of the original budget target.
6. The wealth management business volume was NT\$75,897,290 thousand or 65.73% of the original budget target.
7. The trust business volume (custodian service) was NT\$145,790,775 thousand or 109.12% of the original budget target.
8. The total card transaction volume (retail spend) reached NT\$15,048,489 thousand representing 104.44% of the original target.

d. Revenues, Expenses, and Profitability Analysis(Including Subsidiaries)

1. Net interest revenue: NT\$20,915,929 thousand
2. Net non-interest revenue: NT\$8,753,930 thousand
3. Net revenue: NT\$29,669,859 thousand
4. Bad loan reversal: NT\$329,372 thousand
5. Operating expenses: NT\$15,594,286 thousand
6. Earning Before Tax: NT\$13,746,201 thousand

7. Tax expenses: NT\$2,102,864 thousand
 8. Net income: NT\$11,643,337 thousand
 9. Other comprehensive income: NT\$171,329 thousand
 10. Total comprehensive income – current: NT\$11,814,666 thousand
 11. After tax EPS: NT\$1.37
 12. Net income was equivalent to 0.63% (ROA) of the averaged total asset value.
 13. Net income was equivalent to 9.36% (ROE) of the averaged equity.
- e. Research and Development Status

1. Economic and industry analysis:

The world's financial market has become more unpredictable and changeable year after year. In an attempt to grasp the ongoing economic, political, and industrial developments around the world, the specific unit-in-charge of the Bank has invested extensively in researches and closely monitored ongoing industry developments. These efforts were aimed to identify turning points in the business environment, and any findings were communicated to various offices and business units on a regular basis using video conferencing.

2. Business research and development reports:

The Bank's management units had identified prevailing issues relating to business operations and the financial environment, and drawn up these issues to employees for research. A total of 27 studies were completed in 2015. The research was reserved in the Bank's library and made accessible by all employees, thereby promoting their new knowledge as well as professional skills to improve and develop the Bank's business.

B. Highlights of Business Operation Plans for 2016

a. Business Directions and Operation Policies

1. Deposits:

- (1) Continue attracting NTD and foreign currency demand deposits; increase the percentage of customers' demand deposits for lower cost of funds.
- (2) In light of deregulations on RMB currency, the Bank takes initiatives to expand its RMB deposit base and open up new possibilities for this emerging currency.

2. Credit business:

- (1) Devote greater efforts toward consumer loans, wealth management loans, SME loans, factoring, and continually expanded the OBU credit portfolio. Increase market share while at the same time reducing low-margin loans for higher spread.
- (2) Actively participate in international syndicated lending as a lead arranger and raise OBU revenues. Extend reach into overseas markets and raise the significance of loan cases independently explored by offshore units.
- (3) Explore opportunities and capture market share in cross-strait trade financing as China introduces further deregulations on cross-border RMB lending.
- (4) Restructure the credit portfolio; increased the weight of high-margin or high-revenue customers for greater interest income.

3. Foreign currencies:

- (1) Improve services to Taiwanese enterprises operating in China by utilizing new banking functions such as cross-border RMB settlement and remittance. Urge business units to take initiative in visiting premium customers for more opportunities to provide import, export, and currency exchange services.
- (2) Strengthen relationships with foreign deposit banks and correspondence banks; collaborate in expanding foreign currency-related services.
- (3) Increase borrowers' loan utilization rate; raised the Bank's market share in foreign currency lending.

4. Treasury transactions:

Adjust investment portfolio at appropriate times; offer financial products in broader varieties and increase sales by helping companies to profit from treasury transactions.

5.Trust / Wealth management:

- (1) Select top-performing funds and market them by offering professional investment consultancy services. Introduce a broad variety of trust services such as real estate trust, escrow trust, and childcare trust.
- (2) Enhance services in digital channels; create new value by offering refined financial services to customers.

6.Cards:

Organize customized credit card marketing campaigns on top of the Bank's existing acquiring services. Expand card base and increase the amount spent.

7.E-commerce / Online banking:

- (1) Take advantage of e-commerce opportunities by operating a third party payment platform. The platform attracts users from both existing and new customers.
- (2) Explore digital banking services especially with regards to Bank 3.0 and O2O (Online to Offline or Offline to Online). Establish the Bank's professional reputation in digital banking by integrating virtual and physical channels.

8.Overseas businesses:

Broaden the variety of cross-strait banking services and achieve deeper penetration of featured services and products. Expand the Bank's global financial services and enhance global brand awareness.

9.Security brokerage:

Expand market share in electronic trading services by upgrading the existing internet trading and mobile trading systems (including opening an account online).

10.Operational management:

- (1) Improve international banking talents in terms of both quality and quantity. Train digital banking talents as a new competitive advantage.
- (2) Develop advanced capital planning and asset/liability management; maintain adequate capital that supports business development and covers potential risks.
- (3) Take pragmatic steps toward corporate governance and conduct various business activities under robust supervision in a purpose of securing shareholder interest.

11.Risk management operations:

- (1) Continue to improve its credit portfolio risk management and monitoring practices in a manner that conforms with its risk management policy, business characteristics, the latest Basel Capital Accord, and qualitative indicators and aims to provide the most accurate and timely information for executive risk managers.
- (2) Use risk assessment tools such as application/behavioral models to develop objective and consistent reviews on individual credit customers. Quantify risks to facilitate identification, assessment, monitoring and communication.

12.Internal Control:

- (1) Implement the three lines of defense as part of the Bank's internal control. Integrate the first (self-audit), second (regulatory compliance and risk management) and third (internal audit) lines of defense to ensure the effectiveness of the Bank's internal control policy.
- (2) Enforce the Bank's compliance policy and practices.

13.Back-end operations:

- (1) Enhance IT security control; raise efficiency of IT operations by improving existing workflow.
- (2) Increase non-operating revenues in the form of financial lease income. Reduce expenses and control procurement costs.
- (3) Aim to reduce 50,000KG of CO₂ emission each year in support of government policies.

b. Business Operation Targets

1.Deposit Volume: NT\$1,554,073,751 thousand

2.Loans Volume: NT\$1,379,954,611 thousand

3. Investment Business (Securities): NT\$304,092,961 thousand
4. Foreign Exchange Transactions: US\$138,574,404 thousand
5. Securities Brokerage Transactions: NT\$74,627,238 thousand
6. Wealth Management Transactions: NT\$84,383,000 thousand
7. Trust Business (Custodian Service): NT\$145,950,000 thousand
8. Credit Card (Transaction Amount): NT\$16,187,305 thousand

C. Development Strategy

a. Deposits

Continually expand the size of TWD and foreign currency deposits, and build up a pool of RMB capital.

b. Credit Business

1. Develop consumer loans and wealth management products for individual customers; raise product competitiveness and aim to achieve higher market share.
2. Continue enhancing the quality of the credit portfolio and perform credit assessments in a more prudent approach. Adjust the credit portfolio and place more emphasis on SME lending for higher margin. Actively utilize the SME credit guarantee fund as a means of securing the Bank's debt entitlements.

c. Overseas Business

1. Convert Mainland branches into subsidiaries plus the establishment of Nanjing Branch.
2. Apply for the establishment of a representative office in Yangon, Myanmar.
3. Establish local branches and merger local financial institutions at potential ASEAN countries. Search for suitable merger targets or investees and use them to provide quick access to the local financial market.

d. Treasury Transactions

1. Conduct rigorous studies on global political, economic and financial trends; adjust portfolio for optimized income.
2. Pay close attention to the movement of capital around the world and changes in counterparty credit ratings, while at the same time securing the Bank's funding flexibility. Exercise robust liquidity management; optimize capital allocation by striking the right balance between liquidity and funding costs.

e. Wealth Management Transactions

1. Offer suitable investment products and retirement trust solutions for affluent, middle-age/senior customers in light of the aging society.
2. Assemble a team of professional investment advisers that focus on serving high net worth and private banking customers.

f. Trust Business

1. Increase fund sales by offering customers the most finely picked range from local and abroad.
2. Publish daily financial news and weekly, monthly and quarterly investment reports to assist the Bank's financial advisors and to keep customers informed of the latest, most professional financial insights.

g. Cards

In response to the rise of new mobile and business applications, the Bank will be launching services such as mobile payment, high-level credit card, and featured co-brand cards to enrich its existing product line and use them as means of effective customer management to grow new accounts, transaction volume, and card market size.

h. E-commerce / Online Banking

1. Introduce upgrades to the personal Internet banking systems.
2. Develop an electronic payment platform that handles local and cross-border online payment/collection, and O2O services using smartphones or other portable devices.
3. Enhance IT training on customer service personnel; provide them with the skills necessary to deliver quality digital services.

- i. Operational Management
 1. Develop a versatile talent training system that conforms with the Bank's business strategies. Implement an employee transformation program that provides them with the professional capacity needed to embrace the challenges of the Bank 3.0 era.
 2. Continue raising the transparency of information disclosed to achieve sound corporate governance.
 3. Achieve full utilization of assets held on hand to derive maximal benefits. For real estate properties under management, the Bank will adopt a variety of value-adding solutions such as construction, leasing, participation in city renewals, and cooperation with professional developers to maximize gains by utilizing the Bank's real estate.
 4. Adopt a broad variety of pro-active debt collection strategies; monitor debt recovery progress on a regular basis and offer incentives to collectors for recovering bad loans; resolve overdue loans to maintain the Bank's asset quality.
- j. Risk Management Operations
 1. Continue monitoring and management of credit exposure in the Mainland.
 2. Develop credit risk management techniques and quantitative models for expected losses.
 3. Improve the completeness and effectiveness of operational risk management.
- k. Back-end Operations
 1. Direct audit focus towards credit exposure in China, real-estate loan business, and financial derivatives business. Improve the quality of internal audits so that suggestions can be fed back constantly to the management.
 2. Upgrade to the latest information technology to accommodate the changing trends. Enhance information and network security control to give customers a safe transaction environment.
 3. Adopt centralized processing for highly manual works and for services that have the potential to achieve economies of scale in purpose of lower operational risk and cost. For operations which centralized processing is unsuitable, the Bank will focus on improving system functions and simplifying procedures to cut down the amount of manual works involved.

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

- a. External Competitive Environment
 1. Following the implementation of Act Governing Electronic Payment Institutions and related regulations, there has been a gradual removal of restrictions previously placed on electronic payments, which opened ways for medium and large-size companies (such as allPay, Gamania, Pay2go, Pchome etc) to introduce electronic cash flow and mobile payment services. To maintain competitiveness while at the same time satisfy customers' needs and prevent loss of business, the Bank has also been active in the construction of its own electronic payment platform. The Bank hopes to capture a foothold in e-commerce first by offering collection, payment and account prepayment services. These services can be expanded later to provide synergy for other operations.
 2. The competent authorities are currently planning to establish a "Mega Fund Platform" that enables the sale of any local or offshore fund as soon as an agreement is signed between the fund issuer and Taiwan Depository and Clearing Corporation. In addition, online account opening gives investors the convenience to trade within relatively short time at commission rates that are more favorable as compared to conventional means. This development is expected to be realized in 2016. The Bank will continue to observe how it affects the banking business, and revise operating procedures where appropriate to improve service quality and mitigate impacts against the Bank.
- b. Regulatory Environment
 1. By incorporating new technologies such as mobile communication, social media, big data, and cloud computing, the FSC has been planning to launch its Banking 3.0 program as a solution to many challenges including data security, protection of consumer interest, and business sustainability of financial institutions. This program was launched on a nation-wide scale in 2015, during which a total of 12 services were made available online while simplified procedures were introduced for digital banking applications.

2. Amendment of the Personal Information Protection Act:

Following the President's announcement on December 30, 2015, amendment of the Personal Information Protection Act was implemented on March 15, 2016. The main focuses of this amendment were: Sensitive personal information such as medical history, genetic information, sexual orientation and criminal history can no longer be gathered, processed or made use of, except in circumstances permitted by law or for purposes such as helping government agencies or non-government institutions fulfill statutory obligations, to the extent deemed necessary. In any case, there must be proper security measures in place to safeguard the use of such data.

Personal information can only be gathered with the written consent of the information owner. However, a written consent would be considered invalid if the government agency or non-government institution had coerced the information owner into giving in the first place.

This amendment will resolve certain parts of the Personal Information Protection Act that is currently impractical to enforce, and ensure protection of human rights as well as proper use of personal information.

3. Amendment of Regulations Governing Foreign Exchange Business of Banking Enterprises by the Central Bank:

On May 22, 2015, the Central Bank made several amendments to Regulations Governing Foreign Exchange Business of Banking Enterprises to ensure alignment of existing rules, simplify application procedures, clarify foreign currency services available to banks, and to open up a broader range of foreign currency derivatives. Key focuses of these amendments are as follows:

- (1) Giving qualified banks the permission to issue foreign currency NCD.
- (2) Giving qualified banks the permission to manage capital collectively in the form of foreign currency denominated trust accounts.
- (3) Broadened the range of foreign currency derivatives available to banks.
- (4) Simplified application procedures.

4. Establishment of Regulations Governing Internal Operating Systems and Procedures for Banks Conducting Financial Derivatives Business by the FSC:

On June 2, 2015, the FSC implemented Regulations Governing Internal Operating Systems and Procedures for Banks Conducting Financial Derivatives Business (hereinafter referred to as the Regulation) as a means to enhance risk management and protect customers' interests with regards to the sale of derivatives. The Regulation clearly outlines the scope of derivative services offered by banks, as well as rules on personnel management, customers' interests and risk management.

Given the high risks associated with derivatives, these products should only be introduced by personnel who have adequate professional capacity over the market and the products. As a result, the Regulation has outlined the criteria, the number of training hours each year, and the registration process that sales personnel and financial advisers must complete before conducting service. Meanwhile, the Regulation also requires banks to develop suitable performance appraisal systems for the management of their employees.

For the protection of customers' interests, the Regulation requires banks to classify their customers and manage them separately. Different procedures should be implemented for non-professional investors and general customers in order to minimize disputes and ensure a healthy market.

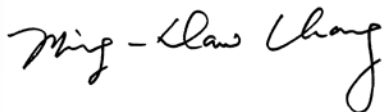
c. Macroeconomic Environment

There are many variables that will affect how the global economy may progress in 2016. Slowdown of the Chinese economy coupled with increased volatility in emerging markets still present significant downside risks to this year's global economic outlook. This will undoubtedly be a year full of drastic changes. In future, the Bank will stay committed to its moderate philosophy and grow both local and overseas markets for higher profitability. We shall develop our global competitive advantage and enhance risk management by strengthening our working capital and offering financial services with greater innovation and diversity. It is our aim to become Taiwan's top bank and deliver the best interest for customers, shareholders and employees.

E. Latest Credit Ratings

Rating Agency	Release Date	Global Rating		National Rating		Outlook
		Long-term	Short-term	Long-term	Short-term	
Moody's	2016/1	A2	P-1	-	-	Stable
Taiwan Ratings	2015/11	-	-	twAA	twA-1+	Stable
S&P	2015/11	BBB+	A-2	-	-	Stable

Chairman



President





II

Bank Overview

- 16 ● A. Re-registered Date
- 16 ● B. The Bank's Development History

II | Bank Overview

A. Re-registered Date

Re-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.

In June 1949, the Taiwan provincial government replaced the Taiwanese yuan with the New Taiwan dollar. 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.

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 2015, the Bank's authorized capital stood at NT\$90,000,000,000, and the Bank's registered capital stood at NT\$84,573,231,980. The Bank is one of the leading banks in Taiwan in terms of paid-in capital and sound financial structure.

III

Corporate Governance Report

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III | Corporate Governance Report

A. Organization

a. Organization Chart



* Quorum will be decided by the Board of Directors depends on business necessity.

Management Team of CHB



A.Chairman | Ming-Daw Chang B.President | James Shih C.EVP & Chief Auditor | Diao-Li Lin
D.EVP | Chin-Ying(Anita) Chen E.EVP | Horng-Yao Tu
F.EVP & Chief Compliance Officer | Jih-Cheng Yang G.EVP | Hom-Gang Wang H.EVP | Carol Sun



b. Major Business of Each Division

1. Internal Auditing Division:

Performs general audits and specific audits as stipulated by the competent authorities, and random inspections on various business aspects as required; verifies improvements made by audited departments in line with internal and external audit opinions; audits non-performing loan charge-offs; investigates material incidents and complaints; and conducts audits on other areas as deemed necessary. The department also assists the board of directors and the management in assessing the effectiveness of internal control policies, and recommends improvements wherever appropriate.

2. Legal Affairs and Compliance Division:

Legal Affairs and Compliance Division consisted of Legal Affairs section and Compliance Section.

(1) Responsible for the Bank's legal affairs; assists various units in contract reviews; offers legal opinions and suitable solutions after weighing the interests of customers, the Bank and other parties; organizes legal affairs training and raises legal awareness among Bank employees in order to minimize legal risks.

(2) Responsible for planning, managing and executing the Bank's compliance officer and anti-money laundering policies; develops proper communication systems to facilitate conveyance, consultation and coordination of compliance efforts; ensures that operating procedures and management principles are updated in line with current regulations; devises compliance assessments and procedures and supervises regular self-evaluation; expresses compliance-related opinions on new products and services; responds to correspondence banks on anti-money laundering and KYC issues; establishes and revises employee code of conduct; and structures training programs on topics such as regulatory compliance, anti-money laundering, employee conducts, and know-your-customer. Assists board of directors, board of managing directors, and Audit Committee in meeting-related affairs.

3. Secretariat Division:

Secretariat Division consisted of Corporate Strategy Section, Secretariat Section, Shareholders' Service Section, and Public Relations Section.

(1) Develops Articles of Incorporation, management strategies and organizational structures that conform to the best international standards of practice and corporate governance principles, to enhance the Bank's competitiveness.

(2) Responsible for maintaining documentation within the Bank, which involves exercising effective management over official correspondences, business licenses and uses of common seals, while ensuring that proper registrations are made to the competent authorities.

(3) Engages and communicates with share administration agencies; exercises supervision over share administration agencies to ensure top-quality services for the Bank's shareholders.

(4) Manages the Bank's public relations; maintains favorable corporate image by communicating the Bank's business philosophy through proper media channels.

4. Human Resources Division:

Human Resources Division consisted of Manpower Planning Section, General Administration Section, Training & Development Section, Management Development & Performance Appraisal Section and Incentive Compensation Section.

(1) Develops and executes human resource strategies, policies, and procedures throughout the entire bank.

(2) Performs administrative affairs on human resources.

- (3) Outlines personnel training programs to improve employee skills.
- (4) Defines performance standards for employees of all levels; conducts regular appraisals and distinguishes employee performance results.
- (5) Plans and executes employee compensation and welfare policies.

5. Product Management Division:

Product Management Division consisted of Corporate Finance Section, Consumer Finance Section, FX Products Section, Liability Products Section, Planning Section, Advertising Section and Card Management Center(CMC);

- (1) Gathers, assesses and analyzes information on products that are currently available in the market, from corporate banking, personal banking, foreign currencies, deposits, remittance to custodian services and commissioned distribution, therefore enabling new product development.
- (2) Outlines market strategies that include identifying target customers, developing marketing plans, setting product prices, (and) achieving sales and profit targets of each market segment.
- (3) Develops and revises business guidelines, processes, and contractual terms of various products.
- (4) Plans and coordinates development strategies for the Bank's front-office; gathers and analyzes data on domestic and foreign economies as well as industry trends; conducts customer surveys and market research on various business sectors.
- (5) Co-ordinates internal and external communication; develops advertisements and promotional plans.

CMC consisted of CMC Product Planning Section, CMC Marketing Section, CMC Card Approval Section, CMC Operation Management Section and CMC Trading Management Section.

- (1) Develops card products (including credit cards, Smart Pay cards and debit cards) and sets product pricing.
- (2) Creates and revises card product policies, procedures, and contracts.
- (3) Develops and executes card marketing campaigns; responsible for the approval and regular review of credit cards that exceed certain limits.
- (4) Performs back-end operations for the card business; plans and executes transaction risk management for the card business.

6. Treasury Division:

Treasury Division consisted of Funding Section, Equity Securities Section, Fixed Income Section, FX & IR Section, Treasury Products Section, Treasury Marketing Section and Settlements Section.

- (1) Arranges funding for NTD and foreign currencies to ensure liquidity within the Bank.
- (2) Conducts short-term, medium-term, and long-term investments within the financial market.
- (3) Responsible for the effective allocation and management of long-term equity investments.
- (4) Controls the Bank's foreign currency positions.
- (5) Responsible for the R&D, marketing, and promotion of treasury products to complement customers' financial plans and satisfy their hedging needs.

7. Trust Division:

Trust Division consisted of Product Development Section, Operations Section, Custody Service Section, Trust Management Section and Investment Consulting Section.

- (1) Responsible for R&D, marketing, and operations of trust products, and the custody of entrusted assets.
- (2) Sets prices on trust products and services; ensures effective cost control; explores niche markets.
- (3) Supervises and administrates operations of the trust business.
- (4) Outlines and revises policies, procedures, and contractual terms for trust products.
- (5) Engages in securities investment consulting services.

8. Domestic Banking Division:

Domestic Banking Division consisted of Business Sales & Promotion Section, Business Analysis & Management Section, Factoring Marketing Section, Wealth Management Section, Securities Section and Syndicated Loans Section.

- (1) Executes marketing strategies for NTD, foreign currency, and wealth management businesses.
- (2) Supervises budgets for NTD, foreign currency and wealth management businesses; reduces operating costs and improves business performance by implementing efficient operations and cost controls.
- (3) Reviews performance results in NTD, foreign currency and wealth management businesses.
- (4) Plans for the installation, relocation, and dismissal of offices and automated service equipment.
- (5) Supervises the securities brokerage business.
- (6) Supervises business operations of regional centers; identifies sales targets for each regional center with regards to NTD, foreign currency and wealth management, and monitors performance.
- (7) Organizes syndicated loans that are lead-arranged by the Bank and performs administrative duties in relation to syndicated loans.

9. International Banking Division:

International Banking Division consisted of Overseas Branch Administration Section, Financial Institutions Section, Foreign Trade Operations Section, Foreign Deposits & Remittance Section and FX Service Management Section.

- (1) Outlines short-term and medium-term business strategies for overseas branches and the offshore banking unit.
- (2) Creates and maintains a correspondent banking network (including foreign deposit banks and correspondent banks) that consists of domestic and foreign peers.
- (3) Assists local business units in seeking permits for their establishment, relocation or dismissal of domestic banking units; assists local business units in achieving the desired performance targets in terms of imports, exports, and remittance. Plans for the establishment, relocation, and dismissal of overseas branches; outlines business targets for overseas branches and monitors their performance.
- (4) Responsible for the back-end operations of various foreign currency businesses including deposits, remittance, imports and exports, and is also responsible for implementing computerized processes for greater efficiency.

10. E-Business Division:

E-Business Division consisted of E-Banking Planning Section, E-Banking Marketing Section and Call Center Section.

- (1) Develops electronic channels and strategy management plans; outlines and executes marketing strategies over electronic channels.
- (2) Develops new online banking products, improves existing products and evaluates their prices from time to time.
- (3) Creates and revises online banking policies, procedures, and contracts.
- (4) Identifies sales targets for various channels and monitors performance.
- (5) Maintains effective operations of the customer call center.

11. Credit Management Division:

Credit Management Division consisted of Risk Assessment Section I, Risk Assessment Section II, Risk Assessment Section III, Risk Assessment Section-Overseas Branch, Credit Investigation Section, Loan Review Section and Lending Regional Center (LRC). LRC consisted of Corporate Finance Risk Management Section and Consumer Finance Risk Management Section.

- (1) Provides guidance, support, supervision and control over all credit risk management activities within the Bank to ensure compliance with the Bank's credit policies and the requirements of local and foreign authorities.
- (2) Ensures that the Bank's credit risks are monitored and assessed in conformity with the best risk management practices.
- (3) Ensures that all credit applications are subjected to internal loan application processes to perform the best credit risk management.
- (4) Responsible for the development and maintenance of corporate credit rating models, and follow-up reviews on credit applications.

12. Risk Management Division:

Risk Management Division consisted of Consumer Portfolio Management Section, Corporate Portfolio Management Section, Financial Institution Management Section, Market Risk Section and Operational Risk Section.

- (1) Establishes policies, strategies, rules, procedures, and guidelines on country risks, credit risks (which include corporate banking, consumer banking, and counterparty banks), market risks, and operational risks prevalent in daily business activities.
- (2) Gathers and analyzes risk information; implements a risk management system consisting of risk identification, assessment, monitoring, and reporting procedures.
- (3) Supervises the execution of country risk, credit risk, market risk, and operational risk management, while ensuring conformity with the Bank's risk management policies and regulations of the competent authorities.
- (4) Develops and implements proper risk management systems to ensure the effectiveness of risk management activities.
- (5) Responsible for carrying out preliminary negotiations in accordance with the Consumer Debt Clearance Act.

13. Loan Asset Management Division:

Loan Asset Management Division consisted of Support & Control Section, Workout Section, Policy Procedures & Special Assets Section and Asset Recovery Section.

- (1) Devises strategies for non-performing loans (including overdue loans and bad loans) supported by proper collection procedures, methods, and techniques.
- (2) Disposes large non-performing loans, supervises, administrates and controls collections of non-performing loans.
- (3) Performs bad debt charge-offs and follow-up management.
- (4) Executes transactions of non-performing loans.

14. Financial Management Division:

Financial Management Division consisted of FM Policies, Procedures & Taxes Section, Accounting & Reporting Section, Financial Forecasting Section, Product Performance Review Section, Asset Liability Management Section and Reconciliation Section.

- (1) Creates the Bank's accounting policies and accounting manuals according to law and the generally accepted accounting principles; ensures fair presentation of the Bank's financial information and the accuracy of balance sheet items.
- (2) Reviews budgets, statements and accounts; makes public announcements and regulatory reports on certified tax returns and financial statements; provides financial information for shareholders and credit rating agencies; submits financial statements and statistics to the competent authorities.
- (3) Prepares full-year and mid-term budgets for the Bank; manages earning targets of various distribution channels and business units; allocates expense budgets and supervises achievement of budgeted targets.
- (4) Performs secretarial works for the Asset and Liability Management Committee; assesses liquidity risks and interest rate risks on the Banking book; develops capital solutions based on the Bank's medium-term financial plans to maintain capital adequacy.
- (5) Responsible for providing accurate and timely internal financial information; assesses business performance by department, product, and branch; reviews product prices and performs management accounting.
- (6) Responsible for the bookkeeping of foreign currencies placed in peer banks; creates control procedures for NTD deposits placed in peer banks and for sensitive balance sheet items.

15. IT Division:

IT Division consisted of Planning & Projects Section, Infrastructure & Communications Section, Architecture Data / Tech / Apps Section, Core Banking Section, Application Development Section, E-Banking Development & Support Section, Data Center Section and IT Management Section.

- (1) Responsible for the co-ordination and administration of IT affairs, and supervises new IT projects to support the Bank's operational requirements.
- (2) Responsible for introducing communication processes and infrastructures that are safe, reliable, and cost-effective, in order to support the Bank's operations and services to its customers.
- (3) Responsible for designing the data infrastructure, while ensuring the cost-effectiveness of IT solutions designed to accommodate the Bank's long-term business requirements.
- (4) Responsible for maintaining the core account system; develops a core account system that conforms to the needs of various departments and complies with the Bank's operational policies.
- (5) Responsible for maintaining other accessory systems derived from the core account system; develops applications that conform to the needs of various departments and complies with the Bank's operational policies.
- (6) Responsible for developing and supporting technologies incorporated in the Bank's Internet or telephone marketing channels.
- (7) Supervises and operates the Bank's primary and backup IT systems, while maintaining their normal functionality.
- (8) Ensures that all users' hardware and software are installed in compliance with security guidelines, and offers IT support to various departments. Implements policies, procedures, and practices that are relevant to information security, and ensures the security of the Bank's IT environment.

16. Operations Division:

Operations Division consisted of Notes / Checks Clearing Section, Operation Management Section and Domestic Remittance Section.

- (1) Devises and revises operating procedures of NTD services for regional centers and business units within the Bank; implements standardized back-end procedures for greater efficiency and cost-effectiveness, thereby providing effective operational support to the front-line.
- (2) Plans and manages centralized processes for the Bank's checking, remittance and other NTD services for maximum efficiency and reduced operational risks and costs; settles payments with Taiwan Clearing House.

17. General Affairs Division:

General Affairs Division consisted of General Affairs Section, Property Management Section, Occupational Safety Section and Premises Management Section.

- (1) Budgets and executes the Bank's capital expenditures; conducts bank-wide procurements, performs general affairs makes disbursements for claimed expenses.
- (2) Responsible for the sale, purchase, lease, management, and maintenance of real estate properties, equipment, and corporate vehicles.
- (3) Responsible for the Bank's Occupational Safety and Health business and ensures the safety of the Bank's employees and protections over the Bank's properties.
- (4) Processes new constructions, extensions, and alterations of the Bank's premises.

18. Commercial Regional Centers:

We set up six Commercial Regional Centers (CRCs), and each consisted of General Support Section, Corporate Finance Section, Consumer Finance Section, Loan Asset Management Section, Wealth Management Section and Manpower Administration Section.

- (1) Offers guidance, assistance, and support to business operations, debt collections and centralized processes within the supervised area, and provides regular performance reports to the head office.
- (2) Devises short-term, medium-term and long-term business strategies for the supervised area to help achieve profit targets.
- (3) Convenes regular co-ordination meetings to facilitate teamwork and communication across all business units within the supervised area.

19. Business Operation Units:

Domestic business units (including the Business Department), overseas branches, Offshore Banking Branch, and securities brokerage firms had been created to perform the business activities stated on the license or in the Articles of Incorporation.

B. Directors (including Independent Directors)

a. Board of Directors (including Independent Directors)

Board of Directors (including Independent Directors) (1):

Title	Nationality/ Domicile	Name	Date Elected (yy/mm)	Term (YY)	Date of first Appointment (YY/MM) Representative of Institutional Shareholder/ Institutional 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))	103.12 (Dec.2014)	2.6	102.9 (Sep.2013) 36.02 (Feb.1947)	963,738,496	12.19	1,031,200,190	12.19	
Managing Director	R.O.C.	Julius Chen (Delegate of Taishin Financial Holding Co., Ltd. (TSFHC))	103.12 (Dec.2014)	2.6	95.03 (Mar.2006) 94.11 (Nov.2005)	1,782,059,748	22.55	1,906,803,930	22.55	
Managing Director (Independent Director)	R.O.C.	Kuo-Yuan Liang	103.12 (Dec.2014)	2.6	97.11 (Nov.2008)	0	0	0	0	
Director	R.O.C.	Hwai-Hsin Liang (Delegate of MOF)	103.12 (Dec.2014)	2.6	96.06 (Jun.2007) 36.02 (Feb.1947)	963,738,496	12.19	1,031,200,190	12.19	
Director	R.O.C.	Ching-Hwa Juan (Delegate of MOF)	103.12 (Dec.2014)	2.6	102.03 (Mar.2013) 36.02 (Feb.1947)	963,738,496	12.19	1,031,200,190	12.19	

Jan. 31, 2016

	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
	100,000	0	0	0	LL.M Chinese Culture University President of CHB President, Bank of Taiwan and Taiwan Financial Holdings Director-General, Banking Bureau, Financial Supervisory Commission Deputy Director-General, Financial Examination Bureau, Financial Supervisory Commission Deputy Director-General, Bureau of Monetary Affairs, MOF	Supervisor of Taiwan Stock Exchange Corporation	None	None	None
	136,199	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	Ph. D., Economics, Duke University, U.S.A Commissioner, Fair Trade Commission, Executive Yuan Professor, Department of Economics, National Tsing Hua University Honorary Professor, College of Technology Management, National Tsing Hua University	President, Yuanta-Polaris Research Institute Director of San Fu Chemical Co., Ltd Adjunct Professor, Department of Economics, National Taiwan University	None	None	None
	0	0	0	0	Master of Laws, Fu Jen Catholic University Deputy Secretary of TFSR Independent Director of Pacific Security Co., Ltd. Invited by University of Washington to do the research into "The Gramm-Leach-Bliley Act" Patent Attorney	Arbitrator of the Chinese Arbitration Association, Taipei. Director of Giant Era International Law Office	None	None	None
	0	0	0	0	Bachelor of Law, National Taiwan University Bachelor of Business Administration, National Chengchi University Section Chief, Senior Specialist, Taxation Agency, MOF Executive Secretary, Legal Affairs Committee, MOF Executive Secretary, Petitions and Appeals Committee, MOF Chief Secretary, MOF Director-General, National Taxation Bureau of the Central Area, MOF	Director-General, National Treasury Administration, MOF Supervisor of BankTaiwan Insurance Brokers	None	None	None

Title	Nationality/ Domicile	Name	Date Elected (yy/mm)	Term (YY)	Date of first Appointment (YY/MM) Representative of Institutional Shareholder/ Institutional Shareholder	Shareholding on Election		Current Shareholding		
						Shares	%	Shares	%	
Director	R.O.C.	Ing-Wei Peng (Delegate of MOF)	103.12 (Dec.2014)	2.6	103.12 (Dec.2014) 36.02 (Feb.1947)	963,738,496	12.19	1,031,200,190	12.19	
Director	R.O.C.	Cheng Ching Wu (Delegate of TSFHC)	103.12 (Dec.2014)	2.6	94.11 (Nov.2005) 94.11 (Nov.2005)	1,782,059,748	22.55	1,906,803,930	22.55	
Director (Independent Director)	R.O.C.	Jung-Chun Pan	103.12 (Dec.2014)	2.6	103.12 (Dec.2014)	0	0	0	0	
Director (Independent Director)	R.O.C.	Shang-Chen Chen	103.12 (Dec.2014)	2.6	100.11 (Nov.2011)	0	0	0	0	

	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
	0	0	0	0	Master of Laws, National Chengchi University Executive Secretary, Legal Affairs Committee, MOF Executive Secretary, Petitions and Appeals Committee, MOF	Director General, Dept. of Legal Affairs	None	None	None
	750,208	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	Bachelor of Bank & Insurance, Feng Chia University Director & President of Mega Asset Management Co. Director & COO of CONCORD ASIA FINANCE LTD. Supervisor of KEY WARE ELECTRONICS CO., LTD.	None	None	None	None
	0	0	0	0	MS in Public Finance, National Chengchi University (NCCU) Chairman of Central Deposit Insurance Corporation (CDIC) Auditor, Deputy Director, Director, Department of Financial Inspection, Central Bank of the Republic of China (Taiwan) Deputy Section Chief, Section Chief, Department of Economic Research, Central Bank of the Republic of China (Taiwan)	None	None	None	None

Name	Qualifications(Note1)			Independent Status(Note 2)										Number of Serve as an Independent Director of Public Companies
	A	B	C	1	2	3	4	5	6	7	8	9	10	
Ming-Daw Chang			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Julius Chen			✓	✓	✓	✓	✓	✓		✓	✓	✓		0
Kuo-Yuan Liang	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Hwai-Hsin Liang		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Ching-Hwa Juan			✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Ing-Wei Peng			✓	✓	✓	✓	✓		✓	✓	✓	✓		0
Cheng Ching Wu			✓	✓	✓	✓	✓			✓	✓	✓		0
Jung-Chun Pan			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Shang-Chen Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note 1 : Directors or Supervisors shall meet one of the following professional requirements, together with at least five years 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 or 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.
- Have work experience in the area of commerce, law, finance, accounting, or otherwise necessary for the banking business.

Note 2 : During the two years before being elected or juring the term office, directors or supervisors shall meet the following terms with " ✓ " Mark.

- Neither employees of Bank nor its affiliates.
- Neither a director or a supervisor of Bank nor its affiliates, unless the person is an independent director of the company, its parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50 percent of the voting shares.
- Not an individual shareholder who holds shares, together with those held by the person's spouse, minor children, or held under others' names, in an aggregate amount of 1% or more of the total outstanding shares of the company or ranks among the top 10 shareholders who are natural persons in terms of the share volume held.
- Not a 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.
- Not directors, supervisors, or employees of a corporate shareholder that directly holds 5% or more of the total outstanding shares of the bank or ranks among the top 5 corporate shareholders in the terms of share volume held.
- Not directors, supervisors, or managerial officer, or shareholder holding 5% or more shares of a specific company or institution and who also has financial or business dealings with the company.
- Not a professional, or owner, partner, director, supervisor, or managerial officer and the spouse thereof of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting or consulting services to the bank or to any affiliates, excluding members of the Remuneration Committee who 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.
- Not a spouse or relative within the second degree of kinship within directors.
- Not any of the circumstances in the subparagraphs of Article 30 of the Company Act.
- Not elected in the capacity of a government agency, a juristic person, or a representative thereof, as provided in the Article 27 of the Company Act.

C. The Practice of Corporate Governance

a. The Board of Directors Operations

The 24th Board of Directors convened 12 meetings in 2015, and the records of attendance by directors and independent directors are shown as follows :

The 24 th Board of Directors Operations (Jan. 1, 2015~Dec.31, 2015)					
Title	Name	Attendance In Person	Attendance by Proxy	Actual Attendance Rate (%)	Note
Chairman	Ming-Daw Chang (Delegate of MOF)	12	0	100	
Managing Director	Julius Chen (Delegate of Taishin Financial Holding Co., Ltd.(TSFHC))	12	0	100	
Managing Director (Independent Director)	Kuo-Yuan Liang	12	0	100	
Director	Hwai-Hsin Liang (Delegate of MOF)	6	5	50	
Director	Ching-Hwa Juan (Delegate of MOF)	11	1	91.67	
Director	Ing-Wei Peng (Delegate of MOF)	12	0	100	

The 24 th Board of Directors Operations (Jan. 1, 2015–Dec.31, 2015)					
Title	Name	Attendance In Person	Attendance by Proxy	Actual Attendance Rate (%)	Note
Director	Cheng Ching Wu (Delegate of TSFHC)	7	5	58.33	
Director (Independent Director)	Jung-Chun Pan	12	0	100	
Director (Independent Director)	Shang-Chen Chen	12	0	100	

b. The Operation of Audit Committee

The 1st Audit Committee convened 11 meetings in 2015, and the records of attendance by Independent Directors are shown as follows:

The Operation of 1 st Audit Committee (Jan. 1, 2015–Dec.31, 2015)					
Title	Name	Attendance In Person	Attendance by Proxy	Actual Attendance Rate (%)	Note
Independent Director	Kuo-Yuan Liang	11	0	100	
Independent Director	Jung-Chun Pan	11	0	100	
Independent Director	Shang-Chen Chen	10	1	90.91	

c. Members and Operation status of the Remuneration Committee

1. Members of the Remuneration Committee:

Title	Name	Qualifications			Independent Status(Note 2)								Number of Serve as a Member of other Remuneration Committee of Public Companies	Note	
		Qualifications(Note1)	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	Shang-Chen Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	0		

Note 1 : Members shall meet one of the following professional requirements, together with at least five years 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 or 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.
- Have work experience in the area of commerce, law, finance, accounting, or otherwise necessary for the banking business.

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

- Neither employees of Bank nor its affiliates.
- Neither a director or a supervisor of Bank nor its affiliates, unless the person is an independent director of the company, its parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50 percent of the voting shares.
- Not an individual shareholder who holds shares, together with those held by the person's spouse, minor children, or held under others' names, in an aggregate amount of 1% or more of the total outstanding shares of the company or ranks among the top 10 shareholders who are natural persons in terms of the share volume held.
- Not a 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.
- Not directors, supervisors, or employees of a corporate shareholder that directly holds 5% or more of the total outstanding shares of the bank or ranks among the top 5 corporate shareholders in the terms of share volume held.
- Not directors, supervisors, or managerial officer, or shareholder holding 5% or more shares of a specific company or institution and who also has financial or business dealings with the company.
- Not a professional, or owner, partner, director, supervisor, or managerial officer and the spouse thereof of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting or consulting services to the bank or to any affiliates.
- Not any of the circumstances in the subparagraphs of Article 30 of the Company Act.

2. Operation Status:

- (1) There are 3 members on the Bank's Remuneration Committee.
- (2) The members' appointment: The 3rd Committee was appointed from December 30, 2014 to July 8, 2017. The 3rd Remuneration Committee convened 9 times in 2015, and the records of attendance of members are shown as follows:

The Operation of 3 rd Remuneration Committee (Jan.1, 2015~Dec.31,2015)					
Title	Name	Attendance In Person	Attendance by Proxy	Actual Attendance Rate (%)	Note
Convener	Kuo-Yuan Liang	9	0	100%	
Member	Jung-Chun Pan	9	0	100%	
Member	Shang-Chen Chen	8	1	88.89%	

d. Performing Social Responsibility

Evaluation Item	Implementation Status		Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons	
	Y	N		
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 "Chang Hwa Commercial Bank Corporate Social Responsibility Best Practice Principles" were passed by the board of directors on December 25, 2015, to assist in the execution of the Bank's corporate social responsibility policy. The information is available on the Bank's corporate website. 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 has a dedicated task force in place to oversee the management and execution of corporate social responsibility policies, systems, strategies and plans. The task force reports its progress to the board of managing directors. d. The Bank compiles corporate social responsibility reports as a means of disclosing corporate social responsibility practices. The information is available from the Bank's corporate website and the "Market Observation Post System" section of the website of the Taiwan Stock Exchange.	1.1 None.
1.2 Does the bank organize social responsibility training on a regular basis?	✓		1.2 The Bank has been organizing annual corporate social responsibility training since 2015, for which all business departments are required to attend.	1.2 None.
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 The President has appointed one of the Vice Presidents to serve as convener for the Bank's corporate social responsibility task force, and 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.	1.3 None.
1.4 Does the bank implement a reasonable remuneration system that commensurate employees' performance appraisals with CSR? Is the remuneration system supported by an effective reward/discipline system?	✓		1.4 a. The Bank reviews salary of its employees in accordance with "Salary of Current Employees 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 also reviews the results of corporate ethics training for employees based on various indicators of its "Rules on Employee Performance Review" by combining employees' professional ethical performance with their performance review. 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, in order to achieve the aim of imposing penalties or delivering incentives.	1.4 None.

Evaluation Item	Implementation Status		Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Y	N	
2. Fostering a 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 None.
2.2 Does the bank establish proper environmental management systems based on the characteristics of their industries?	✓		2.2 None.
2.3 Does the Bank monitor the impact of climate changes on its operating activities, implements greenhouse gas emission-checks, formulates energy-saving and carbon-emission reduction as well as greenhouse gas-reduction strategies?	✓		2.3 None.

Evaluation Item	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Y	N	Interpretation	
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 disability, race, gender, political association, or religion.	3.1 None.
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," "Chang Hwa Bank Code of Conduct", and "Chang Hwa Bank Regulations on Announcement of Employee Complaint." The Regulations provide the Bank's employees with a means of complaint and petition, the information is available on the Bank's corporate website, 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 fair manner in accordance with the Regulations on Incentives and Penalties for Employees and the severity of such breach.	3.2 None.
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. In keeping with the law, the Bank regularly carries out medical checkups on its employees at its sole cost and expense. It also regularly holds health talks and provides employees with health consultation services. b. The head office and various business units have first aid kits ready and installing adequate lighting and air conditioning equipment to provide employees with a safe and healthy working environment. c. With regard to educating employees about occupational health and safety, Human Resources Division periodically has bank clerks receive training in occupational health and safety and first aid. In addition, experts are hired to hold seminars on health and provide employees with digital training in workplace safety.	3.3 None.
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 under the Head Office have been assigned to supervise a number of 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 None.
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. The Bank also maps out professional training for employees in order to raise their competence; The said map will also serve as reference for managers to cultivate talents as well as for employees to undertake their career development.	3.5 None.
3.6 Does the bank implement consumer protection and grievance policies with regards to its research, development, procurement, production, operating and service activities?	✓		3.6 a. The Bank has established the "Chang Hwa Bank Financial Consumer Protection Policy" and the "Chang Hwa Bank Financial Consumer Protection Guidelines" in accordance with the "Financial Consumer Protection Act" to protect the interests of financial consumers and resolve any disputes consumers may have against the Bank in a fair, reasonable and effective manner. The Bank also has "Chang Hwa Bank 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, where the consumer is given a satisfactory answer. To improve the efficiency and quality of financial dispute resolution, the Bank has defined numerous details such as the scope of consumer disputes, the responsible organization, solution, procedures, turnaround time, progress inquiries, audit trail, training and regular reviews in "Chang Hwa Bank Financial Consumer Protection Policy" and "Chang Hwa Bank Financial Consumer Protection Guidelines." They provide the foundation for the Bank's "Financial Consumer Dispute Resolution Policy (and SOP)," and have been enforced with board of directors' approval for better protection of financial consumers' interests. The Bank also requires its Head Office to review consumers' disputes on a regular basis and revise procedures so that similar occurrences can be prevented, corrected and managed in the future, and ultimately improve consumers' protections and the Bank's service quality. b. The Bank has instituted the "Procedure of Chang Hwa Commercial Bank for Handling Trust Business Disputes." It also fosters communication with customers to facilitate the Bank's business.	3.6 None.

Evaluation Item	Implementation Status		Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Y	N	
		<p>c. Internal work rules and procedures on delivery of bills and drafts of the Bank in compliance with the Bank's regulations for outsourced delivery to protect customers' interest: Pursuant to the principle of confidentiality, a courier dispatch company should maintain confidentiality for all matters pertaining to contractual contents and information relating to the Bank. In the event of illegal infringement or damage to the Bank and its customers, the said courier dispatch should be jointly and severally liable with the individual who commits such infringement or damage. In the case of theft, misplacement or destruction of bills during delivery processes, the courier dispatch company should immediately assign additional staff to assist in handling of relevant matters. It shall bear all such expenses and those that are derived from such actions.</p> <p>d. Internal work rules and procedures in compliance with the Bank's rules for outsourced automatic teller machines to protect customers' interest: The entrusted organization including its directors, managers, employees, appointees and agents shall maintain confidentiality of relevant business information of the Bank, its employee information, customer information, the respective main units of the Bank, network structure, communication protocol, relevant connection information and materials, time and routes of replenishing and transferring bank notes, ATM password and operating manuals, and other information that is expressly stated as confidential, regardless of their form of storage, obtained or known to it as a result of performing of business matters or through any other means. In the event of customer complaints, such complaints should be dealt with in accordance with "Guidelines on Handling Customer Complaint" with a dedicated unit being tasked with handling it. Save in extraordinary circumstances, the Bank should give its reply to the window handling such complaints within 3 business day of receiving the complaint. A Customer Complaint Handling Tracking Form should be generated and administered by assigned staff in the specially-assigned unit.</p> <p>e. Key contents of product or service contracts should be highlighted in a prominent text style or manner. The channels for handling disputes with respect to financial products or services provided by the Bank and means of lodging complaint by consumers should be expressly stated to protect consumers' rights.</p>	
3.7 Does the bank comply with laws and international standards with regards to the marketing and labeling of products and services?	✓	<p>3.7 a. With respect to advertising and promotional materials, the Bank is compliant with "Regulations on Financial Service Industry on Solicitation of Business through Advertisements and Business Promotion Activities" and "Regulations Governing the Scope of Business, Restrictions on Transfer of Beneficiary Rights, Risk Disclosure, Marketing, and Conclusion of Contract by Trust Enterprises" (hereinafter known as "Regulations on Marketing and Conclusion of Contract by Trust Enterprises") etc. When selling products, financial planning staff should comply with the "Regulations on Financial Services Enterprises Ensuring Compatibility of Financial Products or Services with Financial Consumers" and Regulations on Marketing and Conclusion of Contract by Trust Enterprises and recommend suitable products to consumers based on the latter's risk appetite. Furthermore, pursuant to the "Regulations on Provision of Key Contractual Contents and Risk Disclosure by Financial Services Enterprises before Provision of Financial Products or Services" and Regulations on Marketing and Conclusion of Contract by Trust Enterprises, trust remuneration, the respective charges and collection methods and possible risks involved have been disclosed in trust contracts and transaction application forms.</p> <p>b. The Bank also processes personal credit authorization work in compliance with "Explanation of Fair Trade Commission on Rules on Operating Behavior of Financial Enterprises."</p> <p>c. It carries out complementary gift promotional activities relating to deposit business in accordance with Article 34 of the Banking Act.</p> <p>d. Pursuant to the "Regulations Governing Institutions Engaging In Credit Card Business, Guidelines on What to be and not to be recorded in Customized Credit Card Contracts," the Bank carries out its credit card business in accordance with its Credit Card Regulations, Self-discipline Convention formulated by the Credit Card Committee of the Bankers Association of the Republic of China for its members' credit card businesses and its Institutional Management Rules.</p>	3.7 None.
3.8 Does the bank evaluate suppliers' environmental and social conducts before commencing business relationships?	✓	<p>3.8 All construction projects outsourced by the Bank would have tender documents drafted in a way that requires tenderers and subcontractors to comply with laws on corporate governance, ethics, human rights, workplace safety and health, environmental protection, and sustainability. In addition, any agreements signed would hold contractors responsible for moral conducts, human rights, and environmental sustainability.</p>	3.8 None.
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?	✓	<p>3.9 All construction projects outsourced by the Bank would have tender documents drafted in a way that empowers the Bank to terminate the agreement or suspend services if the supplier is found to have violated laws or social responsibilities over the duration of contract and cause damages to the Bank's image, reputation or property. These contractual terms have been enforced to manage fulfillment of corporate social responsibility throughout the supply chain.</p>	3.9 None.

Evaluation Item	Implementation Status			Deviations from "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons
	Y	N	Interpretation	
4. Enhancing Information Disclosure Does the bank disclose relevant and reliable information relating to their corporate social responsibility on its website and the "Market Observation Post System" section of the website of the Taiwan Stock Exchange?	✓		The Bank has disclosed its "Corporate Social Responsibility Report" and "Corporate Social Responsibility Best Practice Principles." The information is available from the Bank's corporate website and the "Market Observation Post System" section of the website of the Taiwan Stock Exchange.	None.
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: None.				
6. Other important information to facilitate better understanding of the Bank's corporate social responsibility practices:				
6.1 The Bank has accomplished its "2014 Corporate Social Responsibility Report" for the first time on Dec. 8, 2015 to show the efforts to fulfill the Bank's corporate social responsibility.				
6.2 In support of the competent authority's policy, the Bank has adopted a number of preventive measures to control illegal activities. These measures include account opening inspection, irregular transaction monitoring, early warning, and reporting and control of suspected illegal accounts in order to provide active assistance to the authorities on money laundering control and the prevention of unlawful financial infringement activities. We have received numerous commendations from prosecutors and law enforcement agencies regarding our contribution.				
6.3 In response to the competent authority's support on nursing and disability trust services, the Bank has been offering fee discounts or fee waivers for beneficiaries who are proven to be senior citizens or persons with disabilities. Through fee reductions, the Bank hopes to provide dignified and satisfied nursing care for those in need.				
6.4 The Bank was appointed by Banking Bureau, Financial Supervisory Commission, as a field instructor of financial knowledge in local campuses and communities. The Bank's efforts in financial education actively had helped students and residents develop proper awareness towards consumer banking and finance.				
6.5 To enhance the financial health of small and medium enterprises (SME), the Bank had recommended a number of SMEs to undergo financial health diagnosis. In 2015, the Bank helped a total of 19 SMEs on short-term financial health diagnosis and 1 SME on long-term financial health diagnosis to improve management efficiency and raise their overall competitiveness.				
6.6 To assist small and medium enterprises, the Bank has installed financing advisory windows in 32 business operating units. The Bank has also set up in similar windows in 20 business operating units to assist in the development of the creative industry. All such windows are staffed with specially-assigned personnel to provide telephone advice or face-to-face consultation with inquiring enterprises.				
6.7 The Bank will adhere to the principle of equator, and abide by the Guidelines for Members of the Republic of China Bank Association on Credit Authorization. When handling project financing, it will determine whether or not the borrower has fulfilled its duties for environmental-protection, corporate integrity and social responsibility. They will 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 corporate social responsibility report has passed (BSI)AA1000.				

IV Fund-Raising Activities

38 | Shares and Dividends



IV | Fund-Raising Activities

Shares and Dividends

a. Capital Sources

Year / Month	Offering Price	Authorized Capital		Paid-in Capital		Note	
		Shares	Volume	Shares	Volume	Sources of Capital	Others
2015 Dec.	NT\$10	9,000,000,000	90,000,000,000	8,457,323,198	84,573,231,980	Capital Increase by Capital Surplus was NT\$7,322,073,289	Decree No. 0910135530 issued by MOF registration effective on Jun. 28, 2002.
						Issuance of Common for Cash was NT\$17,197,857,875	Decree No. 0920144278 issued by MOF registration effective on Sep. 18, 2003.
						Issuance of Common for Cash (Private solicits) was NT\$14 billion	Decree No. 0942000915 issued by FSC registration effective on Sep. 29, 2005.
						Capital Increase by Earning was NT\$46,053,300,816	Decree No. 1040025433 issued by FSC registration effective on Jul. 15, 2015.

Category of Shares	Authorized Capital			Note
	Outstanding Shares	Un-issued Shares	Total	
Common Shares	6,550,519,268	542,676,802	9,000,000,000	Listed Stocks
	1,906,803,930			Unlisted Stocks

b. Major Shareholders

April 10, 2016

Major Shareholders	Shares	Shares	%
Taishin Financial Holding Co., Ltd.		1,906,803,930	22.55
Ministry of Finance		1,031,200,190	12.19
Lungyen Life Service Corporation, Ltd.		331,580,146	3.92
Shih-Tsung Li		294,467,623	3.48
First Commercial Bank		234,413,939	2.77
National Development Fund, Executive Yuan		232,541,715	2.75
Cheng Chang Investment Co., Ltd.		146,877,970	1.74
Chunghwa Post Co., Ltd.		95,384,730	1.13

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

V

Operations Overview

40 | Business Categories



V | Operations Overview

Business Categories

Overview of the Bank's business for the past two years

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

1. Deposit business:

Unit:NT\$1,000

Items	FY	2015		2014		Increase (Decrease) Amount	Increase (Decrease) %
		Amount	%	Amount	%		
Demand Deposit		883,129,071	55.88	829,187,797	56.24	53,941,274	6.51
Time Deposits		664,332,833	42.04	623,457,536	42.29	40,875,297	6.56
Interbank Deposit		32,934,244	2.08	21,729,057	1.47	11,205,187	51.57
Total		1,580,396,148	100.00	1,474,374,390	100.00	106,021,758	7.19
Ratio (to liabilities and equity)		-	82.91	-	81.19	-	-

Note: Total amount of liabilities and equity on 2015 and 2014 were 1,906,257,219 thousand and 1,815,872,967 thousand.

2. Loans business:

Unit:NT\$1,000

Items	FY	2015		2014		Increase (Decrease) Amount	Increase (Decrease) %
		Amount	%	Amount	%		
Short-term Loans		365,546,986	27.38	363,028,124	28.55	2,518,862	0.69
Mid-term Loans		430,311,253	32.23	391,379,873	30.78	38,931,380	9.95
Long-term Loans		539,373,446	40.39	516,968,169	40.67	22,405,277	4.33
Total		1,335,231,685	100.00	1,271,376,166	100.00	63,855,519	5.02
Ratio (to total assets)		-	70.04	-	70.01	-	-

Note: Total assets on 2015 and 2014 were 1,906,257,219 thousand and 1,815,872,967 thousand.

3. Foreign exchange business:

Unit:US\$1,000

Items	FY	2015		2014		Increase (Decrease) Amount	Increase (Decrease) %
		Amount	%	Amount	%		
Export		4,090,386	3.12	4,854,018	3.38	(763,632)	-15.73
Import		4,562,618	3.48	5,929,830	4.13	(1,367,212)	-23.06
Remittances		122,606,203	93.41	132,861,008	92.49	(10,254,805)	-7.72
Total		131,259,207	100.00	143,644,856	100.00	(12,385,649)	-8.62

4. Credit Card business :

Unit: Cards /NT\$1,000

	Items	2015	2014	Increase (Decrease)	Increase (Decrease) %
Card Issuance	Credit cards in circulation	441,163	389,493	51,670	13.27
	Active cards	219,270	208,537	10,733	5.15
	Card-spending value	15,041,211	13,088,384	1,952,827	14.9
	Revolving Credit	325,657	241,260	84,397	34.98
Merchant business	Entity Store, Internet Store, and ATM Transaction amount	4,331,184	3,250,025	1,081,159	33.27

5. E-Banking business :

Items	FY	2015	2014	Increase (Decrease)	Increase (Decrease) %
		Number of Transactions	Number of Transactions		
Internet Banking		37,058,683	36,255,589	803,094	2.22
Telephone Banking		1,302,896	1,452,380	(149,484)	-10.29
Mobile Banking		4,725,506	3,251,691	1,473,815	45.32

6. Trust business:

(1) Trust business volume:

Unit: NT\$ million

Items	FY	2015	2014	Growth Rate %
Specific Purpose Trust Funds Investing in Foreign Securities		24,162	36,142	-33.15
Specific Purpose Trust Funds Investing in Domestic Securities		19,899	21,666	-8.16
Balance of Custodian Assets at Year-end		145,791	130,895	11.38
Value of Securities Certificate Business		20,693	32,395	-36.12
Securities in Trust at Year-end		910	906	0.44
Real Estate in Trust at Year-end		10,359	8,876	16.71

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

2. The "Balance of Custodian Assets at Year-end" includes balances of securities investment trust funds held in trust and discretionary investment assets held in trust.

3. "Securities in Trust" and "Real Estate in Trust" based on the balance of trust assets.

(2) Trust Fee income

Unit: NT\$ million

Items	FY	2015		2014		Fee Income Growth Rate of Trust Business %
		Fee Income of Trust Business	Ratio(to fee income of the Bank)	Fee Income of Trust Business	Ratio(to fee income of the Bank)	
Specific Purpose Trust Funds Investing in Foreign Securities		593	11.07	779	15.74	-23.88
Specific Purpose Trust Funds Investing in Domestic Securities		139	2.59	152	3.07	-8.55
Custodian Assets		263	4.91	274	5.54	-4.01
Value of Securities Certificate Business		3	0.06	3	0.06	0.00
Others		50	0.93	37	0.75	35.14
Total		1,048	19.56	1,245	25.15	-15.82

7. Wealth management:

Unit: NT\$ million

Items	FY	2015	2014	Growth Rate %
Commission revenues from fund subscriptions		348	518	-32.82
Commission revenues from life insurance		2,331	1,962	18.81
Revenues from structured investments		15	8	87.50
Total		2,694	2,488	8.28

8. Investment:

(1) Investment:

Unit: NT\$ million

Items	FY	2015	2014	Growth Rate %
Government Bonds		30,735	34,013	-9.64
Financial Bonds		32,627	8,686	275.63
Corporate Bonds		27,575	21,680	27.19
Stocks(Short-term Investment)		1,856	1,418	30.89

(2) Short-term bills underwriting and trading:

Unit: NT\$ million

Items	FY	2015	2014	Growth Rate %
Amount of Outright Purchase		234,821	204,657	14.74
Amount of Outright Sales		541	1,463	-63.02
Amount of Repurchase Agreements		77,466	85,100	-8.97

(3) Proprietary Trading in Government Bonds:

Unit: NT\$ million

Items	FY	2015	2014	Growth Rate %
Volume of Proprietary Trading in Government Bonds (Outright Transactions)		183,717	155,099	18.45
Volume of Proprietary Trading in Government Bonds (with Repo)		24,684	15,557	58.67
Balance of Proprietary Trading in Government Bonds		7,430	12,256	-39.38

9. Security brokerage

Unit: NT\$ million

Items	FY	2015	2014	Growth Rate %
Security Underwritten		3,146	1,569	100.51
Volume of Security Brokerage Operations		71,210	83,755	-14.98
Credit Outstanding in the Security Financing Business		300.7	315.9	-4.81

10. Weightings and Changes of Business Net Income

Unit:NT\$1,000

Items	FY	2015		2014		Increase (Decrease) Amount	Increase (Decrease) %
		Amount	%	Amount	%		
Net Interest Income		20,915,929	70.50	19,337,956	73.25	1,577,973	8.16
Net Fee Income		4,918,131	16.58	4,536,936	17.18	381,195	8.40
Net Trading Income		2,628,869	8.86	2,270,984	8.60	357,885	15.76
Net Securities Brokerage and Underwritten Income		56,782	0.19	66,214	0.25	(9,432)	-14.24
Other Operation Net Income		1,150,148	3.87	188,704	0.72	961,444	509.50
Total		29,669,859	100.00	26,400,794	100.00	3,269,065	12.38

VI

Financial Status

- 44 A. Audit Committee's Audit Report on the Financial Statements of Recent Years
- 45 B. Financial Statements of Recent Years
- 141 C. The Bank's Individual Financial Statements of Recent Years Which Have Been Certified by CPAs



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

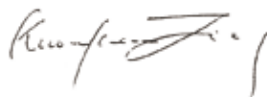
Chang Hwa Commercial Bank, Ltd.
Audit Report of Audit Committee
February 25, 2016

To: Shareholders of Chang Hwa Commercial Bank, Ltd.

The Board of Directors has prepared the 2015 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, including Consolidated Statements, have been certified by Jerry Gung, CPA and Walter Liu, 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, 2015 and the operation results and cash flows in 2015 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 : Shang-Chen Chen



Independent Director : Jung-Chun Pan



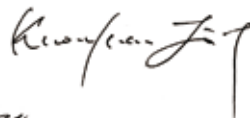
Chang Hwa Commercial Bank, Ltd.
Audit Report of Audit Committee
April 22, 2016

To: Shareholders of Chang Hwa Commercial Bank, Ltd.

The Board of Directors has prepared the 2015 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 : Shang-Chen Chen



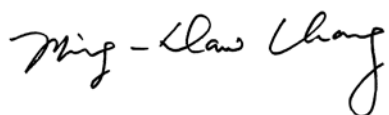
Independent Director : Jung-Chun Pan



B. Financial Statements of Recent Years

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2015 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.



Chang Hwa Commercial Bank, Ltd.
February 25, 2016

INDEPENDENT AUDITORS' REPORT

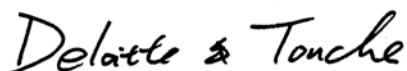
The Board of Directors and Shareholders
Chang Hwa Commercial Bank, Ltd.

We have audited the accompanying consolidated balance sheets of Chang Hwa Commercial Bank, Ltd. (the "Bank") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2015 and 2014, and related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements of Financial Institutions by Certified Public Accountants, and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2015 and 2014, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2015 and 2014, in conformity 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, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of Chang Hwa Commercial Bank, Ltd. as of and for the years ended December 31, 2015 and 2014 on which we have issued an unqualified report.



February 25, 2016

Notice to Readers

The accompanying consolidated 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 consolidated financial statements are those generally applied in the Republic of China.

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

ASSETS	2015		2014	
	Amount	%	Amount	%
Cash and cash equivalents (Notes 4, 6 and 37)	\$ 31,225,679	2	\$ 39,586,197	2
Due from the Central Bank and call loans to banks (Notes 4, 6 and 37)	146,654,212	8	109,277,694	6
Financial assets at fair value through profit or loss (Notes 4 and 7)	43,518,615	2	37,825,737	2
Derivative financial assets for hedging (Notes 4 and 12)	192,521	-	27,629	-
Receivables, net (Notes 4, 8 and 9)	19,729,443	1	21,809,314	1
Current tax assets (Notes 4 and 31)	55,436	-	581,958	-
Loans, net (Notes 4, 5, 9, 36 and 37)	1,321,934,363	69	1,259,366,749	70
Available-for-sale financial assets, net (Notes 4, 10 and 38)	67,415,202	3	46,145,608	3
Held-to-maturity financial assets, net (Notes 4, 5, 11 and 38)	205,777,255	11	183,637,059	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)	2,051,074	-	3,400,342	-
Other miscellaneous financial assets (Notes 4, 15 and 38)	<u>25,530,337</u>	<u>2</u>	<u>71,155,311</u>	<u>4</u>
Other financial assets, net	<u>31,748,420</u>	<u>2</u>	<u>78,722,662</u>	<u>4</u>
Property and equipment, net (Notes 4 and 17)	22,253,008	1	23,822,844	1
Investment property, net (Notes 4 and 18)	12,536,509	1	11,012,440	1
Intangible assets, net (Notes 4 and 19)	500,710	-	473,336	-
Deferred tax assets (Notes 4, 5 and 31)	2,367,489	-	3,186,032	-
Other assets (Notes 20, 33 and 38)	<u>348,357</u>	<u>-</u>	<u>397,708</u>	<u>-</u>
TOTAL	<u>\$ 1,906,257,219</u>	<u>100</u>	<u>\$ 1,815,872,967</u>	<u>100</u>
LIABILITIES AND EQUITY				
Due to the Central Bank and banks (Notes 4, 21 and 37)	\$ 124,025,228	7	\$ 124,155,182	7
Finance due to banks	3,879,840	-	950,100	-
Financial liabilities at fair value through profit or loss (Notes 4, 7 and 37)	22,732,139	1	20,858,363	1
Securities sold under repurchase agreements (Note 4)	4,612,047	-	4,526,694	-
Payables (Notes 4, 22 and 29)	23,164,932	1	29,505,168	2
Current tax liabilities (Notes 4 and 31)	146,692	-	849,381	-
Deposits and remittances (Notes 4, 23 and 37)	1,547,739,711	81	1,452,969,285	80
Bank note payables (Notes 4 and 24)	35,176,580	2	48,463,938	3
Other financial liabilities (Notes 4 and 25)	1,075,196	-	624,416	-
Reserve for liabilities (Notes 4, 5 and 27)	4,371,316	-	4,034,679	-
Deferred tax liabilities (Notes 4, 5 and 31)	6,644,859	1	6,738,024	-
Other liabilities (Notes 4, 26 and 33)	<u>3,213,720</u>	<u>-</u>	<u>2,956,636</u>	<u>-</u>
Total liabilities	<u>1,776,782,260</u>	<u>93</u>	<u>1,696,631,866</u>	<u>93</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK (Notes 4, 29 and 31)				
Capital stock				
Common stock	84,573,232	5	79,040,404	5
Retained earnings				
Legal reserve	20,291,944	1	17,022,790	1
Special reserve	12,020,521	1	12,020,521	1
Unappropriated earnings	11,613,831	-	10,723,060	-
Other equity				
Exchange differences on translation of foreign financial statements	733,874	-	750,956	-
Unrealized gains (losses) on available-for-sale financial assets	<u>241,557</u>	<u>-</u>	<u>(316,630)</u>	<u>-</u>
Total equity	<u>129,474,959</u>	<u>7</u>	<u>119,241,101</u>	<u>7</u>
TOTAL	<u>\$ 1,906,257,219</u>	<u>100</u>	<u>\$ 1,815,872,967</u>	<u>100</u>

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
INTEREST INCOME (Notes 4, 30 and 37)	\$ 32,991,503	111	\$ 31,862,471	121
INTEREST EXPENSES (Notes 30 and 37)	<u>(12,075,574)</u>	<u>(41)</u>	<u>(12,524,515)</u>	<u>(48)</u>
NET INTEREST INCOME	<u>20,915,929</u>	<u>70</u>	<u>19,337,956</u>	<u>73</u>
NET INCOME OTHER THAN NET INTEREST INCOME				
Net service fee and commissions income (Notes 4 and 30)	4,918,131	17	4,536,936	17
Gain on financial assets and liabilities at fair value through profit or loss (Notes 4, 7 and 30)	406,788	1	875,488	3
Realized gain on available-for-sale financial assets (Notes 4 and 30)	280,188	1	118,753	1
Foreign exchange gains (losses) (Note 4 and 35)	1,647,056	6	986,655	4
Other miscellaneous net income (Note 12)	<u>1,501,767</u>	<u>5</u>	<u>545,006</u>	<u>2</u>
Net income other than net interest income	<u>8,753,930</u>	<u>30</u>	<u>7,062,838</u>	<u>27</u>
NET REVENUE AND GAINS	<u>29,669,859</u>	<u>100</u>	<u>26,400,794</u>	<u>100</u>
BAD DEBTS EXPENSES AND GUARANTEE LIABILITY PROVISIONS (Notes 4 and 9)	<u>(329,372)</u>	<u>(1)</u>	<u>884,084</u>	<u>3</u>
OPERATING EXPENSES				
Employee benefits expenses (Notes 4 and 30)	(10,201,704)	(35)	(9,899,498)	(37)
Depreciation and amortization expenses (Notes 4 and 30)	(702,268)	(2)	(715,465)	(3)
Other general and administrative expenses	<u>(4,690,314)</u>	<u>(16)</u>	<u>(4,245,830)</u>	<u>(16)</u>
Total operating expenses	<u>(15,594,286)</u>	<u>(53)</u>	<u>(14,860,793)</u>	<u>(56)</u>
INCOME BEFORE INCOME TAX	13,746,201	46	12,424,085	47
INCOME TAX EXPENSE (Notes 4 and 31)	<u>(2,102,864)</u>	<u>(7)</u>	<u>(1,526,905)</u>	<u>(5)</u>
NET INCOME	<u>11,643,337</u>	<u>39</u>	<u>10,897,180</u>	<u>42</u>

(Continued)

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 28)	\$ (445,513)	(1)	\$ (254,709)	(1)
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 31)	75,737	-	43,301	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Note 4)	(10,707)	-	700,170	3
Unrealized gain (loss) on available-for-sale financial assets (Note 4)	551,907	2	196,830	1
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 31)	<u>(95)</u>	<u>-</u>	<u>(95,566)</u>	<u>(1)</u>
Other comprehensive income for the year, net of income tax	<u>171,329</u>	<u>1</u>	<u>590,026</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 11,814,666</u>	<u>40</u>	<u>\$ 11,487,206</u>	<u>44</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Parent	\$ 11,643,337	39	\$ 10,897,180	41
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 11,643,337</u>	<u>39</u>	<u>\$ 10,897,180</u>	<u>41</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Parent	\$ 11,814,666	40	\$ 11,487,206	44
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 11,814,666</u>	<u>40</u>	<u>\$ 11,487,206</u>	<u>44</u>
EARNINGS PER SHARE (Note 32)				
Basic	<u>\$ 1.38</u>		<u>\$ 1.29</u>	
Diluted	<u>\$ 1.37</u>		<u>\$ 1.28</u>	

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

(Concluded)

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Bank							Total Equity
	Capital Stock		Retained Earnings			Other Equity		
	Shares (Thousand)	Amount	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available- for-sale Financial Assets	
BALANCE, JANUARY 1, 2014	7,749,059	\$ 77,490,592	\$ 14,377,315	\$ 12,020,521	\$ 8,882,010	\$ 148,105	\$ (515,213)	\$ 112,403,330
Appropriation of 2013 earnings	-	-	2,645,475	-	(2,645,475)	-	-	-
Legal reserve	-	-	-	-	(4,649,435)	-	-	(4,649,435)
Cash dividends	154,981	1,549,812	-	-	(1,549,812)	-	-	-
Stock dividends	-	-	-	-	-	-	-	-
Net income for the year ended December 31, 2014	-	-	-	-	10,897,180	-	-	10,897,180
Other comprehensive income for the year ended December 31, 2014, net of tax	-	-	-	-	(211,408)	602,851	198,583	590,026
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	10,685,772	602,851	198,583	11,487,206
BALANCE, DECEMBER 31, 2014	7,904,040	79,040,404	17,022,790	12,020,521	10,723,060	750,956	(316,630)	119,241,101
Appropriation of 2014 earnings	-	-	3,269,154	-	(3,269,154)	-	-	-
Legal reserve	-	-	-	-	(1,580,808)	-	-	(1,580,808)
Cash dividends	553,283	5,532,828	-	-	(5,532,828)	-	-	-
Stock dividends	-	-	-	-	-	-	-	-
Net income for the year ended December 31, 2015	-	-	-	-	11,643,337	-	-	11,643,337
Other comprehensive income for the year ended December 31, 2015, net of tax	-	-	-	-	(369,776)	(17,082)	558,187	171,329
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	11,273,561	(17,082)	558,187	11,814,666
BALANCE, DECEMBER 31, 2015	8,457,323	84,573,232	20,291,944	12,020,521	11,613,831	733,874	241,557	129,474,959

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

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 13,746,201	\$ 12,424,085
Non-cash (revenues and gains) or expenses and losses		
Bad debts expenses and guarantee liability provisions	329,372	(884,084)
Depreciation expenses	567,004	596,870
Amortization expenses	135,264	118,595
Interest income	(32,991,503)	(31,862,471)
Interest expenses	12,075,574	12,524,515
Dividends income	(345,033)	(292,404)
Net gain on financial assets and liabilities at fair value through profit or loss	297,723	(1,425,094)
(Gain) losses on disposal of investments	(181,117)	30,843
Unrealized foreign exchange (gain) losses	(704,511)	549,606
Other adjustments	(112,546)	167,029
Changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank	7,455,792	(6,206,427)
(Increase) decrease in financial assets at fair value through profit or loss	(5,590,573)	32,600,657
Decrease (increase) in receivables	1,639,599	(36,679)
Increase in loans	(63,078,423)	(115,464,623)
Increase in available-for-sale financial assets	(19,278,268)	(7,310,588)
(Increase) decrease in held-to-maturity financial assets	(22,140,196)	43,262,610
Decrease (increase) in other financial assets	46,950,053	(39,440,661)
Decrease (increase) in other assets	71,764	(98,708)
Increase in due to the Central Bank and banks	11,201,771	7,891,621
Increase in deposits and remittances	94,770,426	80,079,186
(Decrease) Increase in payables	(6,081,578)	3,897,264
Increase (decrease) in financial liabilities at fair value through profit or loss	1,976,567	(6,492,281)
Decrease in reserve for liabilities	(98,774)	(114,726)
Increase (decrease) in other financial liabilities	450,780	(47,612)
Increase in other liabilities	264,593	706,697
Cash flows generated from (used in) operations	41,329,961	(14,826,780)
Interest received	32,563,180	29,948,559
Dividend received	345,033	292,404
Interest paid	(12,356,946)	(12,157,939)
Income taxes refund	529,830	203,103
Income taxes paid	(2,004,534)	(657,281)
Net cash flows generated from operating activities	<u>60,406,524</u>	<u>2,802,066</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(566,799)	(567,103)
Acquisition of investment property	(998)	(133)

(Continued)

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014
Acquisition of intangible assets	\$ (108,820)	\$ (500,377)
Proceeds from disposal of property and equipment	<u>32</u>	<u>1,449</u>
Net cash used in investing activities	<u>(676,585)</u>	<u>(1,066,164)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in due to the Central Bank and call loans from banks	(8,401,985)	(9,615,371)
Proceeds from issuance of bank notes	-	25,835,000
Repayment of bank notes	(13,350,000)	(5,000,000)
Cash dividends distributed	(1,580,808)	(4,649,435)
Increase in securities sold under repurchase agreements	<u>85,353</u>	<u>22,103</u>
Net cash flows (used in) generated from financing activities	<u>(23,247,440)</u>	<u>6,592,297</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(10,707)</u>	<u>700,170</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	36,471,792	9,028,369
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>82,228,233</u>	<u>73,199,864</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 118,700,025</u>	<u>\$ 82,228,233</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents in consolidated balance sheet	\$ 31,225,679	\$ 39,586,197
Call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 permitted by the Financial Supervisory Commission	<u>87,474,346</u>	<u>42,642,036</u>
Cash and cash equivalents at end of period	<u>\$ 118,700,025</u>	<u>\$ 82,228,233</u>

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

(Concluded)

CHANG HWA COMMERCIAL BANK, LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (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.

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 banking and trust departments in head office, 184 domestic branches, an international financing branch, 3 agents conducting securities brokerage activities, 9 overseas branches in New York, Los Angeles, Tokyo, London, Singapore, Hong Kong, Kunshan China, Dongguan and Fuzhou.

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.

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

2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Bank’s board of directors and authorized for issue on February 25, 2016.

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 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC

Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that The Bank and its subsidiaries (the “Group”) should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) endorsed by the FSC and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version did not have any material impact on the Group's accounting policies:

1) IFRS 13 "Fair Value Measurement"

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than in the previous standards: For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy previously required only for financial instruments will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The fair value measurements under IFRS 13 are applied prospectively from January 1, 2015.

Refer to Note 35 for related disclosures.

2) Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income"

The amendments to IAS 1 requires items of other comprehensive income to be grouped into those items that (1) will not be reclassified subsequently to profit or loss; and (2) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under previous IAS 1, there were no such requirements.

The Group retrospectively applied the above amendments starting in 2015. Items not expected to be reclassified to profit or loss are remeasurements of the defined benefit plans. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations and unrealized gains (loss) on available-for-sale financial assets. The application of the above amendments did not have any impact on the net profit for the year, other comprehensive income for the year (net of income tax), and total comprehensive income for the year.

3) Revision to IAS 19 "Employee Benefits"

The revision requires all remeasurements of the defined benefit plans to be recognized immediately through other comprehensive income in order for the net pension asset or liability to reflect the full value of the plan deficit or surplus.

Furthermore, the interest cost and expected return on plan assets used in previous IAS 19 are replaced with a "net interest" amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, the revised IAS 19 introduces certain changes in the presentation of the defined benefit cost, and also includes more extensive disclosures.

On initial application of the revised IAS 19, there was no material change to the Group's consolidated financial statements. In addition, in preparing the consolidated financial statements for the year ended December 31, 2015, the Group elected not to present 2014 comparative information about the sensitivity of the defined benefit obligation.

4) Recognition and measurement of financial liabilities designated as at fair value through profit or loss

Based on the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, for financial liabilities designated as at fair value through profit or loss, the amount of change in the fair value attributable to changes in the credit risk of that liability is presented in other comprehensive income and the remaining amount of change in the fair value of that liability is presented in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. If this accounting treatment

would create or enlarge an accounting mismatch, all gains or losses on that liability are presented in profit or loss.

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

The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced their effective dates.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
IFRS 9 “Financial Instruments”	January 1, 2018 (Note 4)
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
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 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

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

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

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

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

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

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

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

The impairment of financial assets

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

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

Hedge accounting

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

2) IFRS 16 "Leases"

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

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

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

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

3) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

Current/Noncurrent Assets and Liabilities

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

Basis of Consolidation

Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Bank and the entities controlled by the Bank (its subsidiaries).

When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See Note 16 for the detailed information of subsidiaries (including the percentage of ownership and main business).

Foreign Currencies

In preparing the consolidated financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries, associates, joint ventures or branches operations in other countries or currencies used different with the Group) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

Property, Plant and Equipment

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

Property, plant 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, plant and equipment when completed and ready for intended use.

Freehold land is not depreciated.

Depreciation on property, plant 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, plant 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. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

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 are recognized in profit or loss.

Impairment of Tangible and Intangible Assets

At the end of each reporting period, the Group 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 Group 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.

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 a group entity becomes a party to the contractual provisions of the instruments.

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

a. Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis 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 its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- 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 35.

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 35.

b) Held-to-maturity investments

Corporate bonds, and foreign bonds, which are above specific credit ratings and the Group 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 Group'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 profit or loss or 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 three 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 trade receivables, 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 Group'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, and other situation.

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 are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In respect of available-for-sale debt securities, 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, it is 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 Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income 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 group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group'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 35.

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 Group'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 35.

b) Financial guarantee contracts

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

2) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

d. Derivative financial instruments

The Group 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 Group 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 Group revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. The 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 Group are measured at amortized cost using the effective interest method.

To follow the risk management policy of the Group, 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 Group 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 effective interest rate applicable.

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 Group as lessor

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

b. The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group 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 consolidated 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.

Lease incentives received under operating leases are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis. Lease incentives received under the finance lease are recognized as a reduction of minimum lease payments.

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

Employee Benefit

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 rereasurement) 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 they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

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.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the 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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax 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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group'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 estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Held-to-maturity financial assets

Management has reviewed the Group's held-to-maturity financial assets in light of its capital maintenance and liquidity requirements and has confirmed the Group's positive intention and ability to hold those assets to maturity.

b. Income taxes

As of December 31, 2015 and 2014, the carrying amount of deferred tax assets in relation to unused tax losses was \$2,367,489 thousand and \$3,186,032 thousand, respectively. Due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

c. Estimated impairment of loans and receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the 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.

d. Fair value measurements and valuation processes

If some of the Group's assets and liabilities measured at fair value have no quoted prices in active markets, the Group will determine whether to engage third party qualified valuers and to determine the appropriate valuation techniques for fair value measurements.

Where Level 1 inputs are not available, the Group or engaged valuers would determine appropriate inputs by referring to market prices or rates and specific features of derivatives. If the actual changes of inputs in the future differ from expectation, fair value might vary accordingly. The Group updates inputs every quarter to confirm the appropriateness of fair value measurement.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in Notes 35.

e. Recognition and measurement of defined benefit plans

Net defined benefit liabilities and the resulting defined benefit costs under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and future salary increase, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

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

a. Cash and cash equivalents

	December 31	
	2015	2014
Cash on hand	\$ 10,040,168	\$ 10,692,815
Checks for clearing	5,715,580	10,768,805
Due from banks	13,901,421	16,633,022
Foreign currencies on hand	<u>1,568,510</u>	<u>1,491,555</u>
	<u>\$ 31,225,679</u>	<u>\$ 39,586,197</u>

b. Due from Central Bank and call loans to banks

	December 31	
	2015	2014
Call loans to banks	\$ 87,474,346	\$ 42,642,036
Reserve for checking account	11,917,753	14,947,195
Reserve for demand account	38,419,375	37,064,353
Reserve for foreign deposit	303,044	277,004
Others	<u>8,539,694</u>	<u>14,347,106</u>
	<u>\$ 146,654,212</u>	<u>\$ 109,277,694</u>

7. FINANCIAL INSTRUMENTS AT FVTPL

Financial Assets at FVTPL

	December 31	
	2015	2014
Financial assets designated as at FVTPL		
Interest rate-linked combination instruments	<u>\$ 6,118,506</u>	<u>\$ 2,368,757</u>
Derivative financial assets (not applying hedge accounting)		
Forward exchange contracts	123,948	276,459
Interest rate swaps	1,103,962	414,827
Cross-currency swaps	1,279,807	1,602,811

(Continued)

	December 31	
	2015	2014
Currency swaps	\$ 2,551,295	\$ 2,150,231
Currency call option premium	914,542	1,376,265
Futures	42,697	24,381
Non-derivative financial assets		
Investment in bills	28,601,913	27,002,360
Domestic listed stock	-	26,740
Mutual funds	207,362	308,488
Government bonds	2,523,596	2,013,639
Corporate bonds and bank notes	<u>50,987</u>	<u>260,779</u>
	<u>37,400,109</u>	<u>35,456,980</u>
	<u>\$ 43,518,615</u>	<u>\$ 37,825,737</u>

(Concluded)

The par values of bonds and notes provided for transactions with repurchase agreements were \$1,932,800 thousand and \$1,965,500 thousand as of December 31, 2015 and 2014, respectively.

Financial Liabilities at FVTPL

	December 31	
	2015	2014
Financial liabilities designated as at FVTPL		
Unsecured U.S. dollar-denominated bank notes	<u>\$ 17,156,385</u>	<u>\$ 15,936,642</u>
Derivative financial liabilities (not applying hedge accounting)		
Forward contracts	239,827	387,981
Interest rate swaps	1,075,950	352,267
Cross-currency swaps	1,464,804	821,641
Currency swaps	1,880,631	1,983,568
Currency put option premium	<u>914,542</u>	<u>1,376,264</u>
	<u>5,575,754</u>	<u>4,921,721</u>
	<u>\$ 22,732,139</u>	<u>\$ 20,858,363</u>

- a. The unsecured U.S. dollar-denominated bank notes issued by the Group are 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.
 - 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.
 - 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 Group designated the unsecured U.S. dollar-denominated banks notes as financial liabilities at FVTPL to reduce a measurement or recognition inconsistency. There was no amount of changes in fair value attributable to changes in the credit risk of the bank notes mentioned above in 2015.

The Group entered into derivative contracts during the years ended December 31, 2015 and 2014 to manage exposures due to exchange rate and interest rate fluctuations. The financial risk management objective of the Group 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, 2015 and 2014 were as follows:

	<u>December 31</u>	
	2015	2014
Currency swaps	\$ 360,237,048	\$ 309,040,381
Currency options	191,109,535	202,233,473
Forward exchange contracts	24,580,018	31,099,212
Interest rate swaps and asset-swap options	348,578,627	295,861,475
Cross-currency swaps	55,146,025	67,005,092

8. RECEIVABLES, NET

	<u>December 31</u>	
	2015	2014
Accounts receivable	\$ 9,659,711	\$ 10,774,104
Revenue receivable	198,368	198,582
Interest receivable	3,336,637	3,972,433
Acceptance receivable	4,583,300	4,692,955
Credit card receivable	1,717,950	1,533,242
Settlement price	130,629	351,212
Settlement price receivable	158,765	534,508
Other receivables	44,732	48,145
Less allowance for receivables	<u>(100,649)</u>	<u>(295,867)</u>
	<u>\$ 19,729,443</u>	<u>\$ 21,809,314</u>

Please refer to Note 9 for the movements of allowance for receivables.

9. LOANS, NET

a. The details of loans are as follows:

	<u>December 31</u>	
	2015	2014
Negotiated	\$ 4,970,696	\$ 6,748,219
Overdraft	1,667,655	1,592,759
Short-term loans	358,647,815	354,377,923
Receivable amount for margin loans	260,820	309,223
Medium-term loans	430,311,252	391,379,873
Long-term loans	539,373,447	516,968,169
Delinquent loans	<u>2,837,570</u>	<u>2,661,817</u>
	1,338,069,255	1,274,037,983
Less allowance for loan losses	<u>(16,134,892)</u>	<u>(14,671,234)</u>
	<u>\$ 1,321,934,363</u>	<u>\$ 1,259,366,749</u>

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

	For the Year Ended December 31, 2015			
	Receivables	Loans	Other Financial Assets	Total
Balance, January 1, 2015	\$ 295,867	\$ 14,671,234	\$ 41,776	\$ 15,008,877
Recovery of loans written off	17,815	1,799,979	9,884	1,827,678
Provision (reserve) for loan losses	(195,524)	460,865	19,853	285,194
Loans written off	(18,475)	(949,045)	(30,809)	(998,329)
Others	<u>966</u>	<u>151,859</u>	<u>4,336</u>	<u>157,161</u>
Balance, December 31, 2015	<u>\$ 100,649</u>	<u>\$ 16,134,892</u>	<u>\$ 45,040</u>	<u>\$ 16,280,581</u>

	For the Year Ended December 31, 2014			
	Receivables	Loans	Other Financial Assets	Total
Balance, January 1, 2014	\$ 375,010	\$ 13,510,469	\$ 44,385	\$ 13,929,864
Recovery of loans written off	3,107	2,342,831	11,695	2,357,633
Provision (reserve) for loan losses	(61,296)	(1,044,962)	678	(1,105,580)
Loans written off	(22,482)	(236,816)	(14,982)	(274,280)
Others	<u>1,528</u>	<u>99,712</u>	<u>-</u>	<u>101,240</u>
Balance, December 31, 2014	<u>\$ 295,867</u>	<u>\$ 14,671,234</u>	<u>\$ 41,776</u>	<u>\$ 15,008,877</u>

The delinquent loans of which the accrual of interest income was stopped internally as of December 31, 2015 and 2014 were \$2,837,570 thousand and \$2,661,817 thousand, respectively. The interest income on delinquent loans not accrued in 2015 and 2014 was \$77,749 thousand and \$76,660 thousand, respectively.

The Group did not write off any loans without legal claim process in 2015 and 2014.

c. Details of provision for loan losses for the years ended December 31, 2015 and 2014 were as follows:

	2015	2014
Provision (reserve) for receivable and loan (including delinquent loan) losses	\$ 285,194	\$ (1,105,580)
Provision for guarantees	<u>44,178</u>	<u>221,496</u>
	<u>\$ 329,372</u>	<u>\$ (884,084)</u>

- d. Details of receivables and allowance for loan accounts for the years ended December 31, 2015 and 2014 were as follows:

Receivables

Item		Total Receivable	
		December 31, 2015	December 31, 2014
Objective evidence of impairment	Individual assessment of impairment	\$ 221,100	\$ 241,914
	Combined assessment of impairment	47,618	36,960
None objective evidence of impairment	Combined assessment of impairment	19,561,374	21,815,043
Total		\$ 19,830,092	\$ 22,093,917

Item		Total Allowance	
		December 31, 2015	December 31, 2014
Objective evidence of impairment	Individual assessment of impairment	\$ 11,059	\$ 202,801
	Combined assessment of impairment	21,502	14,814
None objective evidence of impairment	Combined assessment of impairment	68,088	78,252
Total		\$ 100,649	\$ 295,867

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, 2015	December 31, 2014
Objective evidence of impairment	Individual assessment of impairment	\$ 6,138,564	\$ 12,645,129
	Combined assessment of impairment	3,038,210	2,350,018
None objective evidence of impairment	Combined assessment of impairment	1,328,892,481	1,259,042,836
Total		\$ 1,338,069,255	\$ 1,274,037,983

Item		Total Allowance	
		December 31, 2015	December 31, 2014
Objective evidence of impairment	Individual assessment of impairment	\$ 2,891,827	\$ 3,737,955
	Combined assessment of impairment	853,573	644,657
None objective evidence of impairment	Combined assessment of impairment	12,389,492	10,288,622
Total		\$ 16,134,892	\$ 14,671,234

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

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Domestic quoted stocks	\$ 2,811,056	\$ 2,134,508
Government bonds	26,903,320	31,332,880
Corporate bonds	9,936,707	4,944,250
Bank notes	26,734,901	6,590,444
Bonds issued by international organizations	197,149	188,345
Investment in bills	<u>832,069</u>	<u>955,181</u>
	<u>\$ 67,415,202</u>	<u>\$ 46,145,608</u>

The par values of bonds provided for transactions with repurchase agreements were \$2,193,500 thousand and \$2,315,300 thousand as of December 31, 2015 and 2014, respectively.

Government bonds placed as deposits in courts as of December 31, 2015 and 2014 were \$760,300 thousand and \$662,500 thousand, respectively. Government bonds placed as operating deposits as of December 31, 2015 and 2014 were \$280,000 thousand and \$290,000 thousand, respectively.

Refer to Note 38 for information relating to available-for-sale financial assets pledged as security.

11. HELD-TO-MATURITY FINANCIAL ASSETS

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Investment in bills	\$ 189,538,946	\$ 169,547,799
Bank notes	2,237,422	2,111,859
Corporate bonds	13,008,643	11,977,401
Government bonds	<u>992,244</u>	<u>-</u>
	<u>\$ 205,777,255</u>	<u>\$ 183,637,059</u>

The overseas branches' bonds as collateral for operations as of December 31, 2015 and 2014 were \$492,991 thousand and \$379,764 thousand, respectively.

Certificate of deposits placed as reserves for clearing at the Central Bank were \$36,300,000 thousand and \$41,000,000 thousand as of December 31, 2015 and 2014, respectively.

Refer to Note 38 for information relating to held-to-mature financial assets pledged as security.

12. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
<u>Derivative financial assets under hedge accounting</u>		
Fair value hedges - interest rate swaps	<u>\$ 192,521</u>	<u>\$ 27,629</u>

The Group 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 Group at the end of 2015 and 2014 were \$5,200,000 thousand and \$7,200,000 thousand.

The fixed-to-floating interest swaps were designated and effective fair value hedge instruments. During 2015 and 2014, 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 \$183,580 thousand and \$14,938 thousand as of December 31, 2015 and 2014, 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:

- a. Hedging type: Fair value hedging.
- b. Hedging objective: To minimize risks of the Group from the variation of fair value due to fluctuation of interest rate, by converting fixed-rate note to floating-rate note.
- c. Hedging method: By signing interest rate swap contract.
- d. Hedging effect: The actual offset result is considered highly effective since the variation of the fair value of the hedged instrument and of the hedging instrument is within 80%-125%, which has met the hedging accounting criterion suggested in IFRSs. The realized gain of fair-value hedging was \$48,826 thousand and \$72,085 thousand, accounted as other non-interest net income and losses, for 2015 and 2014, respectively.

13. FINANCIAL ASSETS CARRIED AT COST

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
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 Group, 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. BOND INVESTMENT WITH NO ACTIVE MARKET

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Preferred stock - Taiwan High Speed Rail Co., Ltd.	\$ -	\$ 1,300,000
Beneficiary securities and asset based securities	112,792	138,634
Corporate bonds and bank notes	<u>1,938,282</u>	<u>1,961,708</u>
	<u>\$ 2,051,074</u>	<u>\$ 3,400,342</u>

The shares of preferred stock of Taiwan High Speed Rail Co., Ltd were redeemed on August 7, 2015.

15. OTHER MISCELLANEOUS FINANCIAL ASSETS

	<u>December 31</u>	
	2015	2014
Inward remittance	\$ 29,112	\$ 46,967
Delinquent loans reclassified from other accounts (excluding loans)	78,112	105,811
Time deposits with original maturity more than 3 months	25,468,153	71,044,309
Less allowance for loan losses	<u>(45,040)</u>	<u>(41,776)</u>
	<u>\$ 25,530,337</u>	<u>\$ 71,155,311</u>

The market rates of time deposits with original maturity more than 3 months were 0.46%-4.70% and 0.93%-5.30% in 2015 and 2014, respectively. Refer to Note 38 for information relating to other miscellaneous financial assets pledged as security.

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

16. SUBSIDIARY

Subsidiary included in consolidated financial statements

Investor	Investee	Main Business	<u>% of Ownership</u>	
			2015	2014
The Group	CHB Life Insurance Agency	Life Insurance Agency	100	100
	CHB Insurance Brokerage	Property Insurance Brokerage	100	100

17. 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, 2015	\$ 17,407,630	\$ 8,854,428	\$ 5,471,249	\$ 552,854	\$ 1,476,265	\$ 909,546	\$ 168,860	\$ 55,664	\$ 34,896,496
Additions	-	253,715	202,163	23,591	40,604	33,258	-	13,468	566,799
Disposals	-	(842)	(468,789)	(13,561)	(19,399)	(3,022)	-	-	(505,613)
Reclassification as held for sale	(1,527,530)	(59,735)	-	56,627	-	-	(56,628)	(53,302)	(1,640,568)
Effect of foreign currency exchange differences	-	2,726	2,289	376	1,390	3,448	-	657	10,886
Balance at December 31, 2015	<u>\$ 15,880,100</u>	<u>\$ 9,050,292</u>	<u>\$ 5,206,912</u>	<u>\$ 619,887</u>	<u>\$ 1,498,860</u>	<u>\$ 943,230</u>	<u>\$ 112,232</u>	<u>\$ 16,487</u>	<u>\$ 33,328,000</u>
Accumulated depreciation and impairment									
Balance at January 1, 2015	\$ -	\$ 3,821,181	\$ 4,688,809	\$ 459,539	\$ 1,304,751	\$ 730,121	\$ 69,251	\$ -	\$ 11,073,652
Depreciation expense	-	173,291	235,605	30,709	50,833	52,806	17,340	-	560,584
Disposals	-	(838)	(468,680)	(13,505)	(19,397)	(3,022)	-	-	(505,442)
Reclassification	-	(57,772)	-	31,459	-	-	(31,459)	-	(57,772)
Effect of foreign currency exchange differences	-	58	1,179	157	930	1,646	-	-	3,970
Balance at December 31, 2015	<u>\$ -</u>	<u>\$ 3,935,920</u>	<u>\$ 4,456,913</u>	<u>\$ 508,359</u>	<u>\$ 1,337,117</u>	<u>\$ 781,551</u>	<u>\$ 55,132</u>	<u>\$ -</u>	<u>\$ 11,074,992</u>
Carrying amounts at December 31, 2015	<u>\$ 15,880,100</u>	<u>\$ 5,114,372</u>	<u>\$ 749,999</u>	<u>\$ 111,528</u>	<u>\$ 161,743</u>	<u>\$ 161,679</u>	<u>\$ 57,100</u>	<u>\$ 16,487</u>	<u>\$ 22,253,008</u>
Cost									
Balance at January 1, 2014	\$ 17,488,298	\$ 8,777,579	\$ 5,286,279	\$ 559,611	\$ 1,455,343	\$ 912,423	\$ 168,860	\$ 39,723	\$ 34,688,116
Additions	-	61,681	273,174	23,181	38,731	22,491	-	147,845	567,103
Disposals	-	(995)	(175,064)	(30,914)	(28,744)	(46,634)	-	-	(282,351)
Reclassification as held for sale	(80,668)	16,163	81,655	326	6,767	16,430	-	(133,639)	(92,966)
Effect of foreign currency exchange differences	-	-	5,205	650	4,168	4,836	-	1,735	16,594
Balance at December 31, 2014	<u>\$ 17,407,630</u>	<u>\$ 8,854,428</u>	<u>\$ 5,471,249</u>	<u>\$ 552,854</u>	<u>\$ 1,476,265</u>	<u>\$ 909,546</u>	<u>\$ 168,860</u>	<u>\$ 55,664</u>	<u>\$ 34,896,496</u>

(Continued)

	Freehold Land	Buildings	Machinery Equipment	Transportation Equipment	Miscellaneous Equipment	Leasehold Improvement	Leased Assets	Construction in Progress and Prepayment for Building and Equipment	Total
Accumulated depreciation and impairment									
Balance at January 1, 2014	\$ -	\$ 3,650,368	\$ 4,592,058	\$ 462,089	\$ 1,279,711	\$ 717,943	\$ 50,489	\$ -	\$ 10,752,658
Depreciation expense	-	173,496	265,194	27,763	49,587	55,780	18,762	-	590,582
Disposals	-	(995)	(172,832)	(30,776)	(28,276)	(46,626)	-	-	(279,505)
Reclassification	-	(1,688)	-	-	-	-	-	-	(1,688)
Effect of foreign currency exchange differences	-	-	4,389	463	3,729	3,024	-	-	11,605
Balance at December 31, 2014	<u>\$ -</u>	<u>\$ 3,821,181</u>	<u>\$ 4,688,809</u>	<u>\$ 459,539</u>	<u>\$ 1,304,751</u>	<u>\$ 730,121</u>	<u>\$ 69,251</u>	<u>\$ -</u>	<u>\$ 11,073,652</u>
Carrying amounts at December 31, 2014	<u>\$ 17,407,630</u>	<u>\$ 5,033,247</u>	<u>\$ 782,440</u>	<u>\$ 93,315</u>	<u>\$ 171,514</u>	<u>\$ 179,425</u>	<u>\$ 99,609</u>	<u>\$ 55,664</u>	<u>\$ 23,822,844</u>

(Concluded)

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

18. INVESTMENT PROPERTIES

	Completed Investment Property
<u>Cost</u>	
Balance at January 1, 2015	\$ 11,285,548
Reclassification	1,587,268
Additions	998
Disposals	<u>(260)</u>
Balance at December 31, 2015	<u>\$ 12,873,554</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2015	\$ 273,108
Reclassification	57,772
Depreciation expense	6,420
Disposals	<u>(255)</u>
Balance at December 31, 2015	<u>\$ 337,045</u>
Carrying amounts at December 31, 2015	<u>\$ 12,536,509</u>

(Continued)

	Completed Investment Property
<u>Cost</u>	
Balance at January 1, 2014	\$ 11,203,179
Reclassification	82,415
Additions	133
Disposals	<u>(179)</u>
Balance at December 31, 2014	<u>\$ 11,285,548</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2014	\$ 265,311
Reclassification	1,688
Depreciation expense	6,288
Disposals	<u>(179)</u>
Balance at December 31, 2014	<u>\$ 273,108</u>
Carrying amounts at December 31, 2014	<u>\$ 11,012,440</u> (Concluded)

The investment properties held by the Group are depreciated over their estimated useful lives, using the straight-line method.

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

The fair value of Group's investment property as of December 31, 2015 was \$27,600,219 thousand. The determination of fair value was performed and measured by independent qualified professional valuers of CCIS Real Estate Joint Appraisers Firm. The significant unobservable inputs used in the valuation include discount rate 5.16% and capitalization rate 1.85%.

The fair value of the Group's investment property as of December 31, 2014 was \$15,832,200 thousand. The fair value valuation was not performed by independent qualified professional valuers; management of the Group used the valuation model that market participants would use in determining the fair value/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 2015 and 2014 were as follows:

	<u>For the Year Ended December 31</u>	
	2015	2014
Rental incomes	<u>\$ 177,075</u>	<u>\$ 178,064</u>
Direct operating expenses	<u>\$ 90,241</u>	<u>\$ 71,704</u>

19. INTANGIBLE ASSETS

	Computer Software
Balance at January 1, 2015	\$ 473,336
Additions	108,820
Amortization	(134,963)
Reclassification	53,300
Effect of foreign currency exchange differences	<u>217</u>
Balance at December 31, 2015	<u>\$ 500,710</u>
Balance at January 1, 2014	\$ 80,006
Additions	500,377
Amortization	(118,123)
Reclassification	10,552
Effect of foreign currency exchange differences	<u>524</u>
Balance at December 31, 2014	<u>\$ 473,336</u>

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

20. OTHER ASSETS

	December 31	
	2015	2014
Refundable deposits	\$ 109,225	\$ 164,299
Assumed collateral and residuals	23,462	23,462
Less: Accumulated impairment	(23,462)	(23,462)
Prepayments	238,536	232,602
Others	<u>596</u>	<u>807</u>
	<u>\$ 348,357</u>	<u>\$ 397,708</u>

21. DUE TO BANKS AND CENTRAL BANK

	December 31	
	2015	2014
Due to Central Bank	\$ 20,249	\$ 23,665
Due to banks	30,117,635	18,244,623
Bank overdraft	951,895	1,033,239
Call loans from banks	90,118,840	101,369,221
Deposits transferred from the Postal Bureau	<u>2,816,609</u>	<u>3,484,434</u>
	<u>\$ 124,025,228</u>	<u>\$ 124,155,182</u>

22. PAYABLES

	December 31	
	2015	2014
Checks issued to payees for clearing	\$ 9,333,298	\$ 14,689,756
Accounts payable	1,898,732	2,191,042
Accrued expenses	2,517,194	2,370,021
Interest payable	1,867,700	2,126,358
Acceptances	4,715,573	4,736,264
Others	<u>2,832,435</u>	<u>3,391,727</u>
	<u>\$ 23,164,932</u>	<u>\$ 29,505,168</u>

23. DEPOSITS

	December 31	
	2015	2014
Checking deposit	\$ 37,344,978	\$ 37,600,944
Demand deposit	363,453,070	324,343,767
Time deposit	333,234,816	295,453,930
Negotiable certificates of deposit	7,576,400	7,892,100
Savings deposit	804,891,721	786,643,556
Remittances	<u>1,238,726</u>	<u>1,034,988</u>
	<u>\$ 1,547,739,711</u>	<u>\$ 1,452,969,285</u>

24. 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 subordinated bank notes-97-1 with 7-year terms on May 19, 2008.

The Bank issued \$8,350 million subordinated bank notes-97-2 with 7-year terms on December 15, 2008.

The Bank issued \$5,000 million subordinated bank notes-98-1 with 7-year terms on September 15, 2009.

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 RMB1,000 million ordinated bank notes-102-1 with 3-year terms on May 29, 2013.

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

Bank Note, Interest Rate and Maturity Date	December 31	
	2015	2014
<u>Hedged financial liabilities at fair value</u>		
97-1, 7-year term, interest payable annually, interest rate 3.10%, maturity date: May 19, 2015	\$ -	\$ 2,000,000
103-1 Note A, 7-year term, interest payable annually, interest rate 1.70%, maturity date: April 16, 2021	2,200,000	2,200,000
103-1 Note B, 10-year term, interest payable annually, interest rate 1.85%, maturity date: April 16, 2024	3,000,000	3,000,000
Valuation adjustment	<u>183,580</u>	<u>14,938</u>
	<u>5,383,580</u>	<u>7,214,938</u>
<u>Non-hedged bank notes payable</u>		
97-1, 7-year term, interest payable annually, interest rate 3.10%, maturity date: May 19, 2015	-	3,000,000
97-2, 7-year terms, interest payable annually, interest rate 3.05%, maturity date: December 15, 2015		8,350,000
98-1, 7-year terms, interest payable annually, interest rate 2.30%, maturity date: September 15, 2016	5,000,000	5,000,000
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
102-1, 3-year terms, interest payable annually, interest rate 2.90%, maturity date: May 29, 2016	4,993,000	5,099,000
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	<u>2,500,000</u>	<u>2,500,000</u>
	<u>29,793,000</u>	<u>41,249,000</u>
	<u>\$ 35,176,580</u>	<u>\$ 48,463,938</u>

The Group engaged in derivative transactions as hedging tools for the 97-1, 103-1 Note A and 103-1 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. Please refer to Note 12.

25. OTHER FINANCIAL LIABILITIES

	<u>December 31</u>	
	2015	2014
Principal structured products	\$ 829,163	\$ 319,930
Appropriations for loan fund	232,195	257,920
Lease payable	<u>13,838</u>	<u>46,566</u>
	<u>\$ 1,075,196</u>	<u>\$ 624,416</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.

26. OTHER LIABILITIES

	<u>December 31</u>	
	2015	2014
Unearned revenue	\$ 856,983	\$ 918,726
Guarantee deposits	2,328,710	1,998,196
Deferred income	<u>28,027</u>	<u>39,714</u>
	<u>\$ 3,213,720</u>	<u>\$ 2,956,636</u>

27. PROVISIONS

	<u>December 31</u>	
	2015	2014
Reserve for employee benefits	\$ 3,919,132	\$ 3,572,973
Reserve for guarantee liabilities	<u>452,184</u>	<u>461,706</u>
	<u>\$ 4,371,316</u>	<u>\$ 4,034,679</u>
		Reserve for Guarantee Liabilities
Balance, January 1, 2015		\$ 461,706
Provision		44,178
Bad debts written off		(4,336)
Transfer to allowance for loan losses		(49,943)
Exchange differences		<u>579</u>
Balance, December 31, 2015		<u>\$ 452,184</u>
Balance, January 1, 2014		\$ 229,614
Provision		221,496
Transfer from allowance for loan losses		10,000
Exchange differences		<u>596</u>
Balance, December 31, 2014		<u>\$ 461,706</u>

- a. Refer to Note 28 for information of reserve for employee benefits.
- 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 collaterals and the length of time overdue.

28. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Group 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 Group 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 Group 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 Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

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

	December 31	
	2015	2014
Present value of defined benefit obligation	\$ 9,421,583	\$ 8,813,026
Fair value of plan assets	<u>(6,814,352)</u>	<u>(6,567,714)</u>
Deficit	2,607,231	2,245,312
Others	<u>8,639</u>	<u>9,045</u>
Net defined benefit liability	<u>\$ 2,615,870</u>	<u>\$ 2,254,357</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, 2015	<u>\$ 8,813,026</u>	<u>\$ 6,567,714</u>	<u>\$ 2,245,312</u>
Service cost			
Current service cost	258,868	-	258,868
Net interest cost	<u>151,218</u>	<u>115,327</u>	<u>35,891</u>
Recognized in profit or loss	<u>410,086</u>	<u>115,327</u>	<u>294,759</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ 60,041	\$ (60,041)
Actuarial (gain) loss - changes in financial assumptions	250,710	-	250,710
Actuarial (gain) loss - experience adjustments	<u>254,844</u>	<u>-</u>	<u>254,844</u>
Recognized in other comprehensive income	<u>505,554</u>	<u>60,041</u>	<u>445,513</u>
Contributions from the employer	-	378,353	(378,353)
Benefits paid	<u>(307,083)</u>	<u>(307,083)</u>	<u>-</u>
Balance at December 31, 2015	<u>\$ 9,421,583</u>	<u>\$ 6,814,352</u>	<u>\$ 2,607,231</u>
Balance at January 1, 2014	<u>\$ 8,552,285</u>	<u>\$ 6,385,740</u>	<u>\$ 2,166,545</u>
Service cost			
Current service cost	260,542	-	260,542
Net interest cost	<u>146,013</u>	<u>111,810</u>	<u>34,203</u>
Recognized in profit or loss	<u>406,555</u>	<u>111,810</u>	<u>294,745</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	38,167	(38,167)
Actuarial (gain) loss - experience adjustments	<u>292,876</u>	<u>-</u>	<u>292,876</u>
Recognized in other comprehensive income	<u>292,876</u>	<u>38,167</u>	<u>254,709</u>
Contributions from the employer	-	470,687	(470,687)
Benefits paid	<u>(438,690)</u>	<u>(438,690)</u>	<u>-</u>
Balance at December 31, 2014	<u>\$ 8,813,026</u>	<u>\$ 6,567,714</u>	<u>\$ 2,245,312</u> (Concluded)

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

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

	<u>December 31</u>	
	2015	2014
Discount rate(s)	1.50%	1.75%
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:

	<u>December 31, 2015</u>
Discount rate(s)	
0.25% increase	<u>\$ (250,710)</u>
0.25% decrease	<u>\$ 261,130</u>
Expected rate(s) of salary increase	
0.25% increase	<u>\$ 259,175</u>
0.25% decrease	<u>\$ (250,107)</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.

	<u>December 31</u>	
	2015	2014
The expected contributions to the plan for the next year	<u>\$ 324,000</u>	<u>\$ 388,800</u>
The average duration of the defined benefit obligation	11 years	11 years

c. Plan of high-yield savings account for employee

The Group 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 30 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:

	<u>December 31</u>	
	2015	2014
Present value of defined benefit obligation	\$ 1,303,262	\$ 1,318,616
Less: Fair value of defined benefit plan assets	<u>-</u>	<u>-</u>
Assets and liabilities at the end of the reporting period	<u>\$ 1,303,262</u>	<u>\$ 1,318,616</u>

2) Analysis of defined benefit obligation

	December 31	
	2015	2014
All or part of defined benefit obligation contributed	\$ -	\$ -
Defined benefit obligation not contributed	<u>1,303,262</u>	<u>1,318,616</u>
	<u>\$ 1,303,262</u>	<u>\$ 1,318,616</u>

3) Movements of the present value of defined benefit obligation

	For the Year Ended December 31	
	2015	2014
Balance, January 1	\$ 1,318,617	\$ 1,268,295
Interest cost	50,068	48,173
Actuarial gains and losses	191,904	262,182
Benefits paid	<u>(257,327)</u>	<u>(260,033)</u>
Balance, December 31	<u>\$ 1,303,262</u>	<u>\$ 1,318,617</u>

4) Movements of the fair value of plan assets

	For the Year Ended December 31	
	2015	2014
Balance, January 1	\$ -	\$ -
Contribution by employers	257,237	260,033
Benefits paid	<u>(257,237)</u>	<u>(260,033)</u>
Balance, December 31	<u>\$ -</u>	<u>\$ -</u>

5) Details of gains and losses recognized in expenses

	For the Year Ended December 31	
	2015	2014
Interest cost	\$ 50,068	\$ 48,173
Actuarial gains and losses	<u>191,904</u>	<u>262,182</u>
	<u>\$ 241,972</u>	<u>\$ 310,355</u>

6) Main actuarial assumptions

	For the Year Ended December 31	
	2015	2014
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%

(Continued)

	For the Year Ended December 31	
	2015	2014
Probability of future high-yield savings account system change	50.00%	50.00%
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	1.39%-1.45%	1.39%-1.45% (Concluded)

29. EQUITY

a. Share capital

Common stock

	December 31	
	2015	2014
Number of shares authorized (in thousands)	<u>9,000,000</u>	<u>8,000,000</u>
Shares authorized	<u>\$ 90,000,000</u>	<u>\$ 80,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>8,457,323</u>	<u>7,904,040</u>
Shares issued	<u>\$ 84,573,232</u>	<u>\$ 79,040,404</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

As of January 1, 2014, the Bank's authorized and registered capital was \$80,000,000 thousand divided into 8,000,000 thousand shares at \$10 par value; the total paid-in capital was \$77,490,592 thousand. In June 2015, the Bank increased the Bank's registered capital by \$10,000,000 thousand. In August 2015 and 2014, the Bank had resolved capitalization of earnings and increased the Bank's paid-in capital by \$5,532,828 thousand and \$1,549,812 thousand, respectively. The amount of the Bank's authorized and registered capital at December 31, 2015 and 2014 were \$90,000,000 and \$80,000,000 thousand divided into 9,000,000 and 8,000,000 thousand shares, respectively and, also at those dates, the amounts of total paid-in capital were \$84,573,232 thousand and \$79,040,404 thousand divided into 8,457,323 thousand outstanding shares and 7,904,040 thousand outstanding shares, respectively, at \$10 par value.

b. Distribution of earnings and dividend policy

Under the Bank's Articles of Incorporation, the Bank should make appropriations from its net income in the following order:

- 1) Payment of income taxes;
- 2) Offset of prior years' losses, if any;
- 3) 30% as legal reserve and if needed, special reserve;
- 4) Dividends to shareholders as proposed by the Board of Directors and resolved in the general shareholders' meeting.

- 5) 1% to 1.5% as bonuses to directors and supervisors based on the approval of the Board of Directors.
- 6) 1% to 8% as bonuses to employees based on the approval of the Board of Directors.

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.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been proposed by the Bank's board of directors in March 2016 and are subject to the resolution of the shareholders in their meeting to be held in June 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to Note 30, item 6, Employee benefits expense.

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.

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", the Bank should appropriate or reverse to a special reserve.

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 Company 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 2014 and 2013 had been approved in the shareholders' meetings on June 12, 2015 and June 20, 2014. The appropriations of earnings and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share	
	2014	2013	(NT\$)	
			2014	2013
Legal reserve	\$ 3,269,154	\$ 2,645,475		
Dividends of common stock - cash	1,580,808	4,649,435	\$ 0.20	\$ 0.60
Dividends of common stock - stock	5,532,828	1,549,812	0.70	0.20

The appropriations of earnings, the bonus to employees, and the remuneration to directors and supervisors for 2015 are subject to the resolution of the shareholders' meeting to be held in June 2016.

d. Special reserve

	December 31	
	2015	2014
Special reserves appropriated following first-time adoption of IFRSs	\$ 11,778,829	\$ 11,778,829
Others	<u>241,692</u>	<u>241,692</u>
	<u>\$ 12,020,521</u>	<u>\$ 12,020,521</u>

The increase in retained earnings that resulted from all IFRSs adjustments was not enough for this appropriation; therefore, the Group appropriated for special reserve an amount of \$11,778,829 thousand, the increase in retained earnings that resulted from all IFRSs adjustments on transitions to IFRSs.

30. NET INCOME

a. Net interest income

	For the Year Ended December 31	
	2015	2014
Interest income		
Loans	\$ 27,207,183	\$ 25,058,648
Due from and call loans to banks	2,635,126	4,247,247
Investment in marketable securities	3,032,402	2,410,687
Others	<u>116,792</u>	<u>145,889</u>
	<u>32,991,503</u>	<u>31,862,471</u>
Interest expense		
Deposits	(10,229,644)	(10,003,856)
Due to the Central Bank and call loans from banks	(770,123)	(1,352,154)
Others	<u>(1,075,807)</u>	<u>(1,168,505)</u>
	<u>(12,075,574)</u>	<u>(12,524,515)</u>
Net interest income	<u>\$ 20,915,929</u>	<u>\$ 19,337,956</u>

b. Net service fee and commissions income

	For the Year Ended December 31	
	2015	2014
Service fee and commissions income		
Fees from import and export	\$ 360,095	\$ 300,488
Remittance fees	466,050	547,557
Loan and guarantees fees	588,718	469,325
Fees from trustee	782,214	968,623
Fees from trustee business	266,280	276,687
Others	<u>3,448,816</u>	<u>2,891,282</u>
	<u>5,912,173</u>	<u>5,453,962</u>
Service fee and commissions		
Interbank fees	(133,796)	(128,355)
Fees from trustee business	(34,164)	(85,142)
Management fees	(84,323)	(47,482)
Others	<u>(741,759)</u>	<u>(656,047)</u>
	<u>(994,042)</u>	<u>(917,026)</u>
Net service fee and commissions income	<u>\$ 4,918,131</u>	<u>\$ 4,536,936</u>

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

	For the Year Ended December 31	
	2015	2014
Disposal gains (losses) on financial assets and liabilities at FVTPL		
Stocks and beneficiary certificates	\$ 14,758	\$ 2,404
Bonds	64,360	(73,046)
Bills	30	23
Derivative financial instruments	351,776	739,342
Net interest income	201,692	250,846
Stock dividends and bonuses	<u>1,470</u>	<u>-</u>
	<u>634,086</u>	<u>919,569</u>
Valuation gains (losses) on financial assets and liabilities at FVTPL		
Stocks and beneficiary certificates	(3,356)	7,642
Bonds	(611,858)	42,597
Bills	(8,642)	3,064
Derivative financial instruments	<u>396,558</u>	<u>(97,384)</u>
	<u>(227,298)</u>	<u>(44,081)</u>
	<u>\$ 406,788</u>	<u>\$ 875,488</u>

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

	For the Year Ended December 31	
	2015	2014
Stock dividends and bonuses	\$ 99,071	\$ 60,083
Disposal gains		
Stock	27,091	15,642
Bonds	<u>169,674</u>	<u>60,984</u>
	<u>295,836</u>	<u>136,709</u>
Disposal losses		
Stock	(11,714)	(11,575)
Bonds	<u>(3,934)</u>	<u>(6,381)</u>
	<u>(15,648)</u>	<u>(17,956)</u>
	<u>\$ 280,188</u>	<u>\$ 118,753</u>

e. Depreciation and amortization expenses

	For the Year Ended December 31	
	2015	2014
Property and equipment	\$ 560,584	\$ 590,582
Investment property	6,420	6,288
Intangible assets and other deferred assets	<u>135,264</u>	<u>118,595</u>
	<u>\$ 702,268</u>	<u>\$ 715,465</u>

f. Employee benefits expenses

	For the Year Ended December 31	
	2015	2014
Short-term benefits	\$ 9,307,329	\$ 8,953,290
Post-employment benefits		
Defined contribution plans	145,456	185,575
Defined benefit plans	294,759	294,745
High-yield savings account for employees	241,972	310,355
Other post-employment benefits	<u>212,188</u>	<u>155,533</u>
	<u>\$ 10,201,704</u>	<u>\$ 9,899,498</u>

The existing (2014) Articles of Incorporation of the Bank stipulate to distribute bonus to employees and remuneration to directors and supervisors at 8% and 1.25% of net income (net of the bonus to employees and remuneration to directors and supervisors) minus legal reserve, based on past experiences. For the year ended December 31, 2014, the bonus to employees and the remuneration to directors and supervisors were \$610,242 thousand and \$95,350 thousand, respectively, representing 8% and 1.25%, respectively, of the base net income.

To be in compliance with the Company Act as amended in May 2015, the proposed amended Articles of Incorporation of the Bank (which are expected to be approved by the board of directors in March 2016 and by the shareholders' in their meeting in June 2016) stipulate to distribute employees' compensation and remuneration to directors and supervisors at the rates 1%-6% and no higher than 0.8%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the year ended December 31, 2015, the employees' compensation and the remuneration to directors and supervisors were \$723,768 thousand and \$101,600 thousand, respectively, representing 5% and 0.7%, respectively, of the base net profit. The employees' compensation and remuneration to directors and supervisors in cash for the year ended December 31, 2015 are expected to be submitted to the Bank's board of directors in March 2016.

Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date the annual consolidated financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The bonuses to employees and remuneration to directors and supervisors for 2014 and 2013 which have been approved in the shareholders' meetings on June 12, 2015 and June 20, 2014, respectively, were as follows:

	For the Year Ended December 31	
	2014	2013
	Cash Dividends	Cash Dividends
Bonus to employees	\$ 610,242	\$ 493,822
Remuneration of directors and supervisors	95,350	77,160

There was no difference between the amounts of the bonus to employees and the remuneration to directors and supervisors approved in the shareholders' meetings in 2015 and 2014 and the amounts recognized in the consolidated financial statements for the years ended December 31, 2014 and 2013.

Information about the bonus to employees, directors and supervisors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

31. INCOME TAX

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

	For the Year Ended December 31	
	2015	2014
Current tax		
In respect of the current year	\$ 1,179,493	\$ 1,299,804
Adjustments for prior years	(63,366)	(822)
Deferred tax		
In respect of the current year	801,020	145,577
Additional income tax on unappropriated earnings	30,298	-
Non-deductible tax of overseas branches	<u>155,419</u>	<u>82,346</u>
Income tax expense recognized in profit or loss	<u>\$ 2,102,864</u>	<u>\$ 1,526,905</u>

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

	For the Year Ended December 31	
	2015	2014
Profit before tax	<u>\$ 13,746,201</u>	<u>\$ 12,424,085</u>
Income tax expense calculated at the statutory rate	2,336,854	2,112,094
Nondeductible expenses in determining taxable income	1,191	(7,376)
Overseas' branch's additional income of deferred tax effect	89,001	71,196
Tax-exempt income	(514,513)	(550,007)
Additional income tax on unappropriated earnings	30,298	-
Non-deductible tax of overseas branches	155,419	82,346
Adjustments for prior years' tax	67,980	(180,526)
Others	<u>(63,366)</u>	<u>(822)</u>
Income tax expense recognized in profit or loss	<u>\$ 2,102,864</u>	<u>\$ 1,526,905</u>

As the status of 2016 appropriations of earnings is uncertain, the potential income tax consequences of 2015 unappropriated earnings are not reliably determinable.

- b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2015	2014
<u>Deferred tax</u>		
In respect of the current year:		
Translation of foreign operations	\$ 6,375	\$ 97,319
Fair value changes of available-for-sale financial asset	(6,280)	(1,753)
Actuarial gains and losses on defined benefit plan	<u>(75,737)</u>	<u>(43,301)</u>
Total income tax recognized in other comprehensive income	<u>\$ (75,642)</u>	<u>\$ 52,265</u>

c. Current tax assets and liabilities

	For the Year Ended December 31	
	2015	2014
Current tax assets		
Tax refund receivable	\$ 39,486	\$ 569,315
Others	<u>15,950</u>	<u>12,643</u>
	<u>\$ 55,436</u>	<u>\$ 581,958</u>
Current tax liabilities		
Income tax payable	<u>\$ 146,692</u>	<u>\$ 849,381</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, 2015

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Doubtful debts	\$ 1,778,870	\$ (157,679)	\$ -	\$ -	\$ 1,621,191
Others	<u>851,833</u>	<u>(187,552)</u>	<u>82,017</u>	<u>-</u>	<u>746,298</u>
	2,630,703	(345,231)	82,017	-	2,367,489
Tax losses	<u>555,329</u>	<u>(555,329)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,186,032</u>	<u>\$ (900,560)</u>	<u>\$ 82,017</u>	<u>\$ -</u>	<u>\$ 2,367,489</u>
<u>Deferred tax liabilities</u>					
Land revaluation increment tax	\$ 6,156,692	\$ -	\$ -	\$ -	\$ 6,156,692
Temporary differences	<u>581,332</u>	<u>(99,540)</u>	<u>6,375</u>	<u>-</u>	<u>488,167</u>
	<u>\$ 6,738,024</u>	<u>\$ (99,540)</u>	<u>\$ 6,375</u>	<u>\$ -</u>	<u>\$ 6,644,859</u>

For the year ended December 31, 2014

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Doubtful debts	\$ 1,608,885	\$ 169,985	\$ -	\$ -	\$ 1,778,870
Others	<u>673,254</u>	<u>135,278</u>	<u>43,301</u>	<u>-</u>	<u>851,833</u>
	2,282,139	305,263	43,301	-	2,630,703
Tax losses	<u>825,460</u>	<u>(270,131)</u>	<u>-</u>	<u>-</u>	<u>555,329</u>
	<u>\$ 3,107,599</u>	<u>\$ 35,132</u>	<u>\$ 43,301</u>	<u>\$ -</u>	<u>\$ 3,186,032</u>
<u>Deferred tax liabilities</u>					
Land revaluation increment tax	\$ 6,156,692	\$ -	\$ -	\$ -	\$ 6,156,692
Temporary differences	<u>305,057</u>	<u>180,709</u>	<u>95,566</u>	<u>-</u>	<u>581,332</u>
	<u>\$ 6,461,749</u>	<u>\$ 180,709</u>	<u>\$ 95,566</u>	<u>\$ -</u>	<u>\$ 6,738,024</u>

e. Information about integrated income tax was as follows:

	December 31	
	2015	2014
Unappropriated earnings generated on and after January 1, 1998	<u>\$ 11,613,831</u>	<u>\$ 10,723,060</u>
Imputation credits accounts	<u>\$ 859,993</u>	<u>\$ 1,105,513</u>

The creditable ratio for distribution of earnings of 2015 and 2014 was 8.02% (estimate) and 9.83%, respectively.

f. The Group's income tax returns through 2013 had been examined and cleared by the tax authority.

32. EARNINGS PER SHARE

The computation of earnings per share was retrospectively adjusted for the effects of adjustments resulting from bonus stock issues on August 18, 2015. The basic and diluted after-tax earnings per share of 2014 were adjusted retrospectively as followings:

	Unit: NT\$ Per Share	
	For the Year Ended December 31, 2014	
	Before Adjusted Retrospectively	After Adjusted Retrospectively
Basic earnings per share	<u>\$ 1.38</u>	<u>\$ 1.29</u>
Diluted earnings per share	<u>\$ 1.37</u>	<u>\$ 1.28</u>

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

	For the Year Ended December 31	
	2015	2014
Net profit for the year	<u>\$ 11,643,337</u>	<u>\$ 10,897,180</u>

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

	For the Year Ended December 31	
	2015	2014
Weighted average number of ordinary shares in computation of basic earnings per share	8,457,323	8,457,323
Effect of potentially dilutive ordinary shares:		
Employees' compensation or bonus issue to employees	<u>63,299</u>	<u>46,556</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>8,520,622</u>	<u>8,503,879</u>

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

33. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

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

As of December 31, 2015 and 2014, refundable deposits paid under operation leases amounted to \$39,006 thousand and \$36,566 thousand, respectively.

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

	December 31	
	2015	2014
Not later than 1 year	\$ 561,595	\$ 522,401
Later than 1 year and not later than 5 years	1,066,544	853,255
Later than 5 years	<u>365,478</u>	<u>341,047</u>
	<u>\$ 1,993,617</u>	<u>\$ 1,716,703</u>

b. The Group as lessor

Operating leases relate to the investment property owned by the Group 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, 2015 and 2014, refundable deposits paid under operation leases amounted to \$49,272 thousand and \$46,764 thousand, respectively.

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

	December 31	
	2015	2014
Not later than 1 year	\$ 191,030	\$ 208,372
Later than 1 year and not later than 5 years	422,066	420,951
Later than 5 years	<u>77,442</u>	<u>72,575</u>
	<u>\$ 690,538</u>	<u>\$ 701,898</u>

34. CAPITAL RISK MANAGEMENT

a. Summary

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

- 1) The Group's qualified regulatory capital should meet the requirement of capital adequacy regulations, and reached the minimum capital adequacy ratio.
- 2) To ensure the Group 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 Group 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 Group were carried out according to the regulation of local administrations.

The Group'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 Group 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, 2015	December 31, 2014
Self-owned capital	Common equity Tier I		\$ 112,853,258	\$ 102,963,876
	Other Tier I capital		2,606,267	3,115,460
	Tier II capital		38,454,781	38,124,697
	Self-owned capital		153,914,306	144,204,033
Risk-weighted assets	Credit risk	Standardized approach	1,249,155,462	1,202,332,050
		IRB	-	-
		Securitization	22,558	27,727
	Operation risk	Basic indicator approach	-	-
		Standardized approach/optional standard	46,064,950	41,779,613
		Advanced internal rating based approach	-	-
	Market price risk	Standardized approach	11,798,713	14,883,813
		Internal model approach	-	-
	Total		1,307,041,683	1,259,023,203
	Capital adequacy ratio			11.78%
Common equity Tier I to risk-weighted assets ratio			8.63%	8.18%
Tier I capital to risk-weighted assets ratio			8.83%	8.43%
Leverage ratio			5.65%	3.97%

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

35. 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

Except as detailed in the following table, management believes the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

	December 31			
	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>				
Held-to-maturity investments	\$ 205,777,255	\$ 205,870,456	\$ 183,637,059	\$ 183,665,479
Bonds investment with no active market	2,051,074	2,065,441	3,400,342	3,423,964
<u>Financial liabilities</u>				
Bond payables	35,176,580	36,206,685	48,463,938	49,415,625

2) Fair value hierarchy

Fair value hierarchy as at December 31, 2015

	Total	Level 1	Level 2	Level 3
<u>Financial assets</u>				
Held-to-maturity investments	\$ 205,870,456	\$ 2,031,983	\$ 14,299,527	\$ 189,538,946
Bonds investment with no active market	2,065,441	-	2,065,441	-
<u>Financial liabilities</u>				
Bond payables	36,206,685	-	7,383,580	28,823,105

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, 2015			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial products</u>				
Assets				
Financial assets at FVTPL	\$ 37,502,364	\$ 7,867,973	\$ 29,634,391	\$ -
Trading assets	31,383,858	2,776,230	28,607,628	-
Mutual funds	207,362	207,362	-	-
Bond investments	2,574,583	2,568,868	5,715	-
Others	28,601,913	-	28,601,913	-
Financial assets designated upon initial recognition as at fair value through profit or loss	6,118,506	5,091,743	1,026,763	-
Available-for-sale financial assets	67,415,202	39,679,658	27,735,544	-
Stock investments	2,811,056	2,811,056	-	-
Bond investments	63,772,077	36,036,533	27,735,544	-
Others	832,069	832,069	-	-
Liabilities				
Financial liabilities at FVTPL	17,156,385	-	17,156,385	-
<u>Derivative financial products</u>				
Assets				
Financial assets at FVTPL	6,016,251	42,697	5,973,554	-
Other financial assets				
Hedging derivative financial instruments	192,521	-	192,521	-
Liabilities				
Financial liabilities at FVTPL	5,575,754	-	5,575,754	-

Fair Value Measurement of Financial Instruments	December 31, 2014			
	Total	Level 1	Level 2	Level 3
<u>Non-derivative financial products</u>				
Assets				
Financial assets at FVTPL	\$ 31,980,763	\$ 2,604,245	\$ 27,007,761	\$ 2,368,757
Trading assets	29,612,006	2,604,245	27,007,761	-
Stocks and mutual funds	335,228	335,228	-	-
Bond investments	2,274,418	2,269,017	5,401	-
Others	27,002,360	-	27,002,360	-
Financial assets designated upon initial recognition as at fair value through profit or loss	2,368,757	-	-	2,368,757
Available-for-sale financial assets	46,145,608	24,754,933	21,390,675	-
Stock investments	2,134,508	2,134,508	-	-
Bond investments	43,055,919	21,665,244	21,390,675	-
Others	955,181	955,181	-	-
Liabilities				
Financial liabilities at FVTPL	15,936,642	-	15,936,642	-
<u>Derivative financial products</u>				
Assets				
Financial assets at FVTPL	5,844,974	24,381	5,820,593	-
Other financial assets				
Hedging derivative financial instruments	27,629	-	27,629	-
Liabilities				
Financial liabilities at FVTPL	4,921,721	-	4,921,721	-

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

2) Reconciliation of Level 3 fair value measurements of financial instruments

Item	For the Year Ended December 31, 2015						Ending Balance
	Beginning Balance	Valuation Gains (Losses)	Increase		Decrease		
			Buy or Issue	Transfer In	Sell, Disposal	Transfer Out	
Financial assets designated upon initial recognition as at fair value through profit or loss	\$ 2,368,757	\$ 6,493	\$ -	\$ -	\$ -	\$ (2,375,250) (Note)	\$ -

Note: The fair values of the financial instruments were based on the observable inputs and therefore transferred out to Level 2.

Item	For the Year Ended December 31, 2014						Ending Balance
	Beginning Balance	Valuation Gains (Losses)	Increase		Decrease		
			Buy or Issue	Transfer In	Sell, Disposal	Transfer Out	
Financial assets designated upon initial recognition as at fair value through profit or loss	\$ 3,552,927	\$ 14,180	\$ -	\$ -	\$ (1,198,350)	\$ -	\$ 2,368,757

Valuation gains (losses) mentioned above recognized in current profits or losses in the amounts of \$6,493 thousand and \$14,180 thousand were attributed to gains (losses) on assets owned during the years ended December 31, 2015 and 2014, respectively.

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

The fair values of financial assets and financial liabilities were determined as follows:

- a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
- b) The fair values of derivative instruments were calculated using quoted prices. Where such prices were not available, a discounted cash flow analysis was performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates;
- c) The fair values of other financial assets and financial liabilities (excluding those described above) were determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

4) The sensitivity analysis for the substitution assumption of fair value of level 3 financial instruments

The measurement of financial instruments fair value is reasonable. If the fair value of Level 3 financial instruments changed 5%, the effect to profit or loss or other comprehensive income were as follows:

	<u>Fair Value Through Profit or Loss</u>		<u>Fair Value Through Other Comprehensive Income</u>	
	<u>Advantageous</u>	<u>Disadvantageous</u>	<u>Advantageous</u>	<u>Disadvantageous</u>
<u>December 31, 2014</u>				
Financial assets designated as at FVTPL	\$ 118,438	\$ (118,438)	\$ -	\$ -

c. Reclassification information

The Group reclassified parts of financial assets based on the fair value traced back to July 1, 2008, according to the amended Statement of Financial Accounting Standards No. 34 "Financial Instruments: Recognition and Measurement". The fair values on the reclassification date were as follows:

	Before Reclassification	After Reclassification
Available-for-sale financial assets	\$ 14,246,193	\$ -
Debt investments without active market	<u>-</u>	<u>14,246,193</u>
	<u>\$ 14,246,193</u>	<u>\$ 14,246,193</u>

During the third quarter of 2008, the international economic condition changed a lot and resulted in global financial crisis which caused the value of financial assets to collapse, the Group decided not to sell parts of the available-for-sale financial assets in a short period of time, and reclassified them to debt investments without active market.

The reclassified financial assets had matured on January 30, 2014.

d. 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 main position of equity securities risk includes domestic public, OTC, and emerging market stocks, 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 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 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 DV01. 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 DV01. 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 OTC 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 changed the VaR method to historical simulation method on January 27, 2014. 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, 2015 and 2014, the Bank’s VaR factors based on historical simulation method were as follows:

	For the Year Ended December 31, 2015			
	Average	Highest	Lowest	Ending Balance
Exchange VaR	\$ 194,224	\$ 240,624	\$ 157,538	\$ 178,307
Interest rate VaR	23,113	33,243	16,638	24,754
Equity securities VaR	<u>1,387</u>	<u>2,076</u>	<u>554</u>	<u>554</u>
Value at risk	<u>\$ 218,724</u>	<u>\$ 275,943</u>	<u>\$ 174,730</u>	<u>\$ 203,615</u>

For the Year Ended December 31, 2014

	Average	Highest	Lowest	Ending Balance
Exchange VaR	\$ 135,660	\$ 152,540	\$ 119,572	\$ 144,792
Interest rate VaR	123,363	386,978	15,659	386,978
Equity securities VaR	<u>1,036</u>	<u>1,349</u>	<u>794</u>	<u>1,134</u>
Value at risk	<u>\$ 260,059</u>	<u>\$ 540,867</u>	<u>\$ 136,025</u>	<u>\$ 532,904</u>

2) Primary foreign currencies

The significant foreign-currency financial assets and liabilities as of December 31, 2015 and 2014 were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2015		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 5,645,010	32.8800	\$ 185,607,929
GBP	63,612	48.7500	3,101,085
AUD	1,006,015	23.9750	24,119,210
HKD	2,622,818	4.2420	11,125,994
CAD	139,611	23.7200	3,311,573
ZAR	3,469,471	2.1200	7,355,279
JPY	44,888,355	0.2730	12,254,521
EUR	462,107	35.9200	16,598,883
NZD	97,431	22.5000	2,192,198
RMB	16,254,654	4.9930	81,159,487
Non-monetary items			
USD	181,848	32.8800	5,979,162
<u>Financial liabilities</u>			
Monetary items			
USD	7,389,128	32.8800	242,954,529
GBP	66,341	48.7500	3,234,124
AUD	917,100	23.9750	21,987,473
HKD	2,013,797	4.2420	8,542,527
CAD	144,919	23.7200	3,437,479
ZAR	3,231,377	2.1200	6,850,519
JPY	43,759,871	0.2730	11,946,445
EUR	521,328	35.9200	18,726,102
NZD	109,150	22.5000	2,455,875
RMB	14,995,804	4.9930	74,874,049
Non-monetary items			
USD	542,028	32.8800	17,821,881

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2014		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 6,108,327	31.6700	\$ 193,450,716
GBP	26,759	49.3400	1,320,289
AUD	617,358	26.0250	16,066,742
HKD	4,247,854	4.0820	17,339,740
CAD	8,576	27.3200	234,296
JPY	49,732,616	0.2656	13,208,983
EUR	354,442	38.5400	13,660,195
NZD	93,906	24.8500	2,333,564
RMB	21,981,098	5.0990	112,081,619
Non-monetary items			
USD	36,164	31.6700	1,145,314
<u>Financial liabilities</u>			
Monetary items			
USD	6,563,849	31.6700	207,877,098
GBP	40,669	49.3400	2,006,608
AUD	663,213	26.0250	17,260,118
HKD	2,958,270	4.0820	12,075,658
CAD	35,042	27.3200	957,347
ZAR	1,593,127	2.7400	4,365,168
JPY	47,078,397	0.2656	12,504,022
EUR	425,970	38.5400	16,416,884
NZD	169,519	24.8500	4,212,547
RMB	16,024,892	5.0990	81,710,924
Non-monetary items			
USD	536,100	31.6700	16,978,287

For the years ended December 31, 2015 and 2014, net foreign exchange gains (losses) were \$1,647,056 thousand and \$986,655 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 Group 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 collaterals and market liquidity risk of the collaterals.

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 collaterals 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 the counterparties based on their respective credit ratings as suggested by domestic and foreign credit rating institutes. The Bank assesses the credit limits to counterparties based on their levels and financial status and efficiently manages counterparties' credit risks through regular and special reviews, monitoring and reports.

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. Collaterals

The Bank has a series of measures for credit granting to reduce credit risks. One of the procedures is asking for collaterals from the borrowers. To secure the loans, the Bank manages and assesses the collaterals following the procedures that suggest the scope of collateralization and valuation of collaterals and the process of disposition. In credit contracts, the Bank stipulates the security mechanism for loans and the conditions and terms for collaterals 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 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 collaterals held as security and other credit enhancements, and their financial effect in respect of the financial assets recognized in the Group's consolidated balance sheet:

December 31, 2015

	Maximum Exposure to Credit Risk Mitigated by			Total
	Collateral	Master Netting Arrangement	Other Credit Enhancements (Describe)	
Loans	\$ 823,065,441	\$ -	\$ -	\$ 823,065,441
Financial assets at fair value through profit or loss	19,613,086	-	-	19,613,086
Available-for-sale financial assets	2,977,472	-	-	2,977,472
Held-to-maturity financial assets	2,274,908	-	-	2,274,908
Debt investments with no active market	838,702	-	-	838,702

December 31, 2014

	Maximum Exposure to Credit Risk Mitigated by			Total
	Collateral	Master Netting Arrangement	Other Credit Enhancements (Describe)	
Loans	\$ 778,415,960	\$ -	\$ -	\$ 778,415,960
Financial assets at fair value through profit or loss	20,197,352	-	-	20,197,352
Available-for-sale financial assets	1,129,849	-	-	1,129,849
Held-to-maturity financial assets	2,050,486	-	-	2,050,486
Debt investments with no active market	855,768	-	-	855,768

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. Please refer to the notes to the consolidated financial statements.

As of December 31, 2015 and 2014, the maximum exposure to credit risk (before deducting the guarantees or other credit enhancement instruments and the irrevocable maximum amount of exposure) were as follows:

Financial Instrument Type	December 31	
	2015	2014
Unused loan commitments (excluding credit card)	\$ 107,576,609	\$ 85,488,301
Credit card credit commitment	347,862	266,255
Unused issued letters of credit	17,841,443	25,944,007
Guarantees in guarantee business	34,838,957	31,530,401

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 Group 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 Group's information on prominent concentration of credit risk was as follows:

Industry Type	December 31, 2015	
	Carrying Value	Percentage of Item (%)
Financial and insurance	\$ 69,546,315	5
Manufacturing	336,412,256	25
Wholesale and retail	120,394,303	9
Real estate and leasing	95,714,952	7
Service	34,962,605	3
Individuals	440,352,896	33
Others	240,685,928	18
	<u>\$ 1,338,069,255</u>	

Industry Type	December 31, 2014	
	Carrying Value	Percentage of Item (%)
Financial and insurance	\$ 75,823,234	6
Manufacturing	338,342,360	27
Wholesale and retail	117,477,075	9
Real estate and leasing	83,535,213	7
Service	26,169,544	2
Individuals	428,873,300	34
Others	203,817,257	15
	<u>\$ 1,274,037,983</u>	

Geographic Location	December 31, 2015	
	Carrying Value	Percentage of Item (%)
Asia	\$ 1,283,595,979	96
America	38,227,608	3
Europe	14,656,050	1
Others	<u>1,589,618</u>	-
	<u>\$ 1,338,069,255</u>	

Geographic Location	December 31, 2014	
	Carrying Value	Percentage of Item (%)
Asia	\$ 1,215,416,406	96
America	40,132,693	3
Europe	17,270,197	1
Others	<u>1,218,687</u>	-
	<u>\$ 1,274,037,983</u>	

	December 31, 2015	
	Carrying Value	Percentage of Item (%)
Secured	\$ 515,003,814	38
Unsecured		
Properties	678,140,284	51
Others	<u>144,925,157</u>	11
	<u>\$ 1,338,069,255</u>	

	December 31, 2014	
	Carrying Value	Percentage of Item (%)
Secured	\$ 495,622,023	39
Unsecured		
Properties	640,019,390	50
Others	<u>138,396,570</u>	11
	<u>\$ 1,274,037,983</u>	

f) Financial assets credit quality and non-performing impairment analysis

Part of financial assets held by the Group, 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, 2015						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	
<u>In-balance-sheet items</u>										
Receivables	\$ 8,256,011	\$ 3,754,199	\$ 233,619	\$ 7,311,855	\$ 5,690	\$ 268,718	\$ 32,561	\$ 68,088	\$ 19,729,443	\$ 1,710,571
Credit cards	8,256,011	3,754,199	-	1,705,377	-	21,946	11,842	4,910	18,018,872	1,710,571
Other	360,671,585	691,923,764	167,048,979	5,606,478	5,690	246,772	20,719	63,178	1,321,934,363	1,321,934,363
Loans				107,337,347	1,910,806	9,176,774	3,745,400	12,389,492		
				1,326,981,675	1,910,806	9,176,774	3,745,400	12,389,492		

(In Thousands of New Taiwan Dollars)

Item	December 31, 2014						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	
<u>In-balance-sheet items</u>										
Receivables	\$ 9,063,673	\$ 4,433,589	\$ 363,316	\$ 7,947,987	\$ 6,478	\$ 278,874	\$ 217,615	\$ 78,252	\$ 21,798,050	\$ 1,528,560
Credit cards	9,063,673	4,433,589	-	1,524,167	-	17,248	8,312	4,543	20,269,490	20,269,490
Other	345,927,442	657,422,104	177,685,706	6,423,820	6,478	261,626	209,303	73,709	1,259,366,749	1,259,366,749
Loans				74,474,536	3,533,048	14,995,147	4,382,612	10,288,622		
				1,255,509,788	3,533,048	14,995,147	4,382,612	10,288,622		

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, 2015				
	Neither Past Due Nor Impaired				
	High	Medium	Weak	Non-ratings	Total
Consumer finance	\$ 75,713,515	\$ 167,667,619	\$ 139,937,877	\$ 54,055,386	\$ 437,374,397
Corporation finance	284,958,070	524,256,145	27,111,102	53,281,961	889,607,278
Total	\$ 360,671,585	\$ 691,923,764	\$ 167,048,979	\$ 107,337,347	\$ 1,326,981,675

(In Thousands of New Taiwan Dollars)

Item	December 31, 2014				
	Neither Past Due Nor Impaired				
	High	Medium	Weak	Non-ratings	Total
Consumer finance	\$ 66,076,032	\$ 162,493,599	\$ 150,303,725	\$ 46,931,741	\$ 425,805,097
Corporation finance	279,851,410	494,928,505	27,381,981	27,542,795	829,704,691
Total	\$ 345,927,442	\$ 657,422,104	\$ 177,685,706	\$ 74,474,536	\$ 1,255,509,788

iii. Credit quality analysis of non-credit financial assets

(In Thousands of New Taiwan Dollars)

Item	December 31, 2015										Net (A)+(B)+(C)- (D)
	Neither Past Due Nor Impaired			Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)		Nonobjective Evidence of Impairment		
	High	Medium	Weak				Non-ratings	Objective Evidence of Impairment			
Available-for-sale financial assets	\$ 67,093,360	\$ -	\$ -	\$ 291,842	\$ -	\$ 67,385,202	\$ 150,000	\$ 120,000	\$ -	\$ 67,415,202	
Bonds	63,480,235	-	-	291,842	-	63,772,077	-	-	-	63,772,077	
Stocks	2,781,056	-	-	-	-	2,781,056	150,000	120,000	-	2,811,056	
Bills	832,069	-	-	-	-	832,069	-	-	-	832,069	
Held-to-maturity financial assets	205,777,255	-	-	-	-	205,777,255	-	-	-	205,777,255	
Bonds	16,238,309	-	-	-	-	16,238,309	-	-	-	16,238,309	
Bills	189,538,946	-	-	-	-	189,538,946	-	-	-	189,538,946	
Other financial assets	1,401,984	-	-	649,090	-	2,051,074	151,896	151,896	-	2,051,074	
Securities and bonds	1,401,984	-	-	649,090	-	2,051,074	151,896	151,896	-	2,051,074	

Note: Cost on the reclassification date.

(In Thousands of New Taiwan Dollars)

Item	December 31, 2014										Net (A)+(B)+(C)- (D)
	Neither Past Due Nor Impaired			Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Provision for Impairment Losses (D)		Nonobjective Evidence of Impairment		
	High	Medium	Weak				Non-ratings	Objective Evidence of Impairment			
Available-for-sale financial assets	\$ 46,115,608	\$ -	\$ -	\$ -	\$ -	\$ 46,115,608	\$ 150,000	\$ 120,000	\$ -	\$ 46,145,608	
Bonds	43,055,919	-	-	-	-	43,055,919	-	-	-	43,055,919	
Stocks	2,104,508	-	-	-	-	2,104,508	150,000	120,000	-	2,134,508	
Bills	955,181	-	-	-	-	955,181	-	-	-	955,181	
Held-to-maturity financial assets	183,637,059	-	-	-	-	183,637,059	-	-	-	183,637,059	
Bonds	14,089,260	-	-	-	-	14,089,260	-	-	-	14,089,260	
Bills	169,547,799	-	-	-	-	169,547,799	-	-	-	169,547,799	
Other financial assets	2,737,472	-	-	662,870	-	3,400,342	146,314	146,314	-	3,400,342	
Stocks, securities and bonds	2,737,472	-	-	662,870	-	3,400,342	146,314	146,314	-	3,400,342	

Note: Cost on the reclassification date.

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 Group were as follows:

(In Thousands of New Taiwan Dollars)

Item	December 31, 2015		
	Past Due Up to One Month	Past Due Over One Month	Total
Loans			
Consumer finance	\$ 1,432,093	\$ 362,836	\$ 1,794,929
Corporation finance	69,943	45,934	115,877

(In Thousands of New Taiwan Dollars)

Item	December 31, 2014		
	Past Due Up to One Month	Past Due Over One Month	Total
Loans			
Consumer finance	\$ 1,583,076	\$ 307,748	\$ 1,890,824
Corporation finance	1,634,350	7,874	1,642,224

4) Liquidity risk management

a) The definition of liquidity risk

Liquidity risk is the potential loss that the Group 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 Group's liquidity risk management policy, the Group 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, 2015 and 2014, the ratio of liquidity reserve is 16.48% and 16.47%, 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 Group 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, 2015					
	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	\$ 15,844,045	\$ -	\$ -	\$ -	\$ -	\$ 15,844,045
Due from the Central Bank and call loans to other banks	26,469,047	4,179,952	3,889,574	8,416,082	22,571,460	65,526,115
Financial assets at fair value through profit or loss	30,495,415	-	-	-	-	30,495,415
Receivables	30,347,555	868,017	336,169	185,511	23,442	31,760,694
Loans	126,948,235	85,399,511	79,069,950	127,263,918	662,062,408	1,080,744,022
Available-for-sale financial assets	-	-	-	253,180	28,659,717	28,912,897
Held-to-maturity financial assets	142,100,000	5,400,000	749,957	4,830,568	13,429,830	166,510,355
Debts instrument without active market	-	-	-	800,000	-	800,000
Financial assets carried at cost	-	-	-	-	4,167,009	4,167,009
Other maturity funds inflow items	-	-	-	-	13,812,491	13,812,491
	<u>372,204,297</u>	<u>95,847,480</u>	<u>84,045,650</u>	<u>141,749,259</u>	<u>744,726,357</u>	<u>1,438,573,043</u>
Major maturity funds outflows						
Due to the Central Bank and banks	309,593	614,799	279,206	1,759,635	-	2,963,233
Due to the Central Bank and call loans to other banks	7,005,000	15,000	-	-	-	7,020,000
Securities sold under repurchase agreements	2,385,469	1,851,277	124,649	-	-	4,361,395
Payables	26,642,222	1,740,480	438,972	1,452,177	603,646	30,877,497
Deposits and remittances	139,784,281	130,939,306	122,281,893	264,587,961	550,249,329	1,207,842,770
Bank notes payable	-	-	-	5,000,000	25,000,000	30,000,000
Other maturity funds outflows items	28,780	48,886	29,743	196,471	5,349,751	5,653,631
	<u>176,155,345</u>	<u>135,209,748</u>	<u>123,154,463</u>	<u>272,996,244</u>	<u>581,202,726</u>	<u>1,288,718,526</u>
Gap	\$ 196,048,952	\$ (39,362,268)	\$ (39,108,813)	\$ (131,246,985)	\$ 163,523,631	\$ 149,854,517

Note: The amounts listed above were the position in N.T. dollars of the Group.

(In Thousands of New Taiwan Dollars)

Item	December 31, 2014					
	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	\$ 21,647,950	\$ -	\$ -	\$ -	\$ -	\$ 21,647,950
Due from the Central Bank and call loans to other banks	22,828,320	8,283,125	5,310,902	8,238,620	21,677,966	66,338,933
Financial assets at fair value through profit or loss	29,091,209	-	-	-	-	29,091,209
Receivables	16,607,082	1,252,064	206,381	196,465	234,588	18,496,580
Loans	103,859,261	94,885,236	76,439,745	121,097,105	623,692,442	1,019,973,789
Available-for-sale financial assets	-	251,250	-	302,273	35,286,397	35,839,920
Held-to-maturity financial assets	120,400,000	6,100,000	300,000	920,000	14,017,401	141,737,401
Debts instrument without active market	-	-	-	-	2,100,000	2,100,000
Financial assets carried at cost	-	-	-	-	4,167,009	4,167,009
Other maturity funds inflow items	-	-	-	-	12,178,552	12,178,552
	<u>314,433,822</u>	<u>110,771,675</u>	<u>82,257,028</u>	<u>130,754,463</u>	<u>713,354,355</u>	<u>1,351,571,343</u>
Major maturity funds outflows						
Due to the Central Bank and banks	420,812	825,181	349,755	2,137,686	-	3,733,434
Due to the Central Bank and call loans to other banks	3,110,000	15,000	-	-	-	3,125,000
Securities sold under repurchase agreements	2,542,487	1,984,207	-	-	-	4,526,694
Payables	29,163,609	1,780,377	573,307	1,276,843	762,473	33,556,609
Deposits and remittances	135,909,225	129,037,229	120,878,354	261,321,562	528,501,310	1,175,647,680
Bank notes payable	-	-	5,000,000	8,350,000	30,000,000	43,350,000
Other maturity funds outflows items	10,497	29,436	26,197	189,233	4,858,735	5,114,098
	<u>171,156,630</u>	<u>133,671,430</u>	<u>126,827,613</u>	<u>273,275,324</u>	<u>564,122,518</u>	<u>1,269,053,515</u>
Gap	\$ 143,277,192	\$ (22,899,755)	\$ (44,570,585)	\$ (142,520,861)	\$ 149,231,837	\$ 82,517,828

Note: The amounts listed above were the position in N.T. dollars of the Group.

(In Thousands of United States Dollars)

Item	December 31, 2015					
	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	\$ 249,869	\$ 82,003	\$ -	\$ -	\$ 16,000	\$ 347,872
Due from the Central Bank and call loans to other banks	1,084,240	934,188	35,771	5,820	414,131	2,474,150
Financial assets at fair value through profit or loss	188,072	-	-	-	-	188,072
Receivables	582,754	120,925	120,979	1,537	630	826,825
Loans	510,173	774,879	680,161	549,105	3,844,856	6,359,174
Available-for-sale financial assets	-	21,004	9,875	-	83,213	114,092
Held-to-maturity financial assets	-	-	-	-	45,178	45,178
Debts instrument without active market	-	-	-	-	3,430	3,430
Other maturity funds inflow items	-	-	11,000	-	357	11,357
	<u>2,615,108</u>	<u>1,932,999</u>	<u>857,786</u>	<u>556,462</u>	<u>4,407,795</u>	<u>10,370,150</u>
Major maturity funds outflows						
Due to the Central Bank and banks	890,299	23,612	672	1,112	16,044	931,739
Due to the Central Bank and call loans to other banks	1,816,668	406,000	38,000	20,000	410,000	2,690,668
Financial liabilities at fair value through profit or loss	-	-	-	146,160	375,628	521,788
Payables	929,844	16,834	1,987	904	4,037	953,606
Deposits and remittances	1,929,078	1,305,611	770,315	1,082,320	2,291,970	7,379,294
Other maturity funds outflows items	41,242	942	228	1,074	10,291	53,777
	<u>5,607,131</u>	<u>1,752,999</u>	<u>811,202</u>	<u>1,251,570</u>	<u>3,107,970</u>	<u>12,530,872</u>
Gap	\$ (2,992,023)	\$ 180,000	\$ 46,584	\$ (695,108)	\$ 1,299,825	\$ (2,160,722)

Note: The amounts listed above were the position in U.S. dollars of the Group.

(In Thousands of United States Dollars)

Item	December 31, 2014					
	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	\$ 111,409	\$ -	\$ -	\$ -	\$ 16,000	\$ 127,409
Due from the Central Bank and call loans to other banks	1,840,796	219,118	78,726	133,572	358,388	2,630,600
Financial assets at fair value through profit or loss	78,384	-	-	-	-	78,384
Receivables	428,204	61,972	219,519	1,599	904	712,198
Loans	631,592	869,274	638,031	352,928	1,531,888	4,023,713
Available-for-sale financial assets	-	-	-	12,521	15,128	27,649
Debts instrument without active market	-	-	-	-	4,377	4,377
Other maturity funds inflow items	-	-	-	-	1,980	1,980
	<u>3,090,385</u>	<u>1,150,364</u>	<u>936,276</u>	<u>500,620</u>	<u>1,928,665</u>	<u>7,606,310</u>
Major maturity funds outflows						
Due to the Central Bank and banks	230	313	209	177	-	929
Due to the Central Bank and call loans to other banks	2,526,743	315,000	75,000	15,000	-	2,931,743
Financial liabilities at fair value through profit or loss	-	-	-	-	503,209	503,209
Payables	545,943	13,924	2,360	700	4,227	567,154
Deposits and remittances	1,288,224	728,710	518,390	778,920	1,699,309	5,013,553
Other maturity funds outflows items	36,357	1,705	880	286	2,860	42,088
	<u>4,397,497</u>	<u>1,059,652</u>	<u>596,839</u>	<u>795,083</u>	<u>2,209,605</u>	<u>9,058,676</u>
Gap	\$ (1,307,112)	\$ 90,712	\$ 339,437	\$ (294,463)	\$ (280,940)	\$ (1,452,366)

Note: The amounts listed above were the position in U.S. dollars of the Group.

d) Maturity analysis of derivative financial assets and liabilities

The derivative instruments held by the Group, 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, 2015					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	\$ 120,763,877	\$ 171,822,681	\$ 49,938,678	\$ 34,842,655	\$ -	\$ 377,367,891
Inflows	121,550,739	171,903,419	49,918,619	34,904,795	-	378,277,572
Interest rate derivative instruments						
Outflows	11,130,415	5,032,635	17,771,081	10,549,309	10,748,999	55,232,439
Inflows	11,442,427	5,221,938	17,238,993	10,485,959	10,717,982	55,107,299
Total outflows	\$ 131,894,292	\$ 176,855,316	\$ 67,709,759	\$ 45,391,964	\$ 10,748,999	\$ 432,600,330
Total inflows	\$ 132,993,166	\$ 177,125,357	\$ 67,157,612	\$ 45,390,754	\$ 10,717,982	\$ 433,384,871

(New Taiwan Dollars and Foreign Currencies Combined In Thousands of New Taiwan Dollars)

Item	December 31, 2014					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Foreign currency derivative instruments						
Outflows	\$ 83,601,546	\$ 163,776,862	\$ 56,123,085	\$ 29,455,426	\$ 3,642	\$ 332,960,561
Inflows	84,102,499	163,933,168	55,753,971	29,252,417	3,374	333,045,429
Interest rate derivative instruments						
Outflows	8,521,916	8,182,858	18,711,710	20,434,448	9,893,513	65,744,445
Inflows	9,186,737	8,546,054	18,233,314	20,634,270	9,931,305	66,531,680
Total outflows	\$ 92,123,462	\$ 171,959,720	\$ 74,834,795	\$ 49,889,874	\$ 9,897,155	\$ 398,705,006
Total inflows	\$ 93,289,236	\$ 172,479,222	\$ 73,987,285	\$ 49,886,687	\$ 9,934,679	\$ 399,577,109

e) Maturity analysis of off-balance-sheet items

Group's off-balance-sheet items - irrevocable loans, guarantees, 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, 2015					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 82,419,939	\$ 1,699,601	\$ 5,329,753	\$ 7,153,150	\$ 10,974,166	\$ 107,576,609
Credit card credit commitment	-	1,816	7,335	12,718	325,993	347,862
Letters of credit issued yet unused	17,777,044	64,399	-	-	-	17,841,443
Guarantees	33,323,076	246,103	74,655	836,973	358,150	34,838,957
	\$ 133,520,059	\$ 2,011,919	\$ 5,411,743	\$ 8,002,841	\$ 11,658,309	\$ 160,604,871

(In Thousands of New Taiwan Dollars)

Item	December 31, 2014					
	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments issued	\$ 54,591,641	\$ 3,728,332	\$ 4,101,908	\$ 6,391,152	\$ 16,675,268	\$ 85,488,301
Credit card credit commitment	-	198	617	806	264,634	266,255
Letters of credit issued yet unused	25,777,063	142,223	24,721	-	-	25,944,007
Guarantees	30,273,091	107,922	56,058	718,900	374,430	31,530,401
	\$ 110,641,795	\$ 3,978,675	\$ 4,183,304	\$ 7,110,858	\$ 17,314,332	\$ 143,228,964

Note: The data were of the Group; the days were counted from the base date to maturity date.

36. OTHER DISCLOSURES OF FINANCIAL INSTITUTION

a. Asset quality

Business Type	Item	December 31, 2015				December 31, 2014					
		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)
Corporate finance	Secured	\$ 1,396,999	\$ 389,922,671	0.36%	\$ 3,641,728	260.68%	\$ 1,402,240	\$ 357,226,030	0.39%	\$ 4,872,879	347.51%
	Unsecured	474,616	507,793,570	0.09%	5,901,103	1,243.34%	492,682	487,937,964	0.10%	6,223,059	1,263.10%
Consumer finance	Mortgage loans (Note d)	633,884	285,913,032	0.22%	4,288,695	676.57%	548,640	289,373,226	0.19%	2,415,574	440.28%
	Cash cards (Note h)	-	-	-	-	-	-	-	-	-	-
	Credit loans (Note e)	1,416	1,736,436	0.08%	20,982	1,481.78%	11,159	1,466,798	0.76%	21,002	188.21%
Total	Secured	325,055	150,979,061	0.22%	2,264,686	696.71%	368,982	136,403,228	0.27%	1,123,712	304.54%
	Unsecured	10,537	1,724,485	0.61%	17,698	167.96%	11,653	1,630,737	0.71%	15,008	128.79%
		2,842,507	1,338,069,255	0.21%	16,134,892	567.63%	2,835,356	1,274,037,983	0.22%	14,671,234	517.44%

Business Type	Item	December 31, 2015				December 31, 2014					
		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)
Credit card		\$ 5,499	\$ 1,633,468	0.34%	\$ 19,340	351.70%	\$ 3,056	\$ 1,456,963	0.21%	\$ 14,898	487.50%
No recourse receivable factoring (Note g)		-	8,369,870	-	23,077	-	-	9,352,207	-	28,495	-

Note a: Nonperforming 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 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: Nonperforming loans ratio = Nonperforming loan ÷ Loans

Note c: Nonperforming loans of credit card ratio = Nonperforming loans of credit cards ÷ Accounts receivable

Note d: Coverage ratio of allowances for loan losses = Allowances for loan losses ÷ Nonperforming loans

Note e: Coverage ratio of allowance for loan losses of credit card = Allowance for loan losses of credit card ÷ Nonperforming loans of credit cards

Note f: Mortgage loans are for borrowers to build or repair buildings, allowing the borrowers, spouse or minor children to fully use their buildings as collateral and to mortgage their rights to financial institutions.

Note g: 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 h: 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 i: 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 j: The Group does not engage in cash card business.

Business Type \ Item	December 31, 2015		December 31, 2014	
	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)	\$ 82	\$ 2,945	\$ 125	\$ 4,054
Negotiated accounts receivable transacted in accordance with the agreement and exempted from reporting as non-performing receivables (Note b)	399	9,443	519	7,332
Total	481	12,388	644	11,386

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, 2015			
Rank (Note a)	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity (%)
1	A Corporation (railway transportation industry)	\$ 33,586,063	25.94
2	B Group (petroleum and coal products manufacturing industry)	29,114,264	22.49
3	C Group (airline industry)	22,648,185	17.49
4	D Group (petrochemical industry)	11,081,682	8.56
5	E Group (synthesis construction industry)	10,786,085	8.33
6	F Group (steel refining industry)	8,296,438	6.41
7	G Group (steel manufacturing industry)	7,516,703	5.81
8	H Group (real estate development industry)	7,172,000	5.54
9	I Group (liquid crystal panel and components manufacturing industry)	6,876,717	5.31
10	J Group (financial intermediation industry)	6,414,158	4.95

December 31, 2014			
Rank (Note a)	Transaction Party (Note b)	Loans (Note c)	As Proportion of Net Equity (%)
1	A Corporation (railway transportation industry)	\$ 34,032,955	28.54
2	B Group (petroleum and coal products manufacturing industry)	32,559,715	27.31
3	C Group (airline industry)	18,727,381	15.71
4	E Group (synthesis construction industry)	10,560,310	8.86
5	D Group (marine transportation industry)	10,435,533	8.75
6	I Group (liquid crystal panel and components manufacturing industry)	7,473,073	6.27
7	G Group (steel manufacturing industry)	7,154,258	6.00
8	K Group (securities firms industry)	6,683,264	5.60
9	F Group (steel manufacturing industry)	6,081,829	5.10
10	H Group (financial intermediation industry)	5,802,860	4.87

Note a: Sorted by the balance of loans on December 31, 2015 and 2014, 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, 2015				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 1,267,507,477	\$ 27,129,583	\$ 13,415,785	\$ 86,585,684	\$ 1,394,638,529
Interest-sensitive liabilities	335,247,723	748,037,555	105,659,727	24,828,487	1,213,773,492
Interest sensitivity gap	932,259,754	(720,907,972)	(92,243,942)	61,757,197	180,865,037
Net worth					111,678,202
Ratio of interest-sensitive assets to liabilities					114.90%
Ratio of interest sensitivity gap to net assets					161.95%

(In Thousands of New Taiwan Dollars; %)

Item	December 31, 2014				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 1,179,349,371	\$ 27,813,746	\$ 16,411,216	\$ 88,773,809	\$ 1,312,348,142
Interest-sensitive liabilities	336,383,407	725,291,837	102,532,490	28,050,381	1,192,258,115
Interest sensitivity gap	842,965,964	(697,478,091)	(86,121,274)	60,723,428	120,090,027
Net worth					102,839,410
Ratio of interest-sensitive assets to liabilities					110.07%
Ratio of interest sensitivity gap to net assets					116.77%

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, 2015				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 10,381,782	\$ 905,269	\$ 52,120	\$ 92,517	\$ 11,431,688
Interest-sensitive liabilities	11,790,745	504,859	648,353	75	12,944,032
Interest sensitivity gap	(1,408,963)	400,410	(596,233)	92,442	(1,512,344)
Net worth					244,438
Ratio of interest-sensitive assets to liabilities					88.32%
Ratio of interest sensitivity gap to net assets					(618.70%)

(In Thousands of U.S. Dollars; %)

Item	December 31, 2014				
	1-90 Days	91-180 Days	181 Days-1 Year	More Than 1 Year	Total
Interest-sensitive assets	\$ 9,676,619	\$ 1,054,214	\$ 222,326	\$ 91,951	\$ 11,045,110
Interest-sensitive liabilities	10,364,653	561,038	694,267	503,277	12,123,235
Interest sensitivity gap	(688,034)	493,176	(471,941)	(411,326)	(1,078,125)
Net worth					334,356
Ratio of interest-sensitive assets to liabilities					91.11%
Ratio of interest sensitivity gap to net assets					(322.45%)

Note a: The amounts listed above include accounts in U.S. dollars only for domestic branches, 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, 2015	December 31, 2014
Return on total assets	Pretax	0.74%	0.71%
	After tax	0.63%	0.62%
Return on net worth	Pretax	11.05%	10.73%
	After tax	9.36%	9.41%
Profit margin		39.24%	41.02%

Note a: Return on total assets = $\frac{\text{Income before (after) tax}}{\text{Average assets}}$

Note b: Return on net worth = $\frac{\text{Income before (after) tax}}{\text{Average net worth}}$

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 2015 and 2014, respectively.

e. Maturity analysis of assets and liabilities

(In Thousands of New Taiwan Dollars)

	Total	December 31, 2015					
		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	\$ 1,623,502,234	\$ 215,059,161	\$ 181,532,162	\$ 194,333,821	\$ 107,210,544	\$ 154,925,867	\$ 770,440,679
Major maturity cash outflows	2,229,849,144	103,582,737	193,408,578	325,083,300	241,528,797	497,461,930	868,783,802
Gap	(606,346,910)	111,476,424	(11,876,416)	(130,749,479)	(134,318,253)	(342,536,063)	(98,343,123)

(In Thousands of New Taiwan Dollars)

	Total	December 31, 2014					
		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	\$ 1,541,114,876	\$ 153,079,172	\$ 172,700,072	\$ 224,105,330	\$ 109,323,335	\$ 142,141,218	\$ 739,765,749
Major maturity cash outflows	2,024,224,204	91,745,719	140,209,781	314,402,125	216,574,959	437,606,373	823,685,247
Gap	(483,109,328)	61,333,453	32,490,291	(90,296,795)	(107,251,624)	(295,465,155)	(83,919,498)

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, 2015				
		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	\$ 19,218,912	\$ 7,507,420	\$ 4,017,235	\$ 1,801,543	\$ 1,302,600	\$ 4,590,114
Major maturity cash outflows	24,301,953	8,835,716	3,764,253	2,992,149	3,890,522	4,819,313
Gap	(5,083,041)	(1,328,296)	252,982	(1,190,606)	(2,587,922)	(229,199)

(In Thousands of U.S. Dollars)

	Total	December 31, 2014				
		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	\$ 17,339,984	\$ 5,908,618	\$ 3,345,898	\$ 2,195,883	\$ 1,727,144	\$ 4,162,441
Major maturity cash outflows	21,793,950	7,579,148	3,191,320	2,928,002	3,318,447	4,777,033
Gap	(4,453,966)	(1,670,530)	154,578	(732,119)	(1,591,303)	(614,592)

Note: The amounts listed above include accounts in U.S. dollars for head office, domestic branches, and OBU.

f. Sale of non-performing loans

(In Thousands of New Taiwan Dollars)

Transaction Date	Counterparty	Composition of NPLs (Note a)	Book Value (Note b)	Sales Price	Gain on Disposal	Agreement with Added Terms	Relationship
2015.04.02	Wells Fargo Bank	Unsecured loans debt	\$ -	\$ 20,435	\$ 20,435	None	None

Transaction Date	Counterparty	Composition of NPLs (Note a)	Book Value (Note b)	Sales Price	Gain on Disposal	Agreement with Added Terms	Relationship
2014.01.29	JPMorgan Chase Bank N.A.	Ship mortgage loan	\$ 60,575	\$ 128,349	\$ 67,774	None	None
2014.01.29	JPMorgan Chase Bank N.A.	Ship mortgage loan	49,558	107,866	58,308	None	None
2014.01.29	JPMorgan Chase Bank N.A.	Ship mortgage loan	49,475	106,238	56,763	None	None
2014.01.29	JPMorgan Chase Bank N.A.	Ship mortgage loan	67,342	146,899	79,557	None	None
2014.01.29	JPMorgan Chase Bank N.A.	Ship mortgage loan	67,301	146,608	79,307	None	None
2014.02.24	Deutsche Bank AG London Branch	Ship mortgage loan	73,029	211,903	138,874	None	None
2014.02.24	Deutsche Bank AG London Branch	Ship mortgage loan	47,703	137,011	89,308	None	None
2014.03.17	Macquarie Bank Limited	Ship mortgage loan	82,847	232,661	149,814	None	None

Note a: Composition of NPLS including, credit card, debit card, mortgage loan receivable finance, etc.

Note b: Book value = Original loan balance - Allowance

g. Trust accounts

Under Article 3 of the Trust Law, the Group can offer trust services. The items and amounts of trust accounts as of December 31, 2015 and 2014 were as follows:

	December 31	
	2015	2014
Special purpose trust accounts - domestic	\$ 25,523,639	\$ 26,318,558
Special purpose trust accounts - foreign	78,144,619	79,560,810
Insurance trust	1,038	1,049
Retirement and breeds trust	259,478	231,781
Umbilical-cord-blood trust	7,943,603	7,131,930
Money claim and guarantee trust	79,200	1,927,018
Marketable securities trust	910,467	906,235
Real estate trust	10,359,078	8,876,078
Securities under custody	137,125,599	128,055,702
Other money trust	<u>785,663</u>	<u>-</u>
	<u>\$ 261,132,384</u>	<u>\$ 253,009,161</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	
	2015	2014		2015	2014
Bank deposits	\$ 3,678,523	\$ 3,158,314	Trust capital		
Insurance claims	79,200	93,200	Money trust	\$ 113,574,602	\$ 115,924,921
Financial assets			Insurance claims	79,200	93,200
Common stocks	1,184,299	912,983	Marketable securities trust	813,200	817,760
Mutual funds	107,556,099	110,135,430	Real estate trust	10,373,433	8,892,449
Bonds	1,375,880	1,708,405	Securities under custody		
Adjustments - common stock	3,174	82,432	payable	137,125,599	128,055,702
Adjustments - mutual funds	(52,673)	(8,026)	Administration payable	103	110
Adjustments - bonds	3,828	9,584	Income taxes payable	995	1,117
Interest receivable	11,944	11,167	Securities benefit distribution	13,387	-
Dividends receivable	20,028	11,597	Profit and loss		
Receivable from disposal of securities	-	172,016	Realized capital through profit and loss	15,809	3,826
Land	7,335,606	4,276,701	Investment profit and loss	256,101	130,830
Buildings	581,241	572,814	Realized capital gain - mutual funds	12,354	10,391
Construction in progress	2,229,636	3,816,842	Realized capital gain - common stocks	4,055	-
Securities under custody	<u>137,125,599</u>	<u>128,055,702</u>	Realized capital gain - bonds	5,889	-
			Unrealized capital gain - mutual funds	5,218	14,276
			Unrealized capital loss - bonds	17,316	18,626
			Unrealized capital gain - common stocks	123,796	95,128
			Realized capital loss - mutual funds	(6,965)	(1,370)
			Realized capital loss - bonds	(7,333)	(270)
			Unrealized capital loss - mutual funds	(57,891)	(15,689)
			Unappropriated capital loss - common stocks	(120,623)	(12,697)
			Unappropriated capital loss - bonds	(13,489)	(9,043)
			Foreign exchange gains	13,025	-
			Unappropriated retained earnings	(1,259,674)	(1,085,364)
			Interests and dividends revenues	185,476	141,102
			Other expenses	<u>(21,199)</u>	<u>(65,844)</u>
Total trust assets	<u>\$ 261,132,384</u>	<u>\$ 253,009,161</u>	Total trust liabilities	<u>\$ 261,132,384</u>	<u>\$ 253,009,161</u>

Trust Assets Register

Investments	December 31	
	2015	2014
Bank deposits	\$ 3,678,523	\$ 3,158,314
Insurance claims	79,200	93,200
Financial assets		
Common stocks	1,187,473	995,415
Mutual funds	107,503,426	110,127,404
Bonds	1,379,708	1,717,989
Land	7,335,606	4,276,701
Buildings	581,241	572,814
Construction in progress	2,229,636	3,816,842
Others	31,972	194,780
Securities under custody	<u>137,125,599</u>	<u>128,055,702</u>
 Total trust assets	<u>\$ 261,132,384</u>	<u>\$ 253,009,161</u>

Income Statement of Trust

Investments	For the Year Ended December 31	
	2015	2014
Revenue		
Interest income	\$ 73,149	\$ 47,274
Dividends	66,998	42,715
Rental revenues	45,329	51,113
Gain on mutual funds	<u>13,387</u>	<u>7,918</u>
	198,863	149,020
Expense		
Maintenance	(1,813)	(1,523)
Tax expense	(1,321)	(3,916)
Others	<u>(18,065)</u>	<u>(60,405)</u>
	(21,199)	(65,844)
Realized capital gain - mutual funds	12,354	10,391
Realized capital gain - quoted stocks	4,055	-
Realized capital gain - bonds	5,889	-
Unrealized capital gain - mutual funds	5,218	14,276
Unrealized capital gain - quoted stocks	123,796	95,128
Unrealized capital gain - bonds	17,316	18,626
Realized capital loss - bonds	(7,333)	(270)
Unrealized capital loss - bonds	(13,489)	(9,042)
Realized capital loss - mutual funds	(6,965)	(1,369)
Unrealized capital loss - mutual funds	(57,891)	(15,689)
Unrealized capital loss - quoted stocks	(120,623)	(12,697)
Foreign exchange gains (losses)	<u>13,025</u>	<u>-</u>
	<u>\$ 153,016</u>	<u>\$ 182,530</u>

37. RELATED-PARTY TRANSACTIONS

a. Related parties and their relationships with the Group

Name	Relationship
Direct, supervisor and managers and the relatives	CHB's director, supervisor and managers and the relatives
Taishin Bank	Owned by the same parent company
The Export-Import Bank	Its director is Chang Hwa Bank's corporate director
Land Bank	Same as above
Taiwan Business Bank	Same as above
First Financial Holding	Same as above
Crown Department Company	Its director is the manager's spouse of Chang Hwa Bank
Taiwan High Speed Rail	Its director is the corporate supervisor of Chang Hwa Bank (became non-related party after December 9, 2014)
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, 2015	\$ 1,148,344	0.09
Balance as of December 31, 2014	2,233,639	0.18

For the years ended December 31, 2015 and 2014, interest ranged from 0.00% to 4.80% and 0.00% to 3.88%, interest revenues were \$23,846 thousand and \$670,301 thousand (Note 1), respectively.

December 31, 2015						
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Difference in Terms Between Related Parties and Non-related Parties
<u>Consumer loans</u>						
27 accounts	\$ 11,691	\$ 12,630	\$ 11,691	\$ -	Credit	None
<u>Self-use residential mortgage loans</u>						
206 accounts	1,087,294	1,113,387	1,087,294	-	Real estate	None
<u>Others</u>						
Crown Department Company	37,550	78,100	37,550	-	Real estate	None
Other - individual 15 accounts (Note 3)	11,809	13,974	11,809	-	Foreign Currency or Deposit	None
December 31, 2014						
	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Difference in Terms Between Related Parties and Non-related Parties
<u>Consumer loans</u>						
25 accounts	\$ 9,273	\$ 10,168	\$ 9,273	\$ -	Credit	None
<u>Self-use residential mortgage loans</u>						
202 accounts	1,017,282	1,050,755	1,017,282	-	Real estate	None

(Continued)

December 31, 2014

	Ending Balance	Highest Amount	Normal Loans	Non-performing Loans	Collateral	Difference in Terms Between Related Parties and Non-related Parties
<u>Others</u>						
First Financial Holding	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ -	Credit	None
Other - corporate 2 accounts (Note 2)	95,286	95,990	95,286	-	Credit and real estate	None
Other - individual 16 accounts (Note 3)	11,798	24,355	11,798	-	Deposit	None

(Concluded)

Note 1: Starting from December 9, 2014, Taiwan High Speed Rail is no longer a related party, so the interest revenues only included from January 1 to December 8, for \$652,756 thousand.

Note 2: The balance of every corporate entity is not over \$1 billion of the total ending balance.

Note 3: 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 loan within \$800 thousand per person bore interest at 1.40% in December 31, 2015 and 1.54% in 2014, respectively. 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, 2014				
	Ending Balance	Highest Amount	Reserve for Guarantee Liabilities	Interest Rate (Per Annum %)	Collateral
Taiwan High Speed Rail	Note	\$ 448,541	-	0.775-0.80	Equipment

Note: Became non-related party after December 9, 2014.

3) Deposits

	Balance	Percentage of Loans (%)
Balance as of December 31, 2015	\$ 3,568,423	0.23
Balance as of December 31, 2014	3,543,301	0.24

For the years ended December 31, 2015 and 2014, the interest rates interval were between 0.00% to 13.00%, respectively; the interest expense were \$56,001 thousand and \$63,001 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, 2015					
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Revenue
Land Bank	DBU	NTD	\$ 1,500,000	0.23-0.87	\$ 1,192
	OBU	USD	78,000	0.11-0.83	48
	OBU	JPY	390,000	0.13	93
	Hong Kong Branch	USD	52,000	0.11-0.86	219
Taiwan Business Bank	OBU	USD	25,000	0.14-0.80	172
	OBU	RMB	30,000	1.30-5.00	1,192
	OBU	EUR	1,500	0.01-0.05	-
	Hong Kong Branch	USD	10,000	0.11-0.50	62
	Hong Kong Branch	AUD	5,000	2.24-2.30	51

(In Thousands of Original Currencies)

December 31, 2014					
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Revenue
Land Bank	DBU	NTD	\$ 5,000	0.388-0.88	\$ 2,432
	OBU	USD	23,000	0.11-0.37	5
	Singapore Branch	USD	20,000	0.30-1.35	114
	London Branch	USD	20,000	0.30-1.20	63
Taiwan Business Bank	Singapore Branch	USD	20,000	0.85-1.58	202
	London Branch	USD	20,000	0.22-1.32	26
	OBU	AUD	15,000	2.60-2.95	19
	Hong Kong Branch	HKD	30,000	0.25	1

Call loans from banks

(In Thousands of Original Currencies)

December 31, 2015					
Name	Department	Currency	Ending Balance	Interest Rate (Per Annum %)	Interest Revenue
Land Bank	DBU	NTD	\$ 5,000	0.24-0.88	\$ 2,252
	OBU	AUD	5,000	1.95-2.30	3
	New York Branch	USD	30,000	0.14-0.39	25
	Los Angeles Branch	USD	20,000	0.10-0.37	5
	London Branch	USD	30,000	0.13-0.80	60
	London Branch	EUR	15,000	0.02	-
Taiwan Business Bank	London Branch	EUR	15,000	0.02-0.03	-

(In Thousands of Original Currencies)

December 31, 2014

Name	Department	Currency	Ending Balance	Interest	Interest Revenue
				Rate (Per Annum %)	
Land Bank	DBU	NTD	\$ 5,000	0.388-0.89	\$ 3,799
Taiwan Business Bank	London Branch	EUR	5,000	0.40-1.45	182

5) Due from banks and due to banks

Due from banks

(In Thousands of Original Currencies)

Name	Department	Currency	December 31	
			2015	2014
			Ending Balance	Ending Balance
Land Bank	DBU	NTD	\$ 69	\$ 171
Taiwan Business Bank	DBU	NTD	5	188

Due to banks

(In Thousands of Original Currencies)

Name	Department	Currency	December 31	
			2015	2014
			Ending Balance	Ending Balance
The Export-Import Bank	DBU	NTD	\$ 1,308	\$ 445
Taishin Bank	New York Branch	USD	45	37
Land Bank	DBU	NTD	277	277

c. Compensation of directors, supervisors and management personnel:

	For the Year Ended December 31	
	2015	2014
Short-term benefits	\$ 160,809	\$ 150,493
Post-employment benefits	<u>10,597</u>	<u>1,470</u>
	<u>\$ 171,406</u>	<u>\$ 151,963</u>

The compensation of directors, supervisors and management personnel for the years ended December 31, 2015 and 2014 was based on the estimation in 2016 and had been approved by shareholders in their annual meeting held in 2015.

38. PLEDGED ASSETS

The summary of the Group's pledged assets as of December 31, 2015 and 2014 were as follows:

Pledged Assets	Description	December 31	
		2015	2014
Available-for-sale financial assets	Government bonds	\$ 1,040,300	\$ 952,500
Held-to-maturity financial assets	Bonds and certificate of deposits	36,792,991	41,379,764
Time deposits with original maturity more than 3 months	Time deposit	8,338,310	2,549,500
Refundable deposits	Cash	109,225	164,299

39. CONTINGENT LIABILITIES AND COMMITMENTS

- a. In addition to those mentioned in Note 7, the Group had the following contingent liabilities and commitments as of December 31, 2015 and 2014:

	December 31	
	2015	2014
Trust liabilities	\$ 261,132,384	\$ 253,009,161
Unused loan commitments	107,576,609	85,488,301
Credit card credit commitment	347,862	266,255
Unused issued letters of credit	17,841,443	25,944,007
Guarantees issued in guarantee business	34,838,957	31,530,401
Repayment note and time deposit held for custody	10,061,107	4,238,807
Liabilities on joint loans	288,195	314,245

- b. A lawsuit was filed by the Ministry of Defence and Support for Armed Forces, the Islamic Republic of Iran (hereinafter referred to as "the Iranian plaintiff") in 1991 against the Group concerning a dispute in which the Iranian plaintiff sought "request for payment via electronic remittance" for the amount of US\$15 million. After the Supreme Court ruled in favor of the Group on August 1, 2002, the Iranian plaintiff countered by resuming another lawsuit it had filed against the Group in 1997: "Demand for the Return of the Remittance by Way of Subrogation". On September 10, 2004, the Taipei local district court again ruled in favor of the Group with regard to the aforesaid "Demand for the Return of the Remittance by Way of Subrogation". On July 13, 2010, the Taiwan Superior Court once more ruled in favor of the Group. The Iranian party again appealed the decision to the Supreme Court on August 10, 2010. On November 4, 2010, the Supreme Court ordered the Taiwan Superior Court to review the ruling. On December 27, 2011, the Taiwan Superior Court again ruled in favor of the Group. The Iranian plaintiff, after refusing to accept the decision of the Court, appealed to the Supreme Court on January 19, 2012. On July 31, 2012, the Supreme Court ordered the Taiwan Superior Court to review the ruling. On September 24, 2013, the Taiwan Superior Court again ruled in favor of the Group. The Iranian plaintiff appealed to the Supreme Court again on October 16, 2013. On October 16, 2014, the Supreme Court ruled in favor of the Group. The Iranian plaintiff appealed to the Supreme Court again on November 28, 2014. The Supreme Court rejected the appeal on December 30, 2015.
- c. Damagers amounted to \$45,609 thousand between Chang Hwa Bank and TDK Corporation currently in trial in Taiwan Superior Court. The verdict is still pending.

40. 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 as of December 31, 2015	None
2	Acquisition of fixed assets over NT\$300 million or 10% of outstanding capital as of December 31, 2015	None
3	Disposal of fixed assets over NT\$300 million or 10% of outstanding capital as of December 31, 2015	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	None
6	Sale of NPL	Note 36
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 consolidated financial statements	None

b. Information on the Group's Investees

No.	Item	Explanation
1	Investees' names, locations, etc.	Table 1
2	Capital lending to another party	None
3	Endorsement for another party	None
4	Marketable securities held as of December 31, 2015	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, 2015	None
6	Acquisition of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2015	None
7	Disposal of property, plant and equipment over NT\$300 million or 10% of outstanding capital for the year ended December 31, 2015	None
8	Receivables from related parties over NT\$300 million or 10% of outstanding capital	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 consolidated financial statements	None

c. Investment in Mainland China: Table 2

d. Intercompany relationships and significant intercompany transactions: Table 3

41. LOANS TO PARTIES WITH COMMON INTERESTS

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	3.95	\$ 580,784	-	61,983,388	-	61,983,388	3.95
Asia Pacific Broadband Telecom Co.	Taipei City	Type I & type II telecommunications business	0.39	174,750	-	15,000,000	-	15,000,000	0.39
Taiwan High Speed Rail Corporation	Taipei City	High speed rail road	0.79	462,355	-	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	-	19,815,323	-	19,815,323	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	-	2,970,876	-	2,970,876	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	-	285,365	-	285,365	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 3)	-	5,748,382	-	5,748,382	4.77
Chi-Yi Construction Management Company	New Taipei City	Residential development and lease	1.47	(Note 3)	-	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 Group had recognized the loss on investment in Tai Yu Products Corporation and Chi-Yi Construction Management Company.

42. OTHER DISCLOSURE

The Bank had been approved by the FSC to set up Dongguan Branch and Fuzhou Branch on September 5, 2013 and January 28, 2014, respectively. The Bank invested RMB1,000 million and RMB500 million in Dongguan Branch and Fuzhou Branch, respectively. Dongguan Branch began operations on November 19, 2014. On March 13, 2015, Fuzhou Branch had been approved by the central authority of China to begin operations and engage in RMB currency exchange operations. Fuzhou Branch began operations on April 20, 2015.

43. 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, 2015							
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Overseas Branch	Others	Total
Net interest income	\$ 12,940,143	\$ 3,907,248	\$ 1,139,683	\$ -	\$ 2,929,886	\$ (1,031)	\$ 20,915,929
Net service fee and commissions income	1,354,190	205,415	(34,529)	3,145,645	247,410	-	4,918,131
Net income on financial instrument	-	-	2,565,867	-	63,001	-	2,628,868
Others	30,972	-	9,393	-	15,115	1,151,451	1,206,931
Net revenue and gains	14,325,305	4,112,663	3,680,414	3,145,645	3,255,412	1,150,420	29,669,859
Bad debts expenses and guarantee liability provisions	94,362	-	96	-	(423,830)	-	(329,372)
Operating expenses	-	-	-	-	-	-	(15,594,286)
Income before income tax	<u>\$ 14,419,667</u>	<u>\$ 4,112,663</u>	<u>\$ 3,680,510</u>	<u>\$ 3,145,645</u>	<u>\$ 2,831,582</u>	<u>\$ 1,150,420</u>	<u>\$ 13,746,201</u>
For the Year Ended December 31, 2014							
	Loans	Deposits and Remittances	Financial Instruments and Investments	Wealth Management	Overseas Branch	Others	Total
Net interest income	\$ 11,660,813	\$ 4,281,369	\$ 1,258,746	\$ -	\$ 2,137,395	\$ (367)	\$ 19,337,956
Net service fee and commissions income	1,169,643	202,977	(35,029)	2,909,854	289,491	-	4,536,936
Net income on financial instrument	-	-	2,231,357	-	39,625	-	2,270,982
Others	15,970	-	4,938	-	6,480	227,532	254,920
Net revenue and gains	12,846,426	4,484,346	3,460,012	2,909,854	2,472,991	227,165	26,400,794
Bad debts expenses and guarantee liability provisions	1,336,841	-	46	-	(452,803)	-	884,084
Operating expenses	-	-	-	-	-	-	(14,860,793)
Income before income tax	<u>\$ 14,183,267</u>	<u>\$ 4,484,346</u>	<u>\$ 3,460,058</u>	<u>\$ 2,909,854</u>	<u>\$ 2,020,188</u>	<u>\$ 227,165</u>	<u>\$ 12,424,085</u>

The revenues and results on the segment information reported does not 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, 2015							
	Loans	Deposits and Remittances	Financial Instruments and Investments	Overseas Branch	Others	Adjustment	Total
Assets	<u>\$ 1,212,492,604</u>	<u>\$ -</u>	<u>\$ 579,377,116</u>	<u>\$ 184,251,101</u>	<u>\$ 64,146,858</u>	<u>\$ (134,010,460)</u>	<u>\$ 1,906,257,219</u>
Liabilities	<u>\$ 1,419,188</u>	<u>\$ 1,504,608,294</u>	<u>\$ 199,314,526</u>	<u>\$ 168,805,353</u>	<u>\$ 36,645,359</u>	<u>\$ (134,010,460)</u>	<u>\$ 1,776,782,260</u>
December 31, 2014							
	Loans	Deposits and Remittances	Financial Instruments and Investments	Overseas Branch	Others	Adjustment	Total
Assets	<u>\$ 1,164,023,188</u>	<u>\$ -</u>	<u>\$ 545,887,103</u>	<u>\$ 172,025,663</u>	<u>\$ 73,272,835</u>	<u>\$ (139,335,822)</u>	<u>\$ 1,815,872,967</u>
Liabilities	<u>\$ 1,075,948</u>	<u>\$ 1,421,075,347</u>	<u>\$ 214,003,517</u>	<u>\$ 156,031,784</u>	<u>\$ 43,781,092</u>	<u>\$ (139,335,822)</u>	<u>\$ 1,696,631,866</u>

TABLE I

CHANG HWA COMMERCIAL BANK, LTD.

**INFORMATION ON INVESTEE'S NAMES, LOCATIONS
YEAR ENDED DECEMBER 31, 2015**

(In Thousands of New Taiwan Dollars, Except for Percentage and Shares)

Investor	Investees' Names	Investees' Location	Line of Business	Original Investment Amount		Shares	Ending Balance		Net Income (Loss) of Current Period	Recognized Income (Loss) of Current Period	Note
				End of Year 2015	End of Year 2014		Ownership Interest (%)	Book Value			
Chang Hwa Bank	CHB Insurance Agency	6F, No. 57, Zhong Shan N. Rd., Sec. 2, Taipei City, Taiwan, R.O.C.	Life insurance agency	\$ 2,008	\$ 2,008	5,000,000	100	\$ 579,521	\$ 479,521	\$ 479,521	
	CHB Insurance Brokerage	6F, No. 57, Zhong Shan N. Rd., Sec. 2, Taipei City, Taiwan, R.O.C.	Property insurance brokerage	2,000	2,000	800,000	100	56,256	40,256	40,256	

CHANG HWA COMMERCIAL BANK, LTD.

**INFORMATION OF INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2015**

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

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2015	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2015	Net Income (Loss) of the Investee (Note 2)	% of Direct or Indirect Investment	Investment Gain (Losses)	Carrying Amount as of December 31, 2015	Accumulated Repatriation of Investment Income as of December 31, 2015	Note
					Outflow	Inflow							
Chang Hwa Commercial Bank, Ltd. Kunshan Branch	Banking	\$ 4,618,293 (US\$ 155,174)	Note I.c.	\$ 4,618,293 (US\$ 155,174)	\$ -	\$ -	\$ 4,618,293 (US\$ 155,174)	-	-	\$ -	\$ -	\$ -	
Chang Hwa Commercial Bank, Ltd. Dongguan Branch	Banking	4,924,781 (US\$ 162,641)	Note I.c.	4,924,781 (US\$ 162,641)	-	-	4,924,781 (US\$ 162,641)	-	-	-	-	-	
Chang Hwa Commercial Bank, Ltd. Fuzhou Branch	Banking	2,550,956 (US\$ 81,743)	Note I.c.	-	2,550,956 (US\$ 81,743)	-	2,550,956 (US\$ 81,743)	-	-	-	-	-	

Accumulated Outward Remittance for Investment in Mainland China December 31, 2015	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
\$ 12,094,030 (US\$ 399,558)	\$ 12,372,787 (US\$ 410,928)	\$ 19,421,244

Note 1: The three methods of investment are as follows:

- a. Direct investment in Mainland China.
- b. Investment in Mainland China through reinvestment in existing enterprise in a third area.
- c. Others.

Note 2: Equity in the profits (losses):

- a. If the entity is still in preparation stage and there is no equity in profits (losses), the condition should be noted.
- b. 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.

1) Financial statement audited (reviewed) by international accounting firms that cooperate with accounting firms in ROC.

2) Consolidated financial statements audited (reviewed) by Taiwan parent company's CPA.

3) 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, subsidiaries or acquire shares or capital contribution from local shareholders in Mainland China.
- b. The subsidiaries whose issued stocks with voting rights or more than 50% of capital is held by banks in Taiwan that have investment in Mainland China.

(Concluded)

CHANG HWA COMMERCIAL BANK, LTD.

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars, Except for Percentage and Shares)**

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			% to Total Sales or Assets
				Financial Statement Accounts	Amount	Payment Terms	
0	The Bank	CHB Insurance Agency	a.	Receivables	\$ 296,781	In Accordance with CHB Insurance Agency the commission Income prorated with the Bank's total operating Same as normal customers	0.02
				Commission income Deposits and remittance Receivables	1,543,781 888,922 11,314	"	3.37 0.05 -
		CHB Insurance Brokerage	a.	Commission income Deposits and remittance	70,584 71,996	In Accordance with CHB Insurance Agency the commission Income prorated with the Bank's total operating Same as normal customers	- -

Note 1: Transaction details: Methods of numbering are as followed:

- a. 0 for parent Company.
- b. In accordance with subsidiary number starts from 1.

Note 2: Relationships are as followed

- a. Parent company to subsidiary.

Note 3: Transactions amounts are calculated as percentage of accrued amounts of total income or ending balance of total assets.

C. The Bank's Individual Financial Statements of Recent Years Which Have Been Certified by CPAs

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of Chang Hwa Commercial Bank, Ltd. as of December 31, 2015 and 2014, and related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These financial statements are the responsibility of Chang Hwa Commercial Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements of Financial Institutions by Certified Public Accountants, and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chang Hwa Commercial Bank, Ltd. as of December 31, 2015 and 2014, and their financial performance and their cash flows for the years ended December 31, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Public Banks and Regulations Governing the Preparation of Financial Reports by Securities Firms.

Deloitte & Touche

February 25, 2016

CHANG HWA COMMERCIAL BANK, LTD.

BALANCE SHEETS
DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

ASSETS	2015		2014	
	Amount	%	Amount	%
Cash and cash equivalents	\$ 31,225,669	2	\$ 39,586,187	2
Due from the Central Bank and call loans to banks	146,654,212	8	109,277,694	6
Financial assets at fair value through profit or loss	43,518,615	2	37,825,737	2
Derivative financial assets for hedging	192,521	-	27,629	-
Receivables, net	19,898,538	1	21,865,339	1
Current tax assets	55,436	-	581,958	-
Loans, net	1,321,934,363	69	1,259,366,749	69
Available-for-sale financial assets, net	67,415,202	3	46,145,608	3
Held-to-maturity financial assets, net	205,777,255	11	183,637,059	10
Investments accounted for using the equity method, net	635,777	-	528,399	-
OTHER FINANCIAL ASSETS, NET				
Financial assets carried at cost	4,167,009	-	4,167,009	1
Debt investments without active market	2,051,074	-	3,400,342	-
Other miscellaneous financial assets	<u>25,530,337</u>	<u>2</u>	<u>71,155,311</u>	<u>4</u>
Other financial assets, net	<u>31,748,420</u>	<u>2</u>	<u>78,722,662</u>	<u>5</u>
Property and equipment, net	22,249,904	1	23,818,940	1
Investment property, net	12,536,509	1	11,012,440	1
Intangible assets, net	500,710	-	473,336	-
Deferred tax assets	2,367,489	-	3,186,032	-
Other assets	<u>343,041</u>	<u>-</u>	<u>392,392</u>	<u>-</u>
TOTAL	<u>\$ 1,907,053,661</u>	<u>100</u>	<u>\$ 1,816,448,161</u>	<u>100</u>
LIABILITIES AND EQUITY				
Due to the Central Bank and banks	\$ 124,025,228	7	\$ 124,155,182	7
Finance due to banks	3,879,840	-	950,100	-
Financial liabilities at fair value through profit or loss	22,732,139	1	20,858,363	1
Securities sold under repurchase agreements	4,612,047	-	4,526,694	-
Payables	23,064,707	1	29,412,505	2
Current tax liabilities	82,436	-	806,295	-
Deposits and remittances	1,548,700,629	81	1,453,680,321	80
Bank note payables	35,176,580	2	48,463,938	3
Other financial liabilities	1,075,196	-	624,416	-
Reserve for liabilities	4,371,316	-	4,034,679	-
Deferred tax liabilities	6,644,859	1	6,738,024	-
Other liabilities	<u>3,213,725</u>	<u>-</u>	<u>2,956,543</u>	<u>-</u>
Total liabilities	<u>1,777,578,702</u>	<u>93</u>	<u>1,697,207,060</u>	<u>93</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE BANK				
Capital stock				
Common stock	84,573,232	5	79,040,404	5
Retained earnings				
Legal reserve	20,291,944	1	17,022,790	1
Special reserve	12,020,521	1	12,020,521	1
Unappropriated earnings	11,613,831	-	10,723,060	-
Other equity				
Exchange differences on translation of foreign financial statements	733,874	-	750,956	-
Unrealized gains (losses) on available-for-sale financial assets	<u>241,557</u>	<u>-</u>	<u>(316,630)</u>	<u>-</u>
Total equity	<u>129,474,959</u>	<u>7</u>	<u>119,241,101</u>	<u>7</u>
TOTAL	<u>\$ 1,907,053,661</u>	<u>100</u>	<u>\$ 1,816,448,161</u>	<u>100</u>

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
INTEREST INCOME	\$ 32,991,503	112	\$ 31,862,471	122
INTEREST EXPENSES	<u>(12,077,770)</u>	<u>(41)</u>	<u>(12,526,882)</u>	<u>(48)</u>
NET INTEREST INCOME	<u>20,913,733</u>	<u>71</u>	<u>19,335,589</u>	<u>74</u>
NET INCOME OTHER THAN NET INTEREST INCOME				
Net service fee and commissions income	4,150,988	14	3,894,348	15
Gain on financial assets and liabilities at fair value through profit or loss	406,788	1	875,488	3
Realized gain on available-for-sale financial assets	280,188	1	118,753	-
Share of profit (loss) of associates and joint ventures accounted for using equity method	519,777	2	412,399	2
Foreign exchange gains (losses)	1,647,056	6	986,655	4
Other miscellaneous net income	<u>1,498,673</u>	<u>5</u>	<u>547,411</u>	<u>2</u>
Net income other than net interest income	<u>8,503,470</u>	<u>29</u>	<u>6,835,054</u>	<u>26</u>
NET REVENUE AND GAINS	<u>29,417,203</u>	<u>100</u>	<u>26,170,643</u>	<u>100</u>
BAD DEBTS EXPENSES AND GUARANTEE LIABILITY PROVISIONS	<u>(329,372)</u>	<u>(1)</u>	<u>884,084</u>	<u>3</u>
OPERATING EXPENSES				
Employee benefits expenses	(10,130,844)	(35)	(9,840,206)	(37)
Depreciation and amortization expenses	(701,267)	(2)	(714,488)	(3)
Other general and administrative expenses	<u>(4,615,980)</u>	<u>(16)</u>	<u>(4,160,416)</u>	<u>(16)</u>
Total operating expenses	<u>(15,448,091)</u>	<u>(53)</u>	<u>(14,715,110)</u>	<u>(56)</u>
INCOME BEFORE INCOME TAX	13,639,740	46	12,339,617	47
INCOME TAX EXPENSE	<u>(1,996,403)</u>	<u>(7)</u>	<u>(1,442,437)</u>	<u>(5)</u>
NET INCOME	<u>11,643,337</u>	<u>39</u>	<u>10,897,180</u>	<u>42</u>

(Continued)

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (445,513)	(1)	\$ (254,709)	(1)
Income tax relating to items that will not be reclassified subsequently to profit or loss	75,737	-	43,301	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation foreign operations	(10,707)	-	700,170	3
Unrealized gain (loss) on available-for-sale financial assets	551,907	2	196,830	1
Income tax relating to items that may be reclassified subsequently to profit or loss	<u>(95)</u>	<u>-</u>	<u>(95,566)</u>	<u>(1)</u>
Other comprehensive income for the year, net of income tax	<u>171,329</u>	<u>1</u>	<u>590,026</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 11,814,666</u>	<u>40</u>	<u>\$ 11,487,206</u>	<u>44</u>
EARNINGS PER SHARE				
Basic	<u>\$1.38</u>		<u>\$1.29</u>	
Diluted	<u>\$1.37</u>		<u>\$1.28</u>	

CHANG HWA COMMERCIAL BANK, LTD.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of the BANK							
	Capital Stock		Retained Earnings			Other Equity		
	Shares (Thousand)	Amount	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available- for-sale Financial Assets	Total Equity
BALANCE, JANUARY 1, 2014	7,749,059	\$ 77,490,592	\$ 14,377,315	\$ 12,020,521	\$ 8,882,010	\$ 148,105	\$ (515,213)	\$ 112,403,330
Appropriation of 2013 earnings	-	-	2,645,475	-	(2,645,475)	-	-	-
Legal reserve	-	-	-	-	(4,649,435)	-	-	(4,649,435)
Cash dividends	154,981	1,549,812	-	-	(1,549,812)	-	-	-
Stock dividends	-	-	-	-	-	-	-	-
Net income for the year ended December 31, 2014	-	-	-	-	10,897,180	-	-	10,897,180
Other comprehensive income for the year ended December 31, 2014, net of tax	-	-	-	-	(211,408)	602,851	198,583	590,026
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	10,685,772	602,851	198,583	11,487,206
BALANCE, DECEMBER 31, 2014	7,904,040	79,040,404	17,022,790	12,020,521	10,723,060	750,956	(316,630)	119,241,101
Appropriation of 2014 earnings	-	-	3,269,154	-	(3,269,154)	-	-	-
Legal reserve	-	-	-	-	(1,580,808)	-	-	(1,580,808)
Cash dividends	553,283	5,532,828	-	-	(5,532,828)	-	-	-
Stock dividends	-	-	-	-	-	-	-	-
Net income for the year ended December 31, 2015	-	-	-	-	11,643,337	-	-	11,643,337
Other comprehensive income for the year ended December 31, 2015, net of tax	-	-	-	-	(369,776)	(17,082)	558,187	171,329
Total comprehensive income for the year ended December 31, 2015	-	-	-	-	11,273,561	(17,082)	558,187	11,814,666
BALANCE, DECEMBER 31, 2015	8,457,323	\$ 84,573,232	\$ 20,291,944	\$ 12,020,521	\$ 11,613,831	\$ 733,874	\$ 241,557	\$ 129,474,959

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before income tax	\$ 13,639,740	\$ 12,339,617
Non-cash (revenues and gains) or expenses and losses		
Bad debts expenses and guarantee liability provisions	329,372	(884,084)
Depreciation expenses	566,003	595,893
Amortization expenses	135,264	118,595
Share of profit of subsidiaries accounted for using equity method	(519,777)	(412,399)
Interest income	(32,991,503)	(31,862,471)
Interest expenses	12,077,770	12,526,882
Dividends income	(345,033)	(292,404)
Net gain on financial assets and liabilities at fair value through profit or loss	297,723	(1,425,094)
(Gain) losses on disposal of investments	(181,117)	30,843
Unrealized foreign exchange (gain) losses	(704,511)	549,606
Other adjustments	(112,545)	167,030
Changes in operating assets and liabilities		
Decrease (increase) in due from the Central Bank	7,455,792	(6,206,427)
(Increase) decrease in financial assets at fair value through profit or loss	(5,590,573)	32,600,657
Decrease (increase) in receivables	1,526,529	(31,184)
Increase in loans	(63,078,423)	(115,464,623)
Increase in available-for-sale financial assets	(19,278,268)	(7,310,588)
(Increase) decrease in held-to-maturity financial assets	(22,140,196)	43,262,610
Decrease (increase) in other financial assets	46,950,053	(39,440,661)
Decrease (increase) in other assets	71,764	(98,437)
Increase in due to the Central Bank and banks	11,201,771	7,891,621
Increase in deposits and remittances	95,020,308	80,032,636
(Decrease) increase in payables	(6,089,140)	3,868,501
Increase (decrease) in financial liabilities at fair value through profit or loss	1,976,567	(6,492,281)
Decrease in reserve for liabilities	(98,774)	(114,726)
Increase (decrease) in other financial liabilities	450,780	(47,612)
Increase in other liabilities	<u>264,692</u>	<u>706,697</u>
Cash flows generated from (used in) operations	40,834,268	(15,391,803)
Interest received	32,563,180	29,948,559
Dividend received	757,432	767,378
Interest paid	(12,359,142)	(12,160,306)
Income taxes refund	529,830	203,103
Income taxes paid	<u>(1,919,244)</u>	<u>(566,756)</u>
Net cash flows generated from operating activities	<u>60,406,324</u>	<u>2,800,175</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(566,599)	(565,212)
Acquisition of investment property	(998)	(133)

(Continued)

CHANG HWA COMMERCIAL BANK, LTD.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014
Acquisition of intangible assets	\$ (108,820)	\$ (500,377)
Proceeds from disposal of property and equipment	<u>32</u>	<u>1,449</u>
Net cash used in investing activities	<u>(676,385)</u>	<u>(1,064,273)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in due to the Central Bank and call loans from banks	(8,401,985)	(9,615,371)
Proceeds from issuance of bank notes	-	25,835,000
Repayment of bank notes	(13,350,000)	(5,000,000)
Cash dividends distributed	(1,580,808)	(4,649,435)
Increase in securities sold under repurchase agreements	<u>85,353</u>	<u>22,103</u>
Net cash flows (used in) generated from financing activities	<u>(23,247,440)</u>	<u>6,592,297</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(10,707)</u>	<u>700,170</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	36,471,792	9,028,369
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>82,228,223</u>	<u>73,199,854</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 118,700,015</u>	<u>\$ 82,228,223</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents in consolidated balance sheet	\$ 31,225,669	\$ 39,586,187
Call loans to banks qualifying as cash and cash equivalents under the definition of IAS 7 permitted by the Financial Supervisory Commission	<u>87,474,346</u>	<u>42,642,036</u>
Cash and cash equivalents at end of period	<u>\$ 118,700,015</u>	<u>\$ 82,228,223</u>

VII Directory of Head Office & Branches

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VII | Directory of Head Office & Branches

	NO.	DOMESTIC OFFICES	ADDRESS	TEL/FAX	SWIFT CODE
		Head Office(Taichung)	No.38, Sec. 2, Ziyou Rd., Central Dist., Taichung City 40045, Taiwan (R.O.C.)	(04)22222001 (04)22272848	
		Head Office(Taipei)	No.57, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10412, Taiwan (R.O.C.)	(02)25362951	
●	2200	Business Department	No.38, Sec. 2, Ziyou Rd., Central Dist., Taichung City 40045, Taiwan (R.O.C.)	(04)22230001 (04)22231170	CCBCTWTP220
◎	4059	Taichung Branch	1F., No.78, Sec. 2, Fuxing Rd., South Dist., Taichung City 40245, Taiwan (R.O.C.)	(04)22650011 (04)22650101	CCBCTWTP405
●	4004	Pei-Taichung Branch	No.6, Sec. 2, Taiwan Blvd., West Dist., Taichung City 40354, Taiwan (R.O.C.)	(04)22011122 (04)22018400	CCBCTWTP400
●	4011	Nan-Taichung Branch	1F., No.102, Taichung Rd., South Dist., Taichung City 40250, Taiwan (R.O.C.)	(04)22243181 (04)22209684	CCBCTWTP401
◎	4028	Peitun Branch	1F., No.10, Beitun Rd., North Dist., Taichung City 40459, Taiwan (R.O.C.)	(04)22322922 (04)22351018	CCBCTWTP402
●	9818	Chung-Kang Branch	No.651, Sec. 2, Taiwan Blvd., Xitun Dist., Taichung City 40759, Taiwan (R.O.C.)	(04)23271717 (04)23271700	CCBCTWTP981
◎	4035	Shuinan Branch	No.447, Sec. 3, Wenxin Rd., Beitun Dist., Taichung City 40667, Taiwan (R.O.C.)	(04)22969966 (04)22961995	CCBCTWTP403
●	4042	Nantun Branch	No.306, Sec. 1, Wenxin Rd., Nantun Dist., Taichung City 40866, Taiwan (R.O.C.)	(04)23220011 (04)23208260	CCBCTWTP404
●	9332	Hsitun Branch	No.923, Sec. 4, Taiwan Blvd., Xitun Dist., Taichung City 40767, Taiwan (R.O.C.)	(04)23593435 (04)23591264	CCBCTWTP933
●	4108	Keelung Branch	1F., No.60, Ai 4 th Rd., Ren' ai Dist., Keelung City 20048, Taiwan (R.O.C.)	(02)24233933 (02)24261673	CCBCTWTP410
◎	4115	Jenai Branch	No.100, Xiao 2 nd Rd., Ren' ai Dist., Keelung City 20042, Taiwan (R.O.C.)	(02)24233941 (02)24278642	CCBCTWTP411
◎	4122	Tung-Keelung Branch	1F., No.57, Xin 1 st Rd., Xinyi Dist., Keelung City 20145, Taiwan (R.O.C.)	(02)24233861 (02)24239760	CCBCTWTP412
◎	4202	Ilan Branch	1F., No.16, Guangfu Rd., Yilan City, Yilan County 26043, Taiwan (R.O.C.)	(03)9352511 (03)9329224	CCBCTWTP420
◎	4219	Lotung Branch	No.194, Zhongzheng Rd., Luodong Township, Yilan County 26547, Taiwan (R.O.C.)	(03)9551171 (03)9552786	CCBCTWTP421
◎	9554	Suao Branch	1F., No.121, Sec. 1, Zhongshan Rd., Su' ao Township, Yilan County 27041, Taiwan (R.O.C.)	(03)9961116 (03)9962371	CCBCTWTP955
●		International Banking Division	2F., No.57, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10412, Taiwan (R.O.C.)	(02)25621919 (02)25410452 (02)25714717	CCBCTWTP
◎	5185	Central Branch	1F., No.57, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10412, Taiwan (R.O.C.)	(02)25514256 (02)25628753	CCBCTWTP518
		Trust Division	12F., No.57, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10412, Taiwan (R.O.C.)	(02)25362951 (02)25215447 (02)25217855	
	2120	Offshore Banking Branch	10F., No.57, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10412, Taiwan (R.O.C.)	(02)25362951 (02)25214873	CCBCTWTP212
●	5012	Taipei Branch	No.27, Sec. 1, Chongqing S. Rd., Zhongzheng Dist., Taipei City 10046, Taiwan (R.O.C.)	(02)23617211 (02)23816585	CCBCTWTP501
◎	3010	Chengnei Branch	1F., No.68, Hengyang Rd., Zhongzheng Dist., Taipei City 10045, Taiwan (R.O.C.)	(02)23113791 (02)23112853	CCBCTWTP301
●	5272	Tunhwa Branch	No.71, Sec. 2, Dunhua S. Rd., Da' an Dist., Taipei City 10682, Taiwan (R.O.C.)	(02)27849821 (02)27061940 (02)27029400	CCBCTWTP527
◎	5029	Wanhua Branch	No.304, Kangding Rd., Wanhua Dist., Taipei City 10852, Taiwan (R.O.C.)	(02)23060201 (02)23064761	CCBCTWTP502

	NO.	DOMESTIC OFFICES	ADDRESS	TEL/FAX	SWIFT CODE
◎	5161	Shuangyuan Branch	No.312, Juguang Rd., Wanhua Dist., Taipei City 10860, Taiwan (R.O.C.)	(02)23042141 (02)23025300	CCBCTWTP516
◎	5036	Hsimen Branch	No.169-2, Xining S. Rd., Wanhua Dist., Taipei City 10844, Taiwan (R.O.C.)	(02)23719271 (02)23121417	CCBCTWTP503
●	5005	Peimen Branch	1F., No.19, Sec. 1, Yanping N. Rd., Datong Dist., Taipei City 10341, Taiwan (R.O.C.)	(02)25586271 (02)25553451	CCBCTWTP500
◎	5043	Yunglo Branch	1F., No.120, Sec. 1, Dihua St., Datong Dist., Taipei City 10344, Taiwan (R.O.C.)	(02)25585151 (02)25568821	CCBCTWTP504
●	5050	Chiencheng Branch	1F., No.123, Nanjing W. Rd., Datong Dist., Taipei City 10355, Taiwan (R.O.C.)	(02)25555121 (02)25567172	CCBCTWTP505
●	5067	Tatung Branch	No.199, Sec. 3, Chongqing N. Rd., Datong Dist., Taipei City 10369, Taiwan (R.O.C.)	(02)25919113 (02)25926402	CCBCTWTP506
●	5234	Min-Sheng Branch	No.54-1, Sec. 4, Minsheng E. Rd., Songshan Dist., Taipei City 10574, Taiwan (R.O.C.)	(02)27121311 (02)27182123 (02)27120379	CCBCTWTP523
●	5081	Chungshan North Rd. Branch	No.111, Sec. 2, Zhongshan N. Rd., Zhongshan Dist., Taipei City 10448, Taiwan (R.O.C.)	(02)25711241 (02)25212861	CCBCTWTP508
◎	9721	Ching-Kuang Branch	No.609, Linsen N. Rd., Zhongshan Dist., Taipei City 10460, Taiwan (R.O.C.)	(02)25950551 (02)25974734	CCBCTWTP972
●	5289	Chien-Kuo Branch	No.136, Sec. 3, Ren' ai Rd., Da' an Dist., Taipei City 10657, Taiwan (R.O.C.)	(02)27033737 (02)27081145	CCBCTWTP528
●	3003	Chilin Branch	1F., No.98, Sec. 2, Nanjing E. Rd., Zhongshan Dist., Taipei City 10457, Taiwan (R.O.C.)	(02)25626151 (02)25315616	CCBCTWTP300
●	9714	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 (02)25230172	CCBCTWTP971
◎	5109	Tungmen Branch	1F., No.139, Sec. 2, Xinyi Rd., Zhongzheng Dist., Taipei City 10064, Taiwan (R.O.C.)	(02)23921241 (02)23927678	CCBCTWTP510
●	5314	Chung-Cheng Branch	1F., No.47, Sec. 1, Jinshan S. Rd., Zhongzheng Dist., Taipei City 10056, Taiwan (R.O.C.)	(02)23560000 (02)23570780	CCBCTWTP531
●	5116	Kuting Branch	No.25, Sec. 2, Roosevelt Rd., Da' an Dist., Taipei City 10643, Taiwan (R.O.C.)	(02)23517211 (02)23928702	CCBCTWTP511
●	5203	Chung-Hsiao Tung Lu Branch	No.164, Sec. 4, Zhongxiao E. Rd., Da' an Dist., Taipei City 10688, Taiwan (R.O.C.)	(02)27713151 (02)27311249	CCBCTWTP520
◎	5338	Yung-Chun Branch	No.1-2, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City 11071, Taiwan (R.O.C.)	(02)27682322 (02)27654923	CCBCTWTP533
●	5130	Taan Branch	No.177, Sec. 1, Heping E. Rd., Da' an Dist., Taipei City 10644, Taiwan (R.O.C.)	(02)23213214 (02)23943842	CCBCTWTP513
◎	5401	Heping Branch	No.106, Sec. 3, Heping E. Rd., Da' an Dist., Taipei City 10675, Taiwan (R.O.C.)	(02)33169009 (02)27331551	CCBCTWTP540
●	5210	Hsin-Yi Branch	No.155, Sec. 4, Xinyi Rd., Da' an Dist., Taipei City 10681, Taiwan (R.O.C.)	(02)27039081 (02)27021433 (02)27039101	CCBCTWTP521
◎	5321	Jen-Ho Branch	No.31, Sec. 4, Ren' ai Rd., Da' an Dist., Taipei City 10685, Taiwan (R.O.C.)	(02)27514066 (02)27763186	CCBCTWTP532
●	5265	Taipei World Trade Center Branch	3F., No.333, Sec. 1, Keelung Rd., Xinyi Dist., Taipei City 11012, Taiwan (R.O.C.)	(02)27203101 (02)27576385	CCBCTWTP526
●	5345	Guanglong Branch	1F., No.78, Sec. 2, Keelung Rd., Xinyi Dist., Taipei City 11052, Taiwan (R.O.C.)	(02)27207678 (02)27208766	CCBCTWTP534
●	5147	Chengtung Branch	No.225, Sec. 3, Nanjing E. Rd., Zhongshan Dist., Taipei City 10488, Taiwan (R.O.C.)	(02)27153535 (02)27123175 (02)27172947	CCBCTWTP514
●	5154	Chunglun Branch	1F., No.201, Sec. 2, Bade Rd., Zhongshan Dist., Taipei City 10491, Taiwan (R.O.C.)	(02)27312211 (02)27529492	CCBCTWTP515
●	5258	Fu-Hsing Branch	No.367, Fuxing N. Rd., Songshan Dist., Taipei City 10543, Taiwan (R.O.C.)	(02)27173222 (02)27187905	CCBCTWTP525
●	9752	Sung-Chiang Branch	No.261, Songjiang Rd., Zhongshan Dist., Taipei City 10483, Taiwan (R.O.C.)	(02)25024923 (02)25024931	CCBCTWTP975

	NO.	DOMESTIC OFFICES	ADDRESS	TEL/FAX	SWIFT CODE
◎	5074	Chengde Branch	1F., No.81, Sec. 4, Chengde Rd., Shilin Dist., Taipei City 11166, Taiwan (R.O.C.)	(02)28868989 (02)28866969	CCBCTWTP507
●	5178	Shihlin Branch	No.21, Fude Rd., Shilin Dist., Taipei City 11163, Taiwan (R.O.C.)	(02)28822354 (02)28829151	CCBCTWTP517
◎	5307	Tienmu Branch	1F., No.33, Dexing W. Rd., Shilin Dist., Taipei City 11158, Taiwan (R.O.C.)	(02)28333232 (02)28333131	CCBCTWTP530
●	5192	Sungshan Branch	No.165, Yongji Rd., Xinyi Dist., Taipei City 11063, Taiwan (R.O.C.)	(02)27625242 (02)27692414	CCBCTWTP519
◎	5241	Hsi-Sung Branch	1F., No.213, Sec. 5, Nanjing E. Rd., Songshan Dist., Taipei City 10569, Taiwan (R.O.C.)	(02)27639611 (02)27697636	CCBCTWTP524
●	5227	Tung-Taipei Branch	No.126, Sec. 4, Nanjing E. Rd., Songshan Dist., Taipei City 10595, Taiwan (R.O.C.)	(02)25704567 (02)25702577	CCBCTWTP522
◎	5418	Dongxing Branch	1F., No.88, Sec. 4, Bade Rd., Songshan Dist., Taipei City 10565, Taiwan (R.O.C.)	(02)21711115 (02)25288180	CCBCTWTP541
●	9790	Hsi-Neihu Branch	1F., No.26, Ln. 513, Ruiguang Rd., Neihu Dist., Taipei City 11492, Taiwan (R.O.C.)	(02)27978966 (02)27971399	CCBCTWTP979
●	9738	Tachih Branch	No.589, Bei'an Rd., Zhongshan Dist., Taipei City 10463, Taiwan (R.O.C.)	(02)25337861 (02)25334835	CCBCTWTP973
◎	5296	Nei-Hu Branch	1F., No.100, Wende Rd., Neihu Dist., Taipei City 11475, Taiwan (R.O.C.)	(02)26590766 (02)26590767	CCBCTWTP529
◎	5376	Tung-Hu Branch	1F., No.109, Sec. 6, Minquan E. Rd., Neihu Dist., Taipei City 11490, Taiwan (R.O.C.)	(02)27904567 (02)87926060	CCBCTWTP537
◎	5369	Sinhu Branch	No.180, Xinhu 2 nd Rd., Neihu Dist., Taipei City 11494, Taiwan (R.O.C.)	(02)27931616 (02)27956889	CCBCTWTP536
●	9801	Nankang Branch	No.48, Sec. 3, Nangang Rd., Nangang Dist., Taipei City 11510, Taiwan (R.O.C.)	(02)27833456 (02)27885313	CCBCTWTP980
●	5383	Nankang Science Industrial Park Branch	2F-3, No.3, Park St., Nangang Dist., Taipei City 11503, Taiwan (R.O.C.)	(02)26558169 (02)26558683	CCBCTWTP538
◎	5123	Wufenpu Branch	1F., No.92, Zhongpo N. Rd., Nangang Dist., Taipei City 11562, Taiwan (R.O.C.)	(02)27852787 (02)27852757	CCBCTWTP512
◎	5352	Mucha Branch	No.48, Sec. 3, Muxin Rd., Wenshan Dist., Taipei City 11664, Taiwan (R.O.C.)	(02)86617377 (02)86617399	CCBCTWTP535
●	5390	Bei Tou Branch	1F., No.6, Ln. 452, Daye Rd., Beitou Dist., Taipei City 11268, Taiwan (R.O.C.)	(02)28968585 (02)28968282	CCBCTWTP539
◎	5661	Hsi-Chih Branch	No.93, Zhongxing Rd., Xizhi Dist., New Taipei City 22158, Taiwan (R.O.C.)	(02)26947878 (02)26941292	CCBCTWTP566
◎	5432	Xike Branch	1F., No.217, Sec. 1, Datong Rd., Xizhi Dist., New Taipei City 22161, Taiwan (R.O.C.)	(02)21653111 (02)86921598	CCBCTWTP543
◎	5685	Tanshui Branch	No.67, Sec. 1, Zhongshan N. Rd., Tamsui Dist., New Taipei City 25174, Taiwan (R.O.C.)	(02)26219998 (02)26255235	CCBCTWTP568
◎	5543	Juifang Branch	No.38, Sec. 3, Mingdeng Rd., Ruifang Dist., New Taipei City 22441, Taiwan (R.O.C.)	(02)24972860 (02)24972848	CCBCTWTP554
◎	5505	Sanchungpu Branch	No.89, Sec. 1, Chongxin Rd., Sanchong Dist., New Taipei City 24148, Taiwan (R.O.C.)	(02)29733450 (02)29752527	CCBCTWTP550
◎	5512	Pei-Sanchungpu Branch	1F., No.68, Zhengyi N. Rd., Sanchong Dist., New Taipei City 24147, Taiwan (R.O.C.)	(02)29823111 (02)29848411	CCBCTWTP551
●	5616	Tung-Sanchung Branch	No.303, Zhengyi N. Rd., Sanchong Dist., New Taipei City 24146, Taiwan (R.O.C.)	(02)29821100 (02)29883597	CCBCTWTP561
◎	5654	Hsi-Sanchung Branch	No.22, Sec. 2, Chongyang Rd., Sanchong Dist., New Taipei City 24161, Taiwan (R.O.C.)	(02)29820221 (02)29820358	CCBCTWTP565
◎	5630	Nan-Sanchung Branch	No.82, Zhongzheng S. Rd., Sanchong Dist., New Taipei City 24143, Taiwan (R.O.C.)	(02)29771234 (02)29769550	CCBCTWTP563
◎	9641	San Ho Rd. Branch	No.368, Sec. 4, Sanhe Rd., Sanchong Dist., New Taipei City 24154, Taiwan (R.O.C.)	(02)22871441 (02)22865817	CCBCTWTP964
◎	9832	Luchou Branch	1F., No.86, Sanmin Rd., Luzhou Dist., New Taipei City 24760, Taiwan (R.O.C.)	(02)22851000 (02)22850518	CCBCTWTP983
◎	5529	Hsintien Branch	No.135, Sec. 1, Beixin Rd., Xindian Dist., New Taipei City 23147, Taiwan (R.O.C.)	(02)29141650 (02)29141656	CCBCTWTP552

	NO.	DOMESTIC OFFICES	ADDRESS	TEL/FAX	SWIFT CODE
●	5623	Pei Hsin Branch	1F., No.11, Baoqiang Rd., Xindian Dist., New Taipei City 23144, Taiwan (R.O.C.)	(02)29131071 (02)29110251	CCBCTWTP562
●	9658	Chicheng Branch	No.98, Minquan Rd., Xindian Dist., New Taipei City 23141, Taiwan (R.O.C.)	(02)22189001 (02)22180542	CCBCTWTP965
◎	5536	Yunggho Branch	1F., No.69, Sec. 2, Yonghe Rd., Yonghe Dist., New Taipei City 23444, Taiwan (R.O.C.)	(02)29243334 (02)29235245	CCBCTWTP553
◎	5598	Fuho Branch	No.139, Fuhe Rd., Yonghe Dist., New Taipei City 23449, Taiwan (R.O.C.)	(02)29221171 (02)29254971	CCBCTWTP559
●	5647	Chunggho Branch	1F., No.182, Zhonghe Rd., Zhonghe Dist., New Taipei City 23575, Taiwan (R.O.C.)	(02)22492711 (02)22452337	CCBCTWTP564
◎	5678	Shuanggho Branch	No.801, Zhongzheng Rd., Zhonghe Dist., New Taipei City 23552, Taiwan (R.O.C.)	(02)22259988 (02)22252821	CCBCTWTP567
◎	5463	Lide Branch	1F., No.142, Lide St., Zhonghe Dist., New Taipei City 23512, Taiwan (R.O.C.)	(02)22239888 (02)22233277	CCBCTWTP546
●	5550	Hsinchuang Branch	No.119, Xintai Rd., Xinzhuang Dist., New Taipei City 24242, Taiwan (R.O.C.)	(02)29937101 (02)29969440	CCBCTWTP555
◎	5487	Wugu Industrial Park Branch	No.3-1, Wugong 5 th Rd., Xinzhuang Dist., New Taipei City 24890, Taiwan (R.O.C.)	(02)22993311 (02)22997099	CCBCTWTP548
●	5494	Nan-Hsinchuang Branch	No.657-1, Zhongzheng Rd., Xinzhuang Dist., New Taipei City 24257, Taiwan (R.O.C.)	(02)29066599 (02)29085252	CCBCTWTP549
◎	9269	Sy Yuan Branch	No.245, Siyuan Rd., Xinzhuang Dist., New Taipei City 24250, Taiwan (R.O.C.)	(02)29967137 (02)29978513	CCBCTWTP926
◎	5456	Sinshu Branch	1F., No.266-1, Xinshu Rd., Xinzhuang Dist., New Taipei City 24262, Taiwan (R.O.C.)	(02)22086767 (02)22086787	CCBCTWTP545
◎	5470	Taishan Branch	1F., No.111, Quanxing Rd., Taishan Dist., New Taipei City 24341, Taiwan (R.O.C.)	(02)22970809 (02)22970307	CCBCTWTP547
●	9689	Linkou Branch	1F., No.46, Linkou Rd., Linkou Dist., New Taipei City 24444, Taiwan (R.O.C.)	(02)26010711 (02)26010716	CCBCTWTP968
◎	5567	Shulin Branch	No.135, Sec. 1, Zhongshan Rd., Shulin Dist., New Taipei City 23844, Taiwan (R.O.C.)	(02)26813621 (02)26821787	CCBCTWTP556
●	5574	Panchiao Branch	No.22, Sec. 1, Zhongshan Rd., Banqiao Dist., New Taipei City 22063, Taiwan (R.O.C.)	(02)29628161 (02)29546254	CCBCTWTP557
●	5609	Kuang-Fu Branch	No.62, Sec. 2, Zhongshan Rd., Banqiao Dist., New Taipei City 22067, Taiwan (R.O.C.)	(02)29619181 (02)29530154	CCBCTWTP560
◎	9696	Chiang Tsui Branch	No.9, Sec. 2, Wenhua Rd., Banqiao Dist., New Taipei City 22047, Taiwan (R.O.C.)	(02)22591001 (02)22526591	CCBCTWTP969
●	9283	Tucheng Branch	No.45, Sec. 3, Zhongyang Rd., Tucheng Dist., New Taipei City 23671, Taiwan (R.O.C.)	(02)22691155 (02)22691153	CCBCTWTP928
◎	5581	Sanhsia Branch	No.89, Wenhua Rd., Sanxia Dist., New Taipei City 23741, Taiwan (R.O.C.)	(02)26711261 (02)26732421	CCBCTWTP558
●	5703	Taoyuan Branch	No.73, Zhongzheng Rd., Taoyuan Dist., Taoyuan City 33041, Taiwan (R.O.C.)	(03)3346130 (03)3346136	CCBCTWTP570
◎	5772	Ba De Branch	No.135, Sec. 2, Jiesshou Rd., Bade Dist., Taoyuan City 33445, Taiwan (R.O.C.)	(03)3711222 (03)3711777	CCBCTWTP577
◎	9290	Pei-Taoyuan Branch	No.189, Yong' an Rd., Taoyuan Dist., Taoyuan City 33054, Taiwan (R.O.C.)	(03)3320743 (03)3384238	CCBCTWTP929
◎	5796	Nankan Branch	No.7, Sec. 2, Nankan Rd., Luzhu Dist., Taoyuan City 33855, Taiwan (R.O.C.)	(03)3213666 (03)3213377	CCBCTWTP579
◎	9356	Tung-Linkou Branch	No.235, Fuxing 1 st Rd., Guishan Dist., Taoyuan City 33375, Taiwan (R.O.C.)	(03)3975555 (03)3181150	CCBCTWTP935
●	5710	Chungli Branch	1F., No.95, Zhongzheng Rd., Zhongli Dist., Taoyuan City 32041, Taiwan (R.O.C.)	(03)4252101 (03)4253601	CCBCTWTP571
◎	5765	Pei-Chungli Branch	No.155, Zhongxiao Rd., Zhongli Dist., Taoyuan City 32065, Taiwan (R.O.C.)	(03)4636688 (03)4352476	CCBCTWTP576
◎	9301	Hsin-Ming Branch	No.2, Zhongxiao Rd., Pingzhen Dist., Taoyuan City 32447, Taiwan (R.O.C.)	(03)4941571 (03)4942100	CCBCTWTP930
◎	5425	Longtan Branch	1F., No.240-3, Zhongzheng Rd., Longtan Dist., Taoyuan City 32552, Taiwan (R.O.C.)	(03)4891238 (03)4891519	CCBCTWTP542

	NO.	DOMESTIC OFFICES	ADDRESS	TEL/FAX	SWIFT CODE
◎	5692	Yangmei Branch	No.158, Dacheng Rd., Yangmei Dist., Taoyuan City 32643, Taiwan (R.O.C.)	(03)4783391 (03)4754930	CCBCTWTP569
◎	9318	Puhsin Branch	No.82, Zhongxing Rd., Yangmei Dist., Taoyuan City 32654, Taiwan (R.O.C.)	(03)4824935 (03)4828924	CCBCTWTP931
●	5727	Hsinchu Branch	No.63, Zhongzheng Rd., East Dist., Hsinchu City 30051, Taiwan (R.O.C.)	(03)5253151 (03)5263840	CCBCTWTP572
◎	9627	Pei-Hsinchu Branch	No.110, Sec. 2, Dongda Rd., North Dist., Hsinchu City 30054, Taiwan (R.O.C.)	(03)5339651 (03)5339460	CCBCTWTP962
●	5758	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 (03)5770996	CCBCTWTP575
●	5987	Jhubei Branch	1F., No.26-3, Taiyuan St., Zhubei City, Hsinchu County 30288, Taiwan (R.O.C.)	(03)5526898 (03)5526896 (03)5526806	CCBCTWTP598
◎	5734	Chutung Branch	No.43, Sec. 2, Changchun Rd., Zhudong Township, Hsinchu County 31047, Taiwan (R.O.C.)	(03)5962280 (03)5958365	CCBCTWTP573
◎	5741	Miaoli Branch	No.636, Zhongzheng Rd., Miaoli City, Miaoli County 36049, Taiwan (R.O.C.)	(037)326455 (037)334590	CCBCTWTP574
◎	5807	Yuanli Branch	No.35, Weigong Rd., Yuanli Township, Miaoli County 35843, Taiwan (R.O.C.)	(037)861501 (037)869242	CCBCTWTP580
◎	5789	Zhunan Branch	1F., No.110, Sec. 2, Huanshi Rd., Zhunan Township, Miaoli County 35047, Taiwan (R.O.C.)	(037)551751 (037)551910	CCBCTWTP578
●	5814	Tachia Branch	No.405, Shuntian Rd., Dajia Dist., Taichung City 43741, Taiwan (R.O.C.)	(04)26878711 (04)26878754	CCBCTWTP581
◎	5821	Chingshui Branch	1F., No.196, Zhongshan Rd., Qingshui Dist., Taichung City 43654, Taiwan (R.O.C.)	(04)26225151 (04)26227461	CCBCTWTP582
◎	5876	Shalu Branch	No.52, Shatian Rd., Shalu Dist., Taichung City 43353, Taiwan (R.O.C.)	(04)26358599 (04)26358577	CCBCTWTP587
◎	5963	Tatu Branch	1F., No.780, Sec. 2, Shatian Rd., Dadu Dist., Taichung City 43242, Taiwan (R.O.C.)	(04)26983711 (04)26983719	CCBCTWTP596
●	5838	Fengyuan Branch	1F., No.220, Zhongzheng Rd., Fengyuan Dist., Taichung City 42056, Taiwan (R.O.C.)	(04)25269191 (04)25246694	CCBCTWTP583
◎	5869	Daya Branch	1F., No.1090, Sec. 3, Zhongqing Rd., Daya Dist., Taichung City 42878, Taiwan (R.O.C.)	(04)25665500 (04)25671878	CCBCTWTP586
◎	9603	Tantzu Branch	No.199, Sec. 2, Zhongshan Rd., Tanzi Dist., Taichung City 42755, Taiwan (R.O.C.)	(04)25322234 (04)25322035	CCBCTWTP960
◎	5845	Tungshih Branch	No.456, Fengshi Rd., Dongshi Dist., Taichung City 42343, Taiwan (R.O.C.)	(04)25877160 (04)25884371	CCBCTWTP584
●	5852	Wufeng Branch	No.900, Zhongzheng Rd., Wufeng Dist., Taichung City 41341, Taiwan (R.O.C.)	(04)23393567 (04)23325941	CCBCTWTP585
◎	5890	Taipin Branch	No.89, Yongfeng Rd., Taiping Dist., Taichung City 41143, Taiwan (R.O.C.)	(04)22736789 (04)22737890	CCBCTWTP589
◎	5901	Tsaotun Branch	No.23, Heping St., Caotun Township, Nantou County 54242, Taiwan (R.O.C.)	(049)2338101 (049)2353116	CCBCTWTP590
◎	5918	Nantou Branch	No.72, Sec. 2, Zhangnan Rd., Nantou City, Nantou County 54063, Taiwan (R.O.C.)	(049)2226171 (049)2235855	CCBCTWTP591
◎	5925	Puli Branch	No.73, Xikang Rd., Puli Township, Nantou County 54555, Taiwan (R.O.C.)	(049)2983983 (049)2983989	CCBCTWTP592
◎	5932	Shuilikeng Branch	No.226, Minquan Rd., Shuili Township, Nantou County 55343, Taiwan (R.O.C.)	(049)2772121 (049)2770375	CCBCTWTP593
●	6006	Changhua Branch	1F., No.57, Heping Rd., Changhua City, Changhua County 50046, Taiwan (R.O.C.)	(04)7242101 (04)7256294	CCBCTWTP600
◎	6075	Dali Branch	1F., No.20, Sec. 2, Defang Rd., Dali Dist., Taichung City 41262, Taiwan (R.O.C.)	(04)24181558 (04)24181518	CCBCTWTP607
●	6013	Lukang Branch	No.137, Zhongshan Rd., Lukang Township, Changhua County 50570, Taiwan (R.O.C.)	(04)7773311 (04)7777447	CCBCTWTP601
●	6068	Hemei Branch	1F., No.428, Daozhou Rd., Hemei Township, Changhua County 50845, Taiwan (R.O.C.)	(04)7579696 (04)7579292	CCBCTWTP606

	NO.	DOMESTIC OFFICES	ADDRESS	TEL/FAX	SWIFT CODE
●	6020	Yuanlin Branch	No.495, Zhongzheng Rd., Yuanlin Township, Changhua County 51041, Taiwan (R.O.C.)	(04)8322101 (04)8320045	CCBCTWTP602
●	6037	Hsihu Branch	No.158, Sec. 3, Zhangshui Rd., Xihu Township, Changhua County 51441, Taiwan (R.O.C.)	(04)8853471 (04)8853476	CCBCTWTP603
◎	6044	Peitou Branch	No.172, Sec. 1, Douyuan Rd., Beidou Township, Changhua County 52146, Taiwan (R.O.C.)	(04)8882811 (04)8882816	CCBCTWTP604
●	6099	Erlin Branch	1F., No.67, Sec. 5, Douyuan Rd., Erlin Township, Changhua County 52641, Taiwan (R.O.C.)	(04)8950011 (04)8950211	CCBCTWTP609
◎	6051	Hsiluo Branch	1F., No.225, Zhongshan Rd., Xiluo Township, Yunlin County 64848, Taiwan (R.O.C.)	(05)5863611 (05)5868035	CCBCTWTP605
◎	6100	Touliu Branch	No.70, Zhongshan Rd., Douliu City, Yunlin County 64051, Taiwan (R.O.C.)	(05)5324116 (05)5321542	CCBCTWTP610
◎	6117	Tounan Branch	No.100, Zhongshan Rd., Dounan Township, Yunlin County 63042, Taiwan (R.O.C.)	(05)5974191 (05)5961601	CCBCTWTP611
◎	6124	Huwei Branch	No.35, Zhongzheng Rd., Huwei Township, Yunlin County 63242, Taiwan (R.O.C.)	(05)6322561 (05)6321655	CCBCTWTP612
◎	9523	Tukoo Branch	1F., No.308, Guangming Rd., Tuku Township, Yunlin County 63346, Taiwan (R.O.C.)	(05)6621116 (05)6622811	CCBCTWTP952
◎	6131	Peikang Branch	No.51, Wenhua Rd., Beigang Township, Yunlin County 65142, Taiwan (R.O.C.)	(05)7836121 (05)7835460	CCBCTWTP613
◎	6204	Talin Branch	No.246, Xianghe Rd., Dalin Township, Chiayi County 62241, Taiwan (R.O.C.)	(05)2653221 (05)2650121	CCBCTWTP620
●	6211	Chiayi Branch	1F., No.386, Zhongshan Rd., West Dist., Chiayi City 60041, Taiwan (R.O.C.)	(05)2278141 (05)2225870	CCBCTWTP621
◎	6228	Tung-Chiayi Branch	1F., No.832, Xinsheng Rd., East Dist., Chiayi City 60074, Taiwan (R.O.C.)	(05)2712811 (05)2716031	CCBCTWTP622
◎	9610	Pei-Chiayi Branch	No.290, You' ai Rd., West Dist., Chiayi City 60088, Taiwan (R.O.C.)	(05)2342166 (05)2815459	CCBCTWTP961
◎	6235	Hsinying Branch	1F., No.150, Fuxing Rd., Xinying Dist., Tainan City 73043, Taiwan (R.O.C.)	(06)6323871 (06)6323810	CCBCTWTP623
●	6242	Yungkang Branch	No.839, Zhongzheng S. Rd., Yongkang Dist., Tainan City 71045, Taiwan (R.O.C.)	(06)2545386 (06)2544750	CCBCTWTP624
◎	9849	Chung-Hua Road Branch	No.473-3, Xiaodong Rd., Yongkang Dist., Tainan City 71069, Taiwan (R.O.C.)	(06)3125318 (06)3138790	CCBCTWTP984
◎	6259	STSP Tree Valley Branch	1F., No.6, Zhongxin Rd., Xinshi Dist., Tainan City 74148, Taiwan (R.O.C.)	(06)5893236 (06)5893286	CCBCTWTP625
◎	6266	Guiren Branch	No.218, Sec. 2, Zhongshan Rd., Guiren Dist., Tainan City 71146, Taiwan (R.O.C.)	(06)2391711 (06)2391336	CCBCTWTP626
●	6402	Tainan Branch	1F., No.88, Zhongzheng Rd., West Central Dist., Tainan City 70048, Taiwan (R.O.C.)	(06)2221281 (06)2223317	CCBCTWTP640
◎	6419	Yenping Branch	No.151, Sec. 2, Minquan Rd., West Central Dist., Tainan City 70042, Taiwan (R.O.C.)	(06)2254161 (06)2267813	CCBCTWTP641
●	6426	Hsi-Tainan Branch	No.94, Sec. 3, Minzu Rd., West Central Dist., Tainan City 70053, Taiwan (R.O.C.)	(06)2235141 (06)2205441	CCBCTWTP642
●	6433	Tung-Tainan Branch	No.95-1, Sec. 1, Beimen Rd., West Central Dist., Tainan City 70044, Taiwan (R.O.C.)	(06)2267141 (06)2204874	CCBCTWTP643
◎	6440	Nan-Tainan Branch	1F., No.655, Sec. 1, Ximen Rd., South Dist., Tainan City 70245, Taiwan (R.O.C.)	(06)2263181 (06)2204810	CCBCTWTP644
◎	9561	Pei-Tainan Branch	No.367, Sec. 4, Ximen Rd., North Dist., Tainan City 70465, Taiwan (R.O.C.)	(06)2523450 (06)2512839	CCBCTWTP956
◎	6457	An-Nan Branch	1F., No.330, Sec. 4, Anhe Rd., Annan Dist., Tainan City 70969, Taiwan (R.O.C.)	(06)3556111 (06)3557222	CCBCTWTP645
◎	6506	Chishan Branch	1F., No.102, Zhongshan Rd., Qishan Dist., Kaohsiung City 84257, Taiwan (R.O.C.)	(07)6615481 (07)6615490	CCBCTWTP650
●	6513	Kangshan Branch	No.293, Gangshan Rd., Gangshan Dist., Kaohsiung City 82041, Taiwan (R.O.C.)	(07)6216111 (07)6214801	CCBCTWTP651
◎	6520	Fengshan Branch	No.264, Sanmin Rd., Fengshan Dist., Kaohsiung City 83058, Taiwan (R.O.C.)	(07)7470101 (07)7426262	CCBCTWTP652

	NO.	DOMESTIC OFFICES	ADDRESS	TEL/FAX	SWIFT CODE
◎	9547	Luchu Branch	No.835, Zhongshan Rd., Luzhu Dist., Kaohsiung City 82152, Taiwan (R.O.C.)	(07)6972151 (07)6974491	CCBCTWTP954
◎	9349	Ta-Fa Branch	No.539, Fenglin 3 rd Rd., Daliao Dist., Kaohsiung City 83152, Taiwan (R.O.C.)	(07)7824356 (07)7826225	CCBCTWTP934
●	8119	Kaohsiung Branch	No.59, Minquan 1 st Rd., Lingya Dist., Kaohsiung City 80251, Taiwan (R.O.C.)	(07)3361620 (07)3358484 (07)3333096	CCBCTWTP811
●	8126	Chi-Hsien Branch	1F., No.456, Zhongxiao 1 st Rd., Xinxing Dist., Kaohsiung City 80055, Taiwan (R.O.C.)	(07)2361191 (07)2369229	CCBCTWTP812
◎	8133	Yencheng Branch	1F., No.85, Dayong Rd., Yancheng Dist., Kaohsiung City 80343, Taiwan (R.O.C.)	(07)5313181 (07)5514151	CCBCTWTP813
●	8140	Tung-Kaohsiung Branch	1F., No.109, Zhongzheng 4 th Rd., Qianjin Dist., Kaohsiung City 80147, Taiwan (R.O.C.)	(07)2217741 (07)2824862	CCBCTWTP814
◎	8157	Nan-Kaohsiung Branch	No.13, Yongfeng Rd., Qianzhen Dist., Kaohsiung City 80643, Taiwan (R.O.C.)	(07)7158000 (07)7173514	CCBCTWTP815
◎	8164	Pei-Kaohsiung Branch	No.720, Houchang Rd., Nanzi Dist., Kaohsiung City 81142, Taiwan (R.O.C.)	(07)3662566 (07)3663710	CCBCTWTP816
◎	8251	Zuoying Branch	1F., No.280, Bo' ai 4 th Rd., Zuoying Dist., Kaohsiung City 81369, Taiwan (R.O.C.)	(07)3436269 (07)3432178	CCBCTWTP825
◎	8171	Sanmin Branch	No.157, Hebei 2 nd Rd., Sanmin Dist., Kaohsiung City 80749, Taiwan (R.O.C.)	(07)2918131 (07)2918137	CCBCTWTP817
◎	8213	Hsinhsing Branch	No.139, Zhongzheng 2 nd Rd., Lingya Dist., Kaohsiung City 80274, Taiwan (R.O.C.)	(07)2222200 (07)2222208	CCBCTWTP821
◎	8195	Chanchen Branch	No.155, Sanduo 3 rd Rd., Qianzhen Dist., Kaohsiung City 80655, Taiwan (R.O.C.)	(07)3344121 (07)3328241	CCBCTWTP819
◎	8206	Chiu-Ju Lu Branch	No.7, Jiuru 2 nd Rd., Sanmin Dist., Kaohsiung City 80759, Taiwan (R.O.C.)	(07)3123101 (07)3120191	CCBCTWTP820
◎	9634	Chienhsing Branch	No.123, Jianguo 2 nd Rd., Sanmin Dist., Kaohsiung City 80753, Taiwan (R.O.C.)	(07)2358527 (07)2368171	CCBCTWTP963
◎	8244	Po-Ai Branch	No.517, Bo' ai 1 st Rd., Gushan Dist., Kaohsiung City 80466, Taiwan (R.O.C.)	(07)5545151 (07)5553202	CCBCTWTP824
◎	8220	Lingya Branch	No.2, Siwei 4 th Rd., Lingya Dist., Kaohsiung City 80247, Taiwan (R.O.C.)	(07)3353171 (07)3353393	CCBCTWTP822
◎	8237	Ta-Shun Branch	No.109, Jianguo 1 st Rd., Lingya Dist., Kaohsiung City 80284, Taiwan (R.O.C.)	(07)7715101 (07)7133512	CCBCTWTP823
◎	8300	Pingtung Branch	1F., No.117-2, Zhongzheng Rd., Pingtung City, Pingtung County 90074, Taiwan (R.O.C.)	(08)7342705 (08)7338190	CCBCTWTP830
◎	8324	Chaochou Branch	No.38, Zhongzheng Rd., Chaozhou Township, Pingtung County 92052, Taiwan (R.O.C.)	(08)7883911 (08)7880144	CCBCTWTP832
◎	8317	Tungkang Branch	No.74, Zhongzheng Rd., Donggang Township, Pingtung County 92849, Taiwan (R.O.C.)	(08)8351521 (08)8351528	CCBCTWTP831
◎	8348	Hengchun Branch	No.22, Hengnan Rd., Hengchun Township, Pingtung County 94641, Taiwan (R.O.C.)	(08)8899665 (08)8882514	CCBCTWTP834
◎	8404	Hualien Branch	No.191, Zhongshan Rd., Hualien City, Hualien County 97047, Taiwan (R.O.C.)	(03)8323961 (03)8337215	CCBCTWTP840
◎	8508	Taitung Branch	1F., No.226, Zhengqi Rd., Taitung City, Taitung County 95044, Taiwan (R.O.C.)	(089)324311 (089)318806	CCBCTWTP850
	3027	Commercial Regional Center One	2F., No.47, Sec. 1, Jinshan S. Rd., Zhongzheng Dist., Taipei City 10056, Taiwan (R.O.C.)	(02)23973801 (02)23519716	
	3034	Commercial Regional Center Two	2F., No.123, Nanjing W. Rd., Datong Dist., Taipei City 10355, Taiwan (R.O.C.)	(02)25521010 (02)25503003	
	3041	Commercial Regional Center Three	3F., No.182, Zhonghe Rd., Zhonghe Dist., New Taipei City 23575, Taiwan (R.O.C.)	(02)22401223 (02)22455153	
	3058	Commercial Regional Center Four	12F., No.78, Sec. 2, Fuxing Rd., South Dist., Taichung City 40245, Taiwan (R.O.C.)	(04)22601588 (04)22606061	
	3065	Commercial Regional Center Five	5F., No.655, Sec. 1, Ximen Rd., South Dist., Tainan City 70245, Taiwan (R.O.C.)	(06)2218666 (06)2213636	

NO.	DOMESTIC OFFICES	ADDRESS	TEL/FAX	SWIFT CODE
3072	Commercial Regional Center Six	4F., No.85, Dayong Rd., Yancheng Dist., Kaohsiung City 80343, Taiwan (R.O.C.)	(07)5219123	
			(07)5333939	
	Taipei Securities Broker	3F., No.68, Hengyang Rd., Zhongzheng Dist., Taipei City 10045, Taiwan (R.O.C.)	(02)23619654	
			(02)23113726	
	Taichung Securities Broker	3F., No.78, Sec. 2, Fuxing Rd., South Dist., Taichung City 40245, Taiwan (R.O.C.)	(04)22660011	
			(04)22660060	
	Chi-Hsien Securities Broker	3F., No.456, Zhongxiao 1 st Rd., Xinxing Dist., Kaohsiung City 80055, Taiwan (R.O.C.)	(07)2355658	
			(07)2355785	

Note: ● Authorized Foreign Exchange Unit ◎ Remittance Foreign Exchange Unit

OVERSEAS UNITS	ADDRESS/E-MAIL	TEL/FAX	SWIFT CODE
NEW YORK BRANCH	685 Third Avenue, 29 th Floor, New York, N.Y. 10017, U. S. A. e-mail:chbny@chbnyc.com	Tel: 1-212-6519770 Fax:1-212-6519785 1-212-6519786	CCBCUS33
LOS ANGELES BRANCH	333 South Grand Avenue, Suite 2250, Los Angeles, CA 90071, U. S. A. e-mail:changhwa@chbla.com	Tel: 1-213-6207200 Fax:1-213-6207227	CCBCUS6L
TOKYO BRANCH	Marunouchi Trust Tower Main 7 th Floor, 1-8-3 Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan e-mail:chbtk@nyc.odn.ne.jp	Tel: 81-3-32128888 Fax:81-3-32128891	CCBCJPJT
LONDON BRANCH	Level 6, City Tower, 40 Basinghall Street, London EC2V 5DE, United Kingdom e-mail:changhwa@chblondon.com	Tel: 44-20-76006600 Fax:44-20-76003227 44-20-72566541	CCBCGB2L
HONG KONG BRANCH	1401, Tower II, The Gateway, 25 Canton Rd., Tsimshatsui, Kowloon, Hong Kong e-mail:chbhk@chb.com.hk	Tel: 852-29561212 Fax:852-29561898 852-29563652 852-29562588	CCBCHKHH
SINGAPORE BRANCH	1 Finlayson Green #08-00 Singapore 049246 e-mail:chbsg@singnet.com.sg	Tel: 65-65320820 Fax:65-65320374	CCBCSGSG
KUNSHAN BRANCH	1F&2F, Tower A, 88 Hei Long Jiang North Rd., Kunshan City, Jiangsu Province, P.R.C. e-mail:chbks@chb.com.tw	Tel: 86-512-57367576 Fax:86-512-57325778	CCBCCNBK
KUNSHAN HUAQIAO SUB-BRANCH	NO.538, Shangyin Rd., Huaqiao Town Kunshan City, Jiangsu Province, P.R.C. e-mail:chb2057@chb.com.tw	Tel: 86-512-36690188 Fax:86-512-36690199	CCBCCNBK205
DONGGUAN BRANCH	Room 801, TBA Tower1, No.11, Dongguan Boulevard, Dong Cheng District, Dongguan City, Guangdong Province, P.R.C. e-mail:chbdg@chb.com.tw	Tel: 86-769-23660101 Fax: 86-769-22883582	CCBCCNBB
FUZHOU BRANCH	No.4.5 14F, 128-1, Wusi Road, Fuzhou, Fujian Province, P.R.C. e-mail: chbfz@chb.com.tw	Tel:86-591-86211320 Fax:86-591-86211330	CCBCCNBF

Chang Hwa Commercial Bank, Ltd.

Chairman

A handwritten signature in black ink, reading "Ming-Shaw Chang". The signature is written in a cursive style with a horizontal line through the middle of the characters.